NORTHROP GRUMMAN CORP /DE/
Form 11-K
June 29, 2007

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 11-K

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2006
OR

o **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________ .
Commission file number: 1-16411

A. Full title of the plan and address of the plan, if different from that of the issuer named below:

NEWPORT NEWS SHIPBUILDING
SAVINGS (401(k)) PLAN FOR
UNION ELIGIBLE EMPLOYEES

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

NORTHROP GRUMMAN CORPORATION
1840 Century Park East
Los Angeles, California 90067

Newport News Shipbuilding
Savings (401(k)) Plan For
Union Eligible Employees

Financial Statements as of December 31, 2006 and 2005,
And for the Year Ended December 31, 2006, and
Supplemental Schedule as of December 31, 2006 and
Report of Independent Registered Public Accounting Firm

NEWPORT NEWS SHIPBUILDING
SAVINGS (401(k)) PLAN FOR UNION ELIGIBLE EMPLOYEES
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NOTE: Schedules required by Section 2520.103-10 of the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because of the absence of conditions under which they are required.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Benefit Plan Administrative Committee of the
Newport News Shipbuilding Savings
(401(k)) Plan for Union Eligible Employees:

We have audited the accompanying statements of net assets available for plan benefits of the Newport News Shipbuilding Savings (401(k)) Plan for Union Eligible Employees as of December 31, 2006 and 2005, and the related statement of changes in net assets available for plan benefits for the year ended December 31, 2006. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of the Plan as of December 31, 2006 and 2005, and the changes in net assets available for plan benefits for the year ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2006 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This schedule is the responsibility of the Plan s management. Such schedule has been subjected to the auditing procedures applied in our audit of the basic 2006 financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ DELOITTE & TOUCHE LLP
Los Angeles, California
June 26, 2007

NEWPORT NEWS SHIPBUILDING
SAVINGS (401(k)) PLAN FOR UNION ELIGIBLE EMPLOYEES
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
AS OF DECEMBER 31, 2006 AND 2005

	2006	2005
ASSETS:		
Investments, at fair value:		
Registered investment company funds	$ 53,390,074	$ 39,545,965
Common/collective trust funds	14,013,360	11,709,513
Loans receivable from participants	5,101,887	3,614,595
Northrop Grumman Corporation common stock fund	1,214,123	694,880
Total investments	73,719,444	55,564,953
Receivables:		
Participant contributions	184,938	
Employer contributions	75,049	
Total investments	259,987	
Total assets	73,979,431	55,564,953
LIABILITIES:		
Accrued expenses		38,464
NET ASSETS AVAILABLE FOR BENEFITS	$ 73,979,431	$ 55,526,489

See notes to financial statements.

NEWPORT NEWS SHIPBUILDING
SAVINGS (401(k)) PLAN FOR UNION ELIGIBLE EMPLOYEES
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2006

INVESTMENT INCOME:	
Net appreciation in fair value of investments	$ 4,860,273
Dividends and interest	1,710,791
Total investment income	6,571,064
CONTRIBUTIONS:	
Participant	10,990,756
Employer	4,226,001
Total contributions	15,216,757
Total additions	21,787,821
DEDUCTIONS:	
Benefits paid to participants	(3,284,397)
Administrative expenses	(50,482)
Total deductions	(3,334,879)
INCREASE IN NET ASSETS	18,452,942
NET ASSETS AVAILABLE FOR BENEFITS:	
Beginning of year	55,526,489
End of year	$ 73,979,431

See notes to financial statements.

NEWPORT NEWS SHIPBUILDING
SAVINGS (401(k)) PLAN FOR UNION ELIGIBLE EMPLOYEES
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2006 AND 2005, AND FOR THE YEAR ENDED DECEMBER 31, 2006

1. DESCRIPTION OF THE PLAN

The following description of the Newport News Shipbuilding Savings (401(k)) Plan for Union Eligible Employees (the Plan) provides only general information. Participants should refer to the plan document for a more complete description of the Plan s provisions. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

General The Plan was established by Newport News Shipbuilding, Inc. (the Company or NNS), effective July 26, 1999, as a defined contribution 401(k) plan that provides for tax-deferred savings. Effective June 7, 2004, the Plan was amended to add a company match feature. On November 7, 2001, the Company was acquired by and became a wholly-owned subsidiary of Northrop Grumman Corporation (NGC), and it became a member of the NGC controlled group (the Controlled Group). Effective October 1, 2005, the Plan was amended to become a profit-sharing plan with both a defined contribution 401(k) plan and an employee stock ownership plan (ESOP) that provides for tax-deferred savings. All of the Plan s investments are participant-directed. Both the savings and the ESOP features are reported within the Plan s financial statements. The Benefit Plan Administrative Committee of NGC controls and manages the operation and administration of the Plan.

Eligibility All union employees of the Company with at least 90 days of continuous service are eligible to participate in the Plan.

Contributions Plan participants may contribute between 1 percent and 30 percent of eligible compensation, on a tax-deferred (pre-tax) basis through payroll withholdings. An active participant may change the percentage of his or her contributions at any time. The Company makes employer matching contributions to the Plan for participants covered under the terms of the Basic Labor Agreement between the Company and the United Steelworkers of America and its Local 8888, the International Union, Security, Police, and Fire Professionals of America and its Amalgamated Local No. 451 and the International Association of Fire Fighters and its Local I-45 (the Basic Labor Agreement). Such employer matching contributions are 100 percent of the first 2 percent of the participant s pre-tax contributions and 50 percent of the next 2 percent of the participant s pre-tax contributions for the year ended December 31, 2006. Additional matching contributions will be effective for payroll periods beginning on September 24, 2007 in accordance with the Basic Labor Agreement. All Plan contributions are subject to the limitations prescribed by the Internal Revenue Code of 1986, as amended (the Code).

Participant Accounts Each participant s account is credited with the participant s contribution, any employer matching contributions, an allocation of the Plan s earnings or losses, and charged with withdrawals and an allocation of administrative expenses borne by the Plan. Allocations are based on the participant s account balance, as defined in the plan document. The benefit to which a participant is entitled is that which can be provided from the participant s vested account.

Vesting Plan participants are immediately 100 percent vested in their own contributions. Employer matching contributions will become 100 percent vested upon the earlier of either the participant s attainment of two years of credited service as defined in the plan document or normal retirement age (age 62). Full vesting of employer matching contributions also occurs upon termination of employment within the Controlled Group due to death, total disability or a reduction in force as defined in the Basic Labor Agreement.

Investment Options Upon enrollment in the Plan, participants may direct their contributions in 1 percent increments to any of the 12 investment options described in the plan document. Participants may change their investment options on a daily basis.

Participant Loans Participants may borrow from their fund accounts with loans of a minimum of $500 up to a maximum of 50 percent of their vested account balance or $50,000. Loan terms range from one to four and one half years, are secured by the assignment of the participant s vested interest in the Plan, and bear interest at a rate of prime plus 1 percent. Repayments are made through payroll deductions (for active employees) or other forms of payment (for former employees or employees on a leave of absence).

Payment of Benefits Distributions are generally made in a single lump sum payment as soon as practicable following termination of service, including layoff. However, a terminated participant under the age of 62 whose vested account balance exceeds $1,000 must consent to the distribution of his or her account balance prior to the date the participant attains age 62. Interests in the Northrop Grumman common stock fund will be distributed in accordance with the ESOP.

Withdrawals A participant may withdraw all or a portion of his or her vested account balance (net of loans outstanding) for any reason after reaching age 59 $^{1}/2$ or if the participant is totally disabled. Such withdrawals can be made only once a year.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Risks and Uncertainties The Plan utilizes various investment instruments, including registered investment company funds, common/collective trust funds, corporate securities and short-term investment funds. Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk and overall market volatility. Due to the level of risk associated with certain investment securities, changes in the values of investment securities may occur in the near term and such changes could materially affect the amounts reported in the financial statements.

Investment Valuation and Income Recognition The Plan s investments are stated at fair value as determined by Wachovia National Bank (Wachovia), the Plan s Trustee. The shares of registered investment company funds are valued at quoted market prices that represent the net asset values of shares held by the Plan at year end. Investments in common/collective trust funds are valued based on the redemption price of units owned by the Plan, which is based on the current fair value of the funds underlying assets. Securities traded on a national securities exchange, including investments in common and preferred stock, are valued at their quoted market prices at the end of the plan year. Securities that have no quoted market price are presented at their estimated fair values. Participant loans are valued at the outstanding balances, which approximate fair value.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on an accrual basis. Dividends are recorded on the ex-dividend date. Brokerage commissions, transfer taxes and other charges and expenses incurred in connection with the purchase, sale or other disposition of a security are added to the cost of the security or deducted from the proceeds of the sale or other disposition thereof, as appropriate.

Expenses Administrative expenses of the Plan may be paid by the Plan, the Company or NGC as provided in the Plan document. Expenses incidental to the operation and management of the Plan are paid by the Plan, the Company or NGC. Investment management and similar fees directly related to the participants investment return on amounts invested in the various investment funds are paid by the Plan.

Payment of Benefits Benefits are recorded upon distribution. Amounts allocated to accounts of persons who have elected to withdraw from the Plan but have not yet been paid were $2,632 at December 31, 2005 and these amounts continued to accrue income due to the participants until paid. No such amounts were owed to withdrawing participants at December 31, 2006.

3. INVESTMENTS

The Plan s investments that represented 5 percent or more of the Plan s net assets available for benefits as of December 31, are as follows:

	2006	2005
Evergreen U.S. Treasury Money Market Fund	$22,849,285	$17,038,678
Enhanced Stock Market Fund of Wachovia	14,013,360	11,709,513
Dodge & Cox Stock Fund	6,443,611	3,836,631
American Europacific Growth Fund	4,495,845	**
Fidelity U.S. Bond Index Fund	4,435,679	4,206,934
Janus Mid Cap Value Fund	4,314,802	3,164,892
Evergreen Omega Fund	**	3,050,084

**Investment value did not exceed 5 percent of net assets available for benefits at Plan year end.

The net appreciation in fair value of investments (including investments bought and sold, as well as held during the year) for the year ended December 31, 2006, is as follows:

Registered investment company funds	$ 2,752,787
Common/collective trust funds	2,007,077
Northrop Grumman Corporation common stock fund	100,409
Net appreciation in fair value of investments	$ 4,860,273

4. EXEMPT PARTY-IN-INTEREST TRANSACTIONS

Certain Plan investments are shares of the Northrop Grumman Corporation common stock fund, which holds shares of NGC common stock. A significant decline in the market value of NGC s common stock would significantly affect the net assets available for benefits. NGC is the Plan Sponsor as defined by the Plan and, therefore, these transactions qualify as party-in-interest.

Certain Plan investments are shares of a common/collective trust fund managed by Wachovia and, therefore, these transactions also qualify as party-in-interest transactions. The Plan paid $43,426 to the Trustee in fees for the year ended December 31, 2006. In Plan management s opinion, fees paid during the year for services rendered by parties-in-interest were based upon customary and reasonable rates for such services.

5. PLAN TERMINATION

Although it has not expressed an intention to do so, the Company has the right under the Plan to discontinue its contributions at any time and terminate the Plan subject to the provisions of ERISA. In the event of the Plan s termination, participants become 100 percent vested in their accounts.

6. FEDERAL INCOME TAX STATUS

The Plan obtained its latest determination letter, dated September 9, 2003, in which the Internal Revenue Service determined that the Plan terms at the time of the determination letter application were in compliance with the applicable sections of the Code and, therefore, the related trust is exempt from taxation. The Plan has been amended since receiving the determination letter. Although the amendments have not yet been filed for a favorable determination letter, management will make any changes necessary to maintain the Plan s qualified status. Management believes that the Plan and related trust are currently designed and being operated in compliance with the applicable requirements of the Code. Therefore, no provision for income taxes has been included in the Plan s financial statements.

7. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for Plan benefits per the financial statements to Form 5500 as of December 31:

	2006	2005
Net assets available for benefits per the financial statements	$ 73,979,431	$ 55,526,489
Less: Amounts allocated to withdrawing participants		(2,632)
Net assets available for benefits per the Form 5500	$ 73,979,431	$ 55,523,857

There were no amounts allocated to withdrawing participants as of December 31, 2006. Amounts allocated to withdrawing participants are recorded on Form 5500 for benefit claims that have been processed and approved for payment prior to December 31, 2005, but not yet paid as of that date.

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NEWPORT NEWS SHIPBUILDING
SAVINGS (401(k)) PLAN FOR UNION ELIGIBLE EMPLOYEES
FORM 5500, SCHEDULE H, PART IV, LINE 4i
SCHEDULE OF ASSETS (HELD AT END OF YEAR)
AS OF DECEMBER 31, 2006

	(b) Identity of Issuer, Borrower, Lessor or Similar Party	(c) Description of Investment	(d) Cost	(e) Current Value
Registered Investment Company Funds				
*	Evergreen Treasury Money Market	U.S. Treasury Money Market Fund	**	$ 22,849,285
	Dodge and Cox Stock Fund	Stock Fund	**	6,443,611
	American Europacific Growth Fund	Europacific Growth Fund	**	4,495,845
	Fidelity U.S. Bond Index	U.S. Bond Index Fund	**	4,435,679
	Janus Mid Cap Value Fund	Mid Cap Value Fund	**	4,314,802
*	Evergreen Omega Fund	Omega Fund	**	3,252,362
	Morgan Stanley Institutional Fund Trust	Institutional Small Cap Value Fund	**	2,675,055
	Van Kampen Equity and Income Fund	Equity and Income Fund	**	2,273,465
*	Evergreen U.S. Government Fund	U.S. Government Fund	**	1,523,588
	Van Kampen Strategic Growth Fund	Emerging Growth Fund	**	1,126,382
				53,390,074
Common/Collective Trust Funds				
*	Enhanced Stock Market Fund of Wachovia	Enhanced Stock Market Fund	**	14,013,360
Loans Receivable from Participants				
	Plan participants	Participant loans (maturing 2007 to 2011 at interest rates ranging from 5 percent to 10.5 percent)	**	5,101,887
Northrop Grumman Common Stock Fund				
*	**Northrop Grumman Corporation**	71,716 shares of NGC common stock	**	1,214,123
	Total assets			$ 73,719,444

* Party-in-interest

** Cost information is not required for participant-directed investments and loans, and therefore is not included.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

NEWPORT NEWS SHIPBUILDING SAVINGS (401(k)) PLAN
FOR UNION ELIGIBLE EMPLOYEES

By: /S/ Ian Ziskin

Dated: June 29, 2007

Ian Ziskin
Chairman, Benefit Plan Administrative Committee