EASTLANDS (BENEFITS ADMINISTRATION) LIMITED

DIRECTORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2007

Eastlands

Company Registered Number: 3615517

EASTLANDS (BENEFITS ADMINISTRATION) LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

EASTLANDS (BENEFITS ADMINISTRATION) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2007

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2007

Principal Activity

The Company's principal activity during the period ended 31 March 2007 was the provision of pension administration and accounting services to the Trustees of the National Grid UK Pension Scheme (formerly the Lattice Group Pension Scheme)

Review Of The Business

The biggest challenge during the year was going live with the new Scheme rules, new systems and procedures to meet the changes in legislation brought about by the Finance Act 2004, which were implemented from 6 April 2006 Due to comprehensive planning and thorough staff training, the changeover went smoothly with further work taking place during the year to bed in and improve these systems and procedures Two major new projects commenced during the year In the first of these, Eastlands agreed to act as a pilot site for the new "Altair" pensions administration computer system, in partnership with its software supplier, Heywood Limited The second project is the development of a secure member self-service Internet site for the National Grid UK Pension Scheme (Defined Benefit Section)

The rate of staff turnover increased to 13% during the year but this has now been addressed by reviewing salaries in line with National Grid's Staff Reward Framework Staff development continued to feature as a priority with a high rate of examination success and, following an inspection, Eastlands was successfully recognised as continuing to meet the prestigious Investor in People (IIP) standard

Financial Risk Management

The main financial risks that the Company is exposed to and its management policies for those risks are

Interest rate risk There is no interest rate risk as the immediate controlling undertaking, as part of a group banking arrangement, manages the Company's funding Under this arrangement Eastlands is provided with sufficient cash to meet its short-term requirements, which are monitored by the central treasury function on a daily basis This process does not give rise to interest payable or receivable

Credit risk There is no significant credit risk as most of the Company's income is received from the National Grid UK Pension Scheme, which is sponsored by Eastlands' ultimate controlling undertaking

Liquidity and cash flow risk It is the policy of the ultimate parent undertaking to ensure that Eastlands is at all times in a position to meet its liabilities for the foreseeable future and in any event for a period of not less than one year

Fair value of financial instruments The Directors consider that there is no difference between the carrying value and fair value of financial instruments, which consist of trade debtors and creditors, amounts owed to group companies and cash

Results and Dividends

The Company's result for the period under review was a profit after tax of £19,139 (£28,098 loss in 2006) No dividend has been declared or is proposed (2006 – nil)

EASTLANDS (BENEFITS ADMINISTRATION) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2007

Financial Position

The financial position of the Company is presented in the balance sheet Equity shareholders' funds at 31 March 2007 were £408,412 (2006 -£385,510) comprising tangible fixed assets of £159,763 (2006 £145,285), net current assets of £248,649 (2006 £530,795 net current liabilities)

Directors

The Directors of the company who held office during the year and subsequent to the year end were

J S Lovell (resigned 19 September 2007)

In addition, the following directors served for part of the year and/or subsequent to the year end as indicated

M Hurt (resigned 31 October 2006)
D Wilson (appointed 1 November 2006)
M Noble (appointed 20 September 2007)

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

The Directors are required by the UK Companies Act 1985 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of its profit or loss for that financial period

In preparing these financial statements the Directors consider that the Company has selected suitable accounting policies that have been applied consistently and are supported by reasonable and prudent judgments and estimates The Directors further consider that all accounting standards they consider applicable have been followed Finally, the Directors consider that it is appropriate to have prepared the accounts on the going concern basis

The Directors are responsible for ensuring that the Company keeps proper accounting records that 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 1985

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and for taking reasonable steps to prevent and detect fraud and other irregularities

The Directors, having prepared the financial statements, have requested the auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their report

Directors' Indemnities and Insurance

National Grid plc indemnifies officers of subsidiary companies against liabilities arising from the conduct of the Group's business, to the extent permitted by law, by the placing of Directors' and Officers' insurance The insurance indemnifies individual Directors' and Officers' personal legal liability and cost for claims arising out of actions taken in connection with Group business.

Transactions With Directors

None of the Directors had a material interest in any contract of significance to which the Company was a party or made any transaction, arrangement or agreement within the provisions of Schedule 6 to the Companies Act 1985, during the year

EASTLANDS (BENEFITS ADMINISTRATION) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2007

Policy And Practice On Payment of Creditors

It is the Company's policy to agree the terms of payment at the start of business with each supplier, ensure that suppliers are aware of the terms of payment, and to pay in accordance with contractual and other legal obligations

Audit information

So far as the Directors in office at the date of the signing of this report are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the Company's auditors are unaware and each such director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue as auditors of the Company and to remain in office until the next Annual General Meeting of the Company at which accounts are laid

Ultimate parent company

The ultimate parent company is National Grid plc, which is registered in England and Wales and consolidates the accounts of the Company Copies of the consolidated accounts of National Grid may be obtained from 1-3 Strand, London WC2N 5EH

By order of the Board

Mark Noble
Director

6th December 2007

Eastlands (Benefits Administration) Limited
Company No 3615517
Registered office 1-3 Strand, London WC2N 5EH

EASTLANDS (BENEFITS ADMINISTRATION) LIMITED
INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF EASTLANDS (BENEFITS ADMINISTRATION) LIMITED

We have audited the financial statements of Eastlands (Benefits Administration) Limited for the year ended 31 March 2007 which comprise the Profit and Loss account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of Directors and auditors
The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Directors responsibilities section of the Directors' Report

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

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 In addition we 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 other transactions 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 March 2007 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

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
Date 11 December 2007

EASTLANDS (BENEFITS ADMINISTRATION) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2007

	Notes	2007 £	2006 £
Turnover		**2,673,177**	2,659,750
Operating Costs			
Operating costs	4	**(2,673,177)**	(2,728,590)
Profit/(Loss) on ordinary activities before taxation		**-**	(68,840)
Taxation	5	**19,139**	40,742
Profit/(Loss) on ordinary activities after taxation		**19,139**	(28,098)

The results reported above relate to continuing activities

There are no material differences between the loss on ordinary activities before and after taxation for the year stated above and their historical cost equivalents

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 MARCH 2007

	2007 £	2006 £
Profit/(Loss) for the year after taxation	**19,139**	**(28,089)**
Total recognised gains and losses relating to the year	**19,139**	**(28,098)**
Prior year adjustment (see Note 2)	-	28,860
Total recognised gains and losses recognised since last annual report	**19,139**	**762**

The notes on pages 8 to 18 form part of these accounts

EASTLANDS (BENEFITS ADMINISTRATION) LIMITED

BALANCE SHEET

AS AT 31 MARCH 2007

	Notes	2007 £	2006 £
Tangible fixed assets	8	159,763	145,285
Current assets			
Debtors amounts falling due within one year	9	694,278	546,492
Debtors amounts falling due after more than one year	9	14,852	25,314
Cash at bank and in hand		11,885	5,637
		721,015	577,443
Creditors: amounts falling due within one year	10	(472,366)	(1,108,238)
Net current assets/(liabilities)		248,649	(530,795)
Total assets less current liabilities		408,412	(385,510)
Net assets employed		408,412	(385,510)
Capital and reserves			
Called up share capital	12	765,526	2
Profit and loss account	14	(357,114)	(385,512)
Equity shareholders' funds		408,412	(385,510)

The financial statements on pages 6 to 18 were approved by the Board of Directors and were signed on its behalf by

Denise Wilson
Director

Date 6th December 2007

EASTLANDS (BENEFITS ADMINISTRATION) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

1. Accounting policies

a) Basis of preparation

These financial statements have been prepared on the going concern basis in accordance with applicable UK accounting and financial reporting standards and the Companies Act 1985 These financial statements have been prepared using the historical cost convention and in accordance with the accounting policies set out below

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates

The Company has taken the exemption from preparing a cash flow statement under the terms of FRS1 (revised 1996) 'Cash flow statements'

b) Tangible fixed assets and depreciation

Tangible fixed assets are included in the balance sheet at their cost less accumulated depreciation Cost includes purchase price, delivery and installation costs Depreciation is calculated on a straight-line basis at rates sufficient to write off the historic cost of individual assets over their useful economic lives, which are reviewed on a regular basis Unless otherwise determined by operational requirements, the depreciation periods for office machinery are up to 5 years and furniture and fittings up to 10 years

c) Taxation

Current tax for the current and prior periods is provided at the amount expected to be paid (or recovered) using the tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date

Deferred tax is provided in full on all timing differences which result in an obligation at the balance sheet date to pay more tax, or the right to pay less tax, at a future date, at tax rates expected to apply when the timing differences reverse based on tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

d) Provisions for liabilities and charges

Provision is made for liabilities and charges on the basis of external third party or expert evidence where it is available In some circumstances no such evidence is available and management use their best estimate of likely costs to be incurred

e) Pensions

Substantially all the Company's employees are members of the National Grid UK Pension Scheme The Company's share of the underlying assets and liabilities of the defined benefit section of the scheme cannot be identified separately Consequently, the Company accounts for the scheme as if it were a defined contribution scheme, recognising a charge equivalent to cash paid or payable to the scheme and to the scheme's sponsoring company, Lattice Group plc, a fellow subsidiary undertaking of the Company

1. Accounting policies (continued)

f) Share based payments charges

The Company's ultimate parent company issues equity-settled share-based payments to certain employees of the Company These equity-settled share-based payments are measured at fair value at the date of grant The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will eventually vest, with a corresponding entry to profit and loss account reserves

g) Turnover

Turnover comprises the value of goods and services provided excluding value added tax and other sales taxes

h) Leases

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

2. Adoption of new accounting standards

New financial reporting standards (FRS) and abstracts adopted in 2006/7

UITF Abstract 41, 'Scope of FRS 20 (IFRS 2)' addresses the issue of whether FRS 20 'Share-based payment', applies to transactions in which the entity cannot identify specifically some or all of the goods or services received Implementation of this abstract has not had a material impact on the Company's results or assets and liabilities

New financial reporting standards (FRS) and abstracts not yet adopted

UITF Abstract 44, 'FRS 20 (IFRS 2) – Group and treasury share transactions' provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for instance, options over a parent's shares) should be accounted for as equity-settled or cash-settled Implementation of this abstract is not expected to have a material impact on the Company's results or assets and liabilities

Adoption of Financial Reporting Standard (FRS) 20 in 2005/6

During the year 2005/6 the Company adopted FRS 20 'Share-Based Payment' The adoption of this standard constituted a change in accounting policy Therefore, the impact was reflected as a prior year adjustment in accordance with Financial Reporting Standard 3

For the year ended 31 March 2006, the adoption of FRS20 changed the result on ordinary activities before tax by £12,085 The effect of the adoption of FRS 20 on the prior year comparative was as follows

The prior year adjustment recorded in the Statement of Total Recognised Gains and Losses reflected the cumulative profit and loss impact of FRS 20 at 31 March 2005 of £28,860 before tax The corresponding entry to the pre-tax FRS 20 charge was recorded through the profit and loss account reserve

EASTLANDS (BENEFITS ADMINISTRATION) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

3. Directors and employees

a) Directors' remuneration

The emoluments of the Directors are not paid to them in their capacity as Directors of the Company and are payable for services wholly attributable to other Group undertakings Accordingly, no details in respect of their emoluments have been included in these financial statements

b) Employee Costs

	2007 £	2006 £
Wages and salaries	**873,179**	864,887
Social security costs	**86,951**	83,187
Pension costs	**222,213**	169,744
Short Term Incentive Scheme (note d below)	**55,639**	46,840
	1,237,982	1,164,658

c) Average number of employees during the period

The average number of employees during the year ended 31 March 2007 was 31 (2005/06 31 employees)

d) Short Term Incentive Schemes

With effect from April 2003 Eastlands participated in the National Grid plc Short Term Incentive Scheme The charge to Eastlands (Benefits Administration) Limited during 2006/07 for participation in this scheme was £55,639 (2005/06 £46,840)

4. Operating costs

	2007 £	2006 £
Operating costs include		
Audit fees	**16,062**	15,445

Disclosure of non-audit fees is not required, as these have been disclosed in the consolidated financial statements of National Grid plc

EASTLANDS (BENEFITS ADMINISTRATION) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

5. Taxation

	2007 £	2006 £
Current tax		
UK - current corporation tax at 30%	**(2,668)**	153,261
Adjustments in respect of prior periods	**32,269**	5,527
Total current tax	**29,601**	158,788
Deferred tax		
Origination and reversal of timing differences	**(10,462)**	(116,097)
Adjustments in respect of prior periods	**-**	(1,949)
Total deferred tax	**(10,462)**	(118,046)
Tax on profit/(loss) on ordinary activities	**19,139**	40,742

The tax assessed for the period is higher/lower than the standard rate of corporation tax in the UK (30%) The differences are explained below

	2007 £	2006 £
Loss on ordinary activities before tax	**-**	(68,840)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	-	20,652
Effects on		
Expenses not deductible for tax purposes	**(2,668)**	11,059
Accelerated capital allowances and other timing differences	-	121,550
Prior year	**32,269**	5,527
Current tax relief for the year	**29,601**	158,788

Factors that may affect future tax charges

The UK rate of corporation tax is expected to decrease from the current rate of 30% to 28% in 2008/09 as well as changes to the capital allowances regime We are in the process of evaluating the impact these changes will have on future tax charges

6. Pensions

As at 31 March 2007, 19 employees were members of the defined benefit section of the National Grid UK Pension Scheme

The Scheme provides final salary defined benefits for employees who joined prior to 1 April 2002 and defined contribution benefits for employees joining from 1 April 2002 The Scheme is funded with assets held in a separate trustee administered fund It is subject to independent valuations at least every three years, on the basis of which the qualified actuary certifies the rate of employers' contribution, which, together with the specified contributions payable by the employees and proceeds from the scheme's assets, are expected to be sufficient to fund the benefits payable under the Scheme

The latest full actuarial valuation was carried out by Watson Wyatt LLP at 31 March 2006 The aggregate market value of the Scheme's assets was £12,743m and the value of the assets represented approximately 97% of the actuarial value of benefits due to members, calculated on the basis of pensionable earnings and service at 31 March 2006 on an ongoing basis and allowing for projected increases in pensionable earnings There was a funding deficit of £371m on the valuation date The results of the actuarial valuation carried out at 31 March 2006 showed that, based on long-term financial assumptions, the contribution rate required to meet future benefit accrual was 32% of pensionable earnings (29% employers and 3% employees) The ongoing contribution rate does not include an allowance for administration expenses These contributions are reviewed annually From 1 April 2007 the rate used for the recovery of administration costs was 3 7% of salary The Company is, therefore, paying a total contribution rate of 32 7%

In line with the agreement made after the 2003 valuation, no funding of the deficit identified in the 2006 actuarial valuation will need to be provided to the Scheme until the outcome of the actuarial valuation at 31 March 2007 is known At this point, National Grid plc will pay the gross amount of any deficit up to a maximum amount of £520m (£364m net of tax) into the Scheme. The Company's share of these payments would be £0 21m (£0 15m net of tax) Until the 31 March 2007 actuarial valuation has been completed, National Grid plc has arranged for banks to provide the trustees of the Scheme with letters of credit The main conditions under which these letters of credit could be drawn relate to events which would imperil the interests of the Scheme, such as National Grid Gas plc becoming insolvent or National Grid plc failing to make agreed payments into the Scheme

The Company accounts for the scheme as if it were a defined contribution scheme, as its share of the underlying assets and liabilities of the scheme cannot be identified separately The total charge for the year ended 31 March 2007 was £203,038 (2006 £153,935)

Prepaid pension contributions at 31 March 2007 were £1,500 (2006 £1,500)

The fair value of liabilities and assets of the whole scheme are recognised in the consolidated financial statements of National Grid plc (the Company's ultimate parent company) in accordance with International Accounting Standard 19 'Employee Benefits' The fair value of liabilities and assets of the whole scheme at 31 March 2007 and 2006, calculated in accordance with Financial Reporting Standard 17 'Retirement Benefits', are set out below

	2007	**2006**
	£m	**£m**
Present value of defined benefit obligations	**(12,778)**	(13,211)
Fair value of plan assets	**12,865**	12,739
Asset/(liability) recognised in the consolidated financial statements of National Grid plc	**87**	(472)

6. Pensions (continued)

The principal benefits of the Scheme are

Normal retirement age of 65, with the option to retire from 60 with no actuarial reduction Early retirement, with Company consent and five years service, from age 55 with no actuarial reduction Pension payments are increased in line with price inflation A dependant's pension is payable on death in service, equal to two-thirds of that payable based on potential service to age 65

The defined benefit section of the National Grid UK Pension Scheme was closed to new entrants on 1 April 2002, since when new employees have been entitled to join the defined contribution section As at 31 March 2007 19 employees were members of the defined contribution section of the National Grid UK Pension Scheme Members can choose to pay 2%, 3%, or 4% of benefit salary From 1 April 2006 an additional tier was added to allow members to contribute 5% of benefit salary Depending on the level of contributions chosen by the member, Eastlands will pay 4%, 6%, 8% or 10% respectively In addition to this the company pays 1 5% of the members pensionable salary to cover risk benefits This rate has applied since November 2006 Prior to that date, the rate was 2 5% of benefit salary

7. Share based payment charges

Under UK GAAP, a charge is made to the profit and loss account based on the fair value of grants in accordance with FRS 20 'Share-based Payment' All share awards are equity settled

The charge to the profit and loss account for the year ended 31 March 2007 was £8,949 (2005/6 £9,911) The charge relates to share awards made by the Company's ultimate parent company National Grid plc ('National Grid')

Awards under share option plans

The average share prices at the date of options being granted during each of the financial years ended 31 March were as follows

	2007	2006
Where the exercise price is less than the market price at the date of grant	746.0p	569 0p

The average exercise prices of the options granted during each of the financial years ended 31 March were as follows

	2007	2006
Where the exercise price is less than the market price at the date of grant	558.0p	434 0p

The average fair values of the options granted during each of the financial years ended 31 March were as follows

	2007	2006
Where the exercise price is less than the market price at the date of grant	166.0p	126 0p

7. Share based payment charges (continued)

The fair values of the options granted were estimated using the following principal assumptions

	2007	2006
Dividend yield (%)	4.5	4 5
Volatility (%)	15.6 - 18.9	15 6-18 9
Risk-free investment rate (%)	4.2	4 2
Average life (years)	3.9	3 6

The fair values of awards under the Sharesave scheme have been calculated using the Black-Scholes model This is considered appropriate given the short exercise window of the Sharesave options

Volatility has been derived based on the following
a) implied volatility in traded options over National Grid shares,
b) historical volatility of National Grid shares from October 2002 (the date of the merger of National Grid Group plc and Lattice Group plc), and
c) implied volatility of comparator companies where options in their shares are traded

Volatility is assumed to revert from its current implied level to its long run mean, based on historical volatility under (b) above

8. Tangible Fixed Assets

	Office Machinery (Computers) £	Furniture & Fittings £	Total £
Cost:			
At 1 April 2006	151,717	85,071	236,788
Additions	46,810	2,828	49,638
Disposals	(77)	-	(77)
Revaluations	310	-	310
At 31 March 2007	198,760	87,899	286,659
Depreciation:			
At 1 April 2006	(86,961)	(4,542)	(91,503)
Charge for year	(26,752)	(8,718)	(35,470)
Disposals	77	-	77
At 31 March 2007	(113,636)	(13,260)	(126,896)
Net Book Value:			
At 1 April 2006	64,756	80,529	145,285
At 31 March 2007	**85,124**	**74,639**	**159,763**

EASTLANDS (BENEFITS ADMINISTRATION) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

9. Debtors: amounts falling due within one year

	2007 £	2006 £
Trade debtors	**204,738**	117,182
Amounts owed from group undertakings	**37,047**	-
Group tax relief receivable	**361,449**	331,848
VAT debtor	**41,369**	20,328
Other debtors	**2,653**	2,624
Prepayments and accrued income	**47,022**	74,510
	694,278	546,492

Debtors: amounts falling due after more than one year

	2007 £	2006 £
Deferred tax debtor (note 11)	**14,852**	25,314

The whole of the above amount relates to capital allowances

10. Creditors: amounts falling due within one year

	2007 £	2006 £
Trade creditors	**68,272**	32,706
Group tax relief payable	**127,491**	127,491
Amounts owed to group undertakings	**58,567**	500,454
Other creditors	**73,251**	253,274
Taxation and social security	**22,730**	24,755
Accruals and deferred income	**122,055**	169,558
	472,366	1,108,238

EASTLANDS (BENEFITS ADMINISTRATION) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

11. Deferred Taxation

	2007 £	2006 £
Accelerated capital allowances	14,852	25,314
Deferred tax asset/(liability)	14,852	25,314

Deferred tax Asset/(liability) provided at 1 April 2006	25,314
Charged/(credited) to profit and loss account (note 5)	(10,462)
At 31 March 2007	14,852

The deferred tax asset is recognised within debtors (see note 9)

12. Called up share capital

	2007		2006	
	Number	**£**	**Number**	**£**
Authorised				
Ordinary shares of £1 each	**800,000**	**800,000**	100	2
Allotted, called up and fully paid				
Ordinary shares of £1 each	765,526	765,526	100	2

Due to a change in Group Strategy in 2002 Eastlands was instructed to change focus and concentrate all activities on providing services to the trustees of the then Lattice Group Pension Scheme (the Scheme) The arrangement is to continue to provide these services at cost

The work Eastlands previously carried out for third parties and for other parts of the Group generated a profit, which was used to reduce the loan account balance with other Group companies On direction from the Group, this work ceased and all contracts were exited over a two-year period

The loss of profit generating activities meant that Eastlands was unable to reduce the loan balance any further, which was unlikely to change under current arrangements

The Directors approached the parent and a decision was made to increase the shareholdings in Eastlands The increase in issued share capital during the year provided sufficient funding to eliminate the Group loan balances as at 31 March 2006

13. Share option schemes

National Grid plc operates three principal forms of share option and award plans They are an employee Sharesave scheme, a Performance Share Plan (PSP) and the Deferred Share Plan

In any 10-year period, the maximum number of shares that may be issued or issuable pursuant to the exercise of options under all of the share option plans may not exceed the number of shares representing 10% of the issued ordinary share capital

The Sharesave scheme is savings-related where, under normal circumstances, share options are exercisable on completion of a three and/or five year Save-As-You-Earn contract The exercise price of options granted represents 80% of the market price at the date the option was granted

The Company participates in the Group employee Sharesave scheme only

Movements in options to subscribe for ordinary shares under the Sharesave scheme and their weighted average exercise price are shown below

	Weighted average price £	Number
At 31 March 2005	3 31	42,360
Granted	4 34	8,018
Exercised	3 31	(17,472)
At 31 March 2006	3 57	32,906
Granted	5 58	12,286
Forfeited	3 57	(579)
Exercised	3 57	(11,766)
At 31 March 2007	**4.45**	**32,847**

The weighted average remaining contractual life of options in the employee Sharesave scheme at 31 March 2007 was 2 years and 4 months These options have exercise prices between £3 17 and £5 58

14. Reserves

	Profit and loss account £
At 1 April 2006	(385,512)
Retained profit for the year	19,139
Revaluation of fixed asset	310
Share based payment (see note 7)	8,949
At 31 March 2007	**(357,114)**

15. Reconciliation of movement in equity shareholders' funds

	2007 £	2006 £
Profit/(Loss) for the year after taxation	**19,139**	(28,098)
Share based payment (see note 7)	**8,949**	9,911
Share issue	**765,524**	0
Revaluation of fixed asset	**310**	0
Net decrease in equity shareholders' funds	**793,922**	
Opening equity shareholders' funds	**(385,510)**	(367,323)
Closing equity shareholders' funds	408,412	(385,510)

16. Related party transactions and ultimate parent company

The Company is exempt from disclosing transactions with those companies within the National Grid plc group of companies ("the Group") where all of the voting rights are held within the Group There were no related party transactions with companies where not all of the voting rights are held within the National Grid plc group of companies

Eastlands provides administration services to the National Grid UK Pension Scheme, a related party Details of related party transactions for Eastlands are set out below

	2007 £	2006 £
Income receivable from National Grid UK Pension Scheme	**2,456,856**	2,455,082
Charges payable to National Grid UK Pension Scheme	**(20,342)**	(26,927)
Balance owed by/(to) National Grid UK Pension Scheme	**199,637**	116,955

The ultimate parent and controlling company is National Grid plc and the immediate parent company is National Grid Commercial Holdings Limited The largest and smallest groups which include the Company and for which consolidated financial statements are prepared are headed by National Grid plc and National Grid Holdings One plc respectively Both of these companies are registered in England and Wales

Copies of these consolidated financial statements can be obtained from the Company Secretary, National Grid, 1-3 Strand, London WC2N 5EH

17. Financial Commitments

Eastlands has an ongoing operating lease commitment covering a period greater than 5 years relating to its office premises The future amount payable per annum under this commitment is £65,745 (2006/7 £65,745)

Financial Commitments also exist in respect of operating lease agreements for company cars covering a period of less than 5 years The amount payable under existing commitments for the next financial year is £4,250 (2006/7 £13,256)

Eastlands has financial commitments in respect of operating lease agreements for photocopiers covering a period of less than 5 years The maximum future amount payable per annum is £4,526 (2006/7 £4,526)