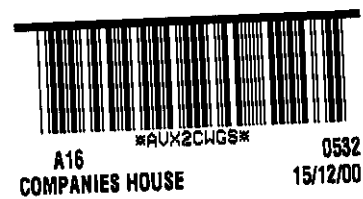


NATIONAL GRID OVERSEAS LIMITED

REPORT OF THE DIRECTORS

AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2000



REGISTERED NUMBER: 2444202

NATIONAL GRID OVERSEAS LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 2000

The directors present their report and the audited financial statements of the company for the year ended 31 March 2000.

PRINCIPAL ACTIVITY

The principal activity of the company is as an investment company.

REVIEW OF THE YEAR

The company has continued to operate as an investment company in line with its policy.

FUTURE DEVELOPMENTS

The company will continue as an investment company for the foreseeable future.

RESULTS AND DIVIDENDS

The profit for the year was £2,394,000 (1999: £7,241,000).

No dividend has been declared for the year (1999: £nil).

DIRECTORS

The directors of the company during the year were:

S J Box

D H Elsey (resigned 15 May 2000)

M D O'Donovan

C J L Spencer (resigned 15 May 2000)

CRA Carter (appointed 15 May 2000)

PN Phillips (appointed 15 May 2000)

NATIONAL GRID OVERSEAS LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 2000 (continued)

DIRECTORS' INTERESTS IN SHARES

The interests of Mr S J Box in group companies are disclosed in the accounts of the ultimate parent company, The National Grid Group plc. The interests of the other directors, shown in the register as maintained by the company in accordance with section 325 of the Companies Act 1985, were as follows:-

Ordinary shares in The National Grid Group plc ("NGG")

Employee sharesave options

	1 April 1999	Granted	Exercised	31 March 2000
D H Elsey	2,850	-	-	2,850
M D O'Donovan	8,041	3,004	4,006	7,039
C J L Spencer	6,286	1,724	4,006	4,004

Executive share options

	1 April 1999	Granted	Exercised	31 March 2000
D H Elsey	97,279	6,853	-	104,132
M D O'Donovan	26,001	1,113	-	27,114
C J L Spencer	24,806	2,098	14,598	12,306

Beneficial interests in shares

	1 April 1999	31 March 2000
D H Elsey	129,457*	130,270*
M D O'Donovan	29,268	34,000
C J L Spencer	13,985	21,040

* Includes shares acquired under the NGG share matching scheme. Subject to retention of the shares acquired in accordance with the rules of the scheme, a matching award of New NGG Ordinary shares would be exercisable by D H Elsey (8,063 shares) in addition to the above.

NATIONAL GRID OVERSEAS LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 2000 (continued)

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.

DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 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 the financial year.

The directors are responsible for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They also have general responsibility for taking reasonable steps to safeguard the assets of the company and for taking reasonable steps to prevent and detect fraud and other irregularities.

The directors consider that in preparing the financial statements, suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used and that applicable accounting and financial reporting standards have been followed and that the statements have been prepared on the going concern basis.

YEAR 2000

The nature and activities of the business are such that it is not dependent on computerised systems and therefore did not experience any Year 2000 date change issues.

NATIONAL GRID OVERSEAS LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 MARCH 2000 (continued)

AUDITORS

The company has taken advantage of the provisions of Section 379A of the Companies Act 1985 that enable a private company to dispense with the requirement to appoint auditors annually. Accordingly, PricewaterhouseCoopers will be deemed to remain in office until further notice.

FOR THE BOARD

REGISTERED OFFICE

15 MARYLEBONE ROAD
LONDON
NW1 5JD



D C Forward
Secretary

22 May 2000



NATIONAL GRID OVERSEAS LIMITED

AUDITOR'S REPORT TO

THE MEMBERS OF NATIONAL GRID OVERSEAS LIMITED

We have audited the financial statements on pages 6 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. We also report to you 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

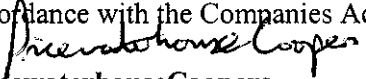
Basis of audit opinion

We conducted our audit in accordance with 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 at 31 March 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants and
Registered Auditors
London
22 May 2000

NATIONAL GRID OVERSEAS LIMITED

PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2000

	Notes	2000 £'000	1999 £'000
Operating costs		(3)	-
Operating loss	3	(3)	-
Exceptional profit on sale of fixed asset investments	4	-	8,164
Income from shares in group undertakings		-	178
Loss on foreign exchange		-	(1,620)
Other interest receivable and similar income		3,424	-
Profit on ordinary activities before taxation		3,421	6,722
Tax on profit on ordinary activities	5	(1,027)	519
Profit on ordinary activities after taxation		2,394	7,241
Profit for the financial year	11	2,394	7,241

The company has no recognised gains and losses other than those stated above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

All figures relate to continuing operations.

NATIONAL GRID OVERSEAS LIMITED

BALANCE SHEET

AT 31 MARCH 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Investments: Shares in group undertakings	6	98,890	98,525
		<hr/>	<hr/>
Current assets			
Debtors	7	134,417	6,419
		<hr/>	<hr/>
		134,417	6,419
Creditors: Amounts falling due within one year	8	(62,313)	(770)
		<hr/>	<hr/>
Net current assets		72,104	5,649
		<hr/>	<hr/>
Total assets less current liabilities		170,994	104,174
		<hr/>	<hr/>
Creditors: Amounts falling due after more than one year	9	(124,377)	(59,951)
		<hr/>	<hr/>
Net assets		46,617	44,223
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	10	-	-
Share premium account	11	36,686	36,686
Profit and loss account	11	9,931	7,537
		<hr/>	<hr/>
Equity shareholders' funds	12	46,617	44,223
		<hr/>	<hr/>

The financial statements on pages 6 to 13 were approved by the board of directors on 22 May 2000 and signed on its behalf by:

M D O'Donovan
Director



NATIONAL GRID OVERSEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000

1 Accounting policies

a) Accounting convention

The financial statements have been prepared under the historical cost convention.

b) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting and financial reporting standards in the United Kingdom.

In accordance with s228 of the Companies Act 1985, the company is exempt from preparing consolidated financial statements, as it is a wholly owned subsidiary of National Grid International Ltd and is included within the consolidated accounts of the National Grid Group plc.

As permitted by Financial Reporting Standard 1 (Revised 1996), no cash flow statement has been presented as the cash flows of the company have been included in the consolidated cash flow statement of The National Grid Group plc.

c) Fixed asset investments

Fixed asset investments are stated at cost less provision for any permanent diminution in value.

d) Foreign currencies

The assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. Exchange gains or losses arising from the retranslation of the investment and foreign currency borrowings are taken to reserves. All other exchange differences arising on transactions are taken to the profit and loss account in the year to which they relate.

2 Directors' emoluments

The emoluments of the directors are paid by a group undertaking and are deemed by them to be wholly attributable to their services to that undertaking. Accordingly, no details in respect of their emoluments have been included in these financial statements.

NATIONAL GRID OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2000

3 Operating loss

	2000	1999
	£'000	£'000
Operating loss is stated after charging:-		
Audit fees	3	-
	<u> </u>	<u> </u>

4 Exceptional profit on sale of fixed asset investment

The exceptional profit arose on the disposal of its investments in The Electricity Transmission Company Limited, NGC Zambia Limited, NGC Indus Limited, National Grid Zambia BV, National Grid Indus BV and National Grid Finance BV.

5 Tax on profit on ordinary activities

	2000	1999
	£'000	£'000
United Kingdom corporation tax at 30% (1999: 31%)	1,027	(519)
	<u> </u>	<u> </u>

The tax charge for the year is based on the profits for the year.

NATIONAL GRID OVERSEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2000

6 Fixed asset investment : Shares in group undertakings

	2000	1999
	£'000	£'000
Cost and net book value		
Opening balance at 1 April	98,525	93,118
Exchange adjustment	365	378
Additions	-	183,936
Disposals	-	(178,907)
	<hr/>	<hr/>
Closing balance at 31 March	98,890	98,525
	<hr/>	<hr/>

The fixed asset investment at 31 March 2000 represents the whole of the ordinary share capital of National Grid Holdings BV, a group undertaking incorporated in the Netherlands. It's principal activity is that of an investment company.

Part of the investment is denominated in US dollars (\$93,975,000). Retranslation at year end rates resulted in an exchange gain of £365,000 which was taken to reserves.

7 Debtors

	2000	1999
	£'000	£'000
Amounts owed by group undertakings	134,417	6,419
	<hr/>	<hr/>

Debtors includes amounts receivable after more than one year of £132,282,000, all of which relates to amounts owed by group undertakings.

NATIONAL GRID OVERSEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2000

8 Creditors: amounts falling due within one year

	2000	1999
	£'000	£'000
Amounts owed to group undertaking	60,859	250
Other creditors including taxation and social security	1,454	520
	<hr/>	<hr/>
	62,313	770
	<hr/>	<hr/>

9 Creditors: amounts falling due after one year

	2000	1999
	£'000	£'000
Amounts owed to group undertakings	124,377	59,951
	<hr/>	<hr/>

All of the above is repayable after more than five years (1999 : £nil.).

10 Share capital

	2000	1999
	£	£
Authorised		
200 ordinary shares of £1 each	200	200
	<hr/>	<hr/>
Allotted and fully paid up		
200 ordinary shares of £1 each	200	200
	<hr/>	<hr/>

NATIONAL GRID OVERSEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2000

11 Reserves

	Share Premium	Profit and Loss account
	£'000	£'000
At 1 April 1999	36,686	7,537
Profit in the year	-	2,394
	<hr/>	<hr/>
At 31 March 2000	36,686	9,931
	<hr/> <hr/>	<hr/> <hr/>

12 Reconciliation of movement in equity shareholders' funds

	2000	1999
	£'000	£'000
Opening equity shareholders' funds	44,223	10,616
Shares issued in the year	-	26,310
Profit for the year	2,394	7,241
Exchange gain on loan	-	56
	<hr/>	<hr/>
Closing equity shareholders' funds	46,617	44,223
	<hr/> <hr/>	<hr/> <hr/>

NATIONAL GRID OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2000

13 Related party transactions and ultimate parent company

The company is exempt from disclosing transactions with other companies within the National Grid Group of companies as the voting rights of all companies are held within the group.

The ultimate parent and controlling company for which consolidated financial statements are prepared is The National Grid Group plc and the intermediate parent company is National Grid International Ltd. Both companies are incorporated in Great Britain.

Copies of the consolidated financial statements can be obtained from the Assistant Company Secretary, The National Grid Group plc, 15 Marylebone Road, London, NW1 5JD.