

NATIONAL GRID ZAMBIA LIMITED
(FORMERLY NATIONAL GRID THIRTEEN LIMITED)
REPORT OF THE DIRECTORS
AND FINANCIAL STATEMENTS
FOR THE PERIOD FROM 6 DECEMBER 2002 TO 31 MARCH 2004

Registered Number: 4611486



NATIONAL GRID ZAMBIA LIMITED

REPORT OF THE DIRECTORS

FOR THE PERIOD FROM 6 DECEMBER 2002 TO 31 MARCH 2004

The Directors present their report and the audited financial statements of the Company for the period from 6 December 2002 to 31 March 2004 ("the period").

DATE OF INCORPORATION AND CHANGE OF NAME

The Company was incorporated on 6 December 2002. On 13 December 2002 the Company changed its name from National Grid Thirteen Limited to National Grid Zambia Limited.

PRINCIPAL ACTIVITY

The Company is an investment company.

RESULTS, DIVIDENDS AND CURRENCY OF PREPARATION OF FINANCIAL STATEMENTS

The profit for the period after taxation was US\$15,149,000. The Directors do not recommend the payment of a dividend.

The financial statements have been prepared in US dollars because the majority of the Company's transactions have been conducted in US dollars.

FUTURE DEVELOPMENTS

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

DIRECTORS

The Directors of the Company during the period and subsequently were:

DC Forward	(Appointed 6 December 2002, Resigned 20 December 2002)
RF Pettifer	(Appointed 6 December 2002)
AB Chapman	(Appointed 17 December 2002)
MC Cooper	(Appointed 17 December 2002)
SF Noonan	(Appointed 20 December 2002)

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 period.

NATIONAL GRID ZAMBIA LIMITED

REPORT OF THE DIRECTORS (continued)

FOR THE PERIOD FROM 6 DECEMBER 2002 TO 31 MARCH 2004

DIRECTORS' INTERESTS IN SHARES

The interests of the Directors at 31 March 2004 as shown in the register maintained by the Company in accordance with Section 325 of the Companies Act 1985, were as follows:

Ordinary shares in National Grid Transco plc ('NGT')

Employee ShareSave options

	On Appointment	Granted	Exercised	31 March 2004
AB Chapman	5,007	-	-	5,007
MC Cooper	5,362	-	-	5,362
SF Noonan	5,110	1,000	1,105	5,005
RF Pettifer	3,991	1,746	1,846	3,891

Executive Share options

	On Appointment	Granted	Exercised	31 March 2004
AB Chapman	86,413	-	-	86,413
MC Cooper	17,501	-	-	17,501
SF Noonan	34,201	-	-	34,201
RF Pettifer	8,119	-	-	8,119

Performance SharePlan Awards

	On Appointment	Granted	Exercised	31 March 2004
AB Chapman	-	20,481	-	20,481
MC Cooper	-	29,611	-	29,611
SF Noonan	-	11,844	-	11,844
RF Pettifer	-	6,525	-	6,525

Beneficial interests in shares*

	On Appointment	31 March 2004
AB Chapman	10,859	12,457
MC Cooper	49,032	49,252
SF Noonan	1,745	1,965
RF Pettifer	14,917	14,822

*Note: Includes shares acquired under the Share Matching scheme. Subject to retention of the shares acquired in accordance with the rules of the scheme, matching awards totalling 5,292 National Grid Transco plc Ordinary shares were exercisable by AB Chapman in addition to the above.

NATIONAL GRID ZAMBIA LIMITED

REPORT OF THE DIRECTORS (continued)

FOR THE PERIOD FROM 6 DECEMBER 2002 TO 31 MARCH 2004

DIRECTORS' RESPONSIBILITIES

The Directors are required by the 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 the profit or loss of the Company for the financial period.

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. The Directors also confirm that the going concern basis is appropriate.

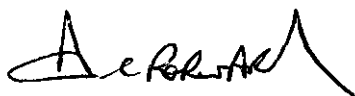
AUDITORS

The Directors appointed PricewaterhouseCoopers as auditors to the Company following incorporation. Following the conversion of PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 11 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as 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 LLP will be deemed to remain in office until further notice.

FOR THE BOARD

REGISTERED OFFICE

1-3 STRAND
LONDON
WC2N 5EH



DC Forward
Secretary
5 October 2004



NATIONAL GRID ZAMBIA LIMITED
INDEPENDENT AUDITORS REPORT TO
THE MEMBERS OF NATIONAL GRID ZAMBIA LIMITED

We have audited the financial statements which comprise the Profit and Loss account, the Balance Sheet and the related notes.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 if, in our opinion, the Report of the Directors 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. The other information comprises only the Report of the Directors.

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 2004 and of its profit for the period ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
5 October 2004

NATIONAL GRID ZAMBIA LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD FROM 6 DECEMBER 2002 TO 31 MARCH 2004

	Period from 6 December 2002 to 31 March 2004 US\$'000
Income from shares in a Group undertaking	15,149
Profit on ordinary activities before and after taxation transferred to reserves	<hr/> 15,149 <hr/>

The results reported above relate to continuing activities.

The Company has no recognised gains and losses other than the profit for the period stated above and therefore no separate statement of total recognised gains and losses has been presented.

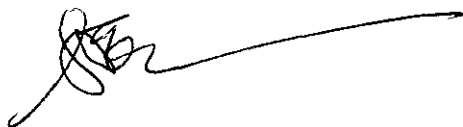
NATIONAL GRID ZAMBIA LIMITED

BALANCE SHEET

AT 31 MARCH 2004

	Notes	2004 US\$'000
Fixed asset investment	5	46,000
Current asset		
Amounts due from a Group undertaking		15,149
Net assets employed		<u>61,149</u>
Capital and reserves		
Called up share capital	6	46,000
Profit and loss account		15,149
Equity shareholders' funds	7	<u>61,149</u>

The financial statements on pages 5 to 10 were approved by the Board of Directors on 5 October 2004 and signed on its behalf by:



SF Noonan
Director

NATIONAL GRID ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD 6 DECEMBER 2002 TO 31 MARCH 2004

1 Accounting policies

a) Basis of accounting

The financial statements have been prepared under the historical cost convention and the accounting policies set out below and in accordance with the Companies Act 1985 and applicable accounting and financial reporting standards.

b) Basis of preparation

The financial statements have been prepared in US dollars because the majority of the Company's transactions have been conducted in US dollars.

The financial statements present information about the Company and not its Group. In accordance with Section 228 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 Limited and is included within the consolidated accounts of National Grid Holdings Limited.

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 National Grid Transco plc.

c) Fixed asset investments

Investments held as fixed assets are stated at cost less any provision for impairment. Impairments are calculated such that the carrying value of the fixed asset investment is the lower of its cost or recoverable amount. Recoverable amount is the higher of its net realisable value and its value in use.

d) Foreign currencies

Transactions denominated in foreign currencies are translated into US dollars at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. These exchange differences are dealt with in the profit and loss account.

e) Dividends receivable

Dividends received or receivable from a Group undertaking are recognised in the profit and loss account in the period to which they relate.

NATIONAL GRID ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE PERIOD 6 DECEMBER 2002 TO 31 MARCH 2004

2 Directors and employees

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.

There were no employees of the Company during the period.

3 Audit fees

Audit fees are borne by a fellow Group undertaking.

4 Taxation

The corporation tax charge for the period has been reduced to nil because losses have been surrendered by a fellow subsidiary and no payment for this surrender will be made by the Company.

The UK statutory rate of corporation tax is 30%, however as a result of the surrender of group relief for no payment the effective rate of tax was 0%.

5 Fixed asset investment

	Shares in Group Undertaking US\$'000
Cost and net book value	
Additions	46,000
At 31 March 2004	<u>46,000</u>

The fixed asset investment at 31 March 2004 represents 100% of the ordinary share capital of National Grid Zambia BV, a company incorporated in The Netherlands.

NATIONAL GRID ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE PERIOD 6 DECEMBER 2002 TO 31 MARCH 2004

6 Share capital

**At 31 March
2004
US\$'000**

Authorised

50,000,000 ordinary shares of US\$1 each

50,000

Allotted, called up and fully paid

46,000,001 ordinary shares of US\$1 each

46,000

On the date of incorporation (6 December 2002), the Company issued 1 ordinary share at a par value of US\$1 per share.

On 20 December 2002, the Company issued 46,000,000 US\$1 ordinary shares at par value and fully paid.

7 Reconciliation of movements in equity shareholders' funds

**Period from
6 December
2002 to
31 March
2004
US\$'000**

Profit on ordinary activities after taxation

15,149

Issue of shares

46,000

Net increase in equity shareholders' funds

61,149

Opening equity shareholders' funds

-

Closing equity shareholders' funds

61,149

NATIONAL GRID ZAMBIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE PERIOD 6 DECEMBER 2002 TO 31 MARCH 2004

8 Related party transactions and ultimate parent company

The Company is exempt from disclosing transactions with those companies within the National Grid Transco group of companies where all of the voting rights are held within the group. There were no transactions with companies where not all of the voting rights are held within the National Grid Transco group of companies.

The ultimate parent and controlling company is National Grid Transco plc, which prepares consolidated accounts, and the immediate parent company is National Grid International Limited. The smallest controlling company for which consolidated financial statements are prepared is National Grid Holdings Limited. All of these companies are registered in England and Wales.

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