

ANNEXURE –IIB TO THE DIRECTORS' REPORT

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF NORTH EASTERN ELECTRIC POWER CORPORATION LIMITED, SHILLONG FOR THE YEAR ENDED 31.03.2005

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA MANAGEMENT'S REPLY

Balance Sheet:
Accounting Policy (Depreciation)

A reference is invited to the comments of the Comptroller and Auditor General of India on the accounts of the North Eastern Electric Power Corporation Limited, for the year ended 31st March 2004 under section 619(4) of the Companies Act, 1956 regarding applicability of rates of depreciation to be followed by 'generation and transmission Companies' for preparation of their Annual Accounts, consequent upon the enactment of Electricity Act 2003 which does not contain any provision regarding rates of depreciation.

The matter was referred to the Ministry of Power, which has expressed the view that the depreciation rates as notified by the Central Electricity Regulatory Commission (CERC) under Tariff Policy to be notified in the terms of the Electricity Act 2003 in respect of generation and transmission assets, would be applicable for the purpose of tariff as well as accounting. However, as the Tariff Policy is yet to be notified in terms of the Electricity Act 2003, the applicability of these depreciation rates remain unresolved.

The Company continued to follow the rates of depreciation as notified by CERC in March 2004 in its accounts for the year ended 31st March 2005. Depreciation charged during the year is lower by Rs. 6090.42 Lakhs as compared to the rates laid down in the Companies Act 1956 and profit for the year is higher to that extent.

In view of clarification given by the Ministry of Power on a reference made for the applicability of depreciation rate for preparation of accounts, the Corporation has provided depreciation in the annual accounts for the year ending 31st March 2005, at the rates notified by the CERC in March 2004.

For and on behalf of the Board of Directors

S.C.Sharma
Chairman & Managing Director

**ANNEXURE -III
TO THE DIRECTORS REPORT**

COMMENTS OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF NORTH EASTERN ELECTRIC POWER CORPORATION LIMITED, SHILLONG FOR THE YEAR ENDED 31.03.2005

**BALANCE SHEET :
Accounting Policy (Depreciation)**

A reference is invited to the Comments of Comptroller and Auditor General of India on the accounts of the North Eastern Electric Power Corporation Limited, for the year ended 31 March 2004 under Section 619(4) of the Companies Act, 1956 regarding applicability of rates of depreciation to be followed by 'generation and transmission companies' for preparation of their annual accounts, consequent upon the enactment of Electricity Act 2003 which does not contain any provision regarding rates of depreciation.

The matter was referred to the Ministry of Power, which has expressed the view that depreciation rates as notified by the Central Electricity Regulatory Commission (CERC) under Tariff Policy to be notified in terms of the Electricity Act 2003 in respect of generation and transmission assets, would be applicable for the purpose of tariff as well as accounting. However, as the Tariff Policy is yet to be notified in terms of the Electricity Act 2003, the applicability of these depreciation rates remain unresolved.

The Company continued to follow the rates of depreciation as notified by CERC in March 2004 in its accounts for the year ended 31 March 2005. Depreciation charged during the year is lower by Rs. 6090.42 lakh as compared to the rates laid down in the Companies Act, 1956 and profit for the year is higher to that extent.

Dated, Kolkata
The 12 August 2005

A. Roychoudhury
Principal Director of Commercial audit
& Ex-Officio Member Audit Board - 1
KOLKATA