

**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 31.03.2006

**COMMENTS OF THE COMPTROLLER &
AUDITOR GENERAL OF INDIA**

Balance Sheet:
Accounting Policy No. 4 (Depreciation)

A reference is invited to the comments of the Comptroller and Auditor General of India on the accounts of the Company for the year ended 31st March 2005 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 the Electricity Act 2003.

Though the Government of India has notified (January 2006) a new tariff policy under the Electricity Act, 2003, the Central Electricity Regulatory Commission (CERC) was yet to notify, in terms of the new Tariff Policy, the rates of depreciation to be applicable for the purpose of Tariff as well as accounting.

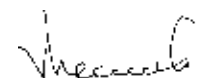
The Company continued to follow the rates of depreciation as notified by CERC in March 2004 in its accounts for the year ended 31st March 2006. Depreciation charged during the year is lower by Rs. 64.79 crores as compared to the rates laid down in the Companies Act, 1956 and profit for the year is higher to that extent.

MANAGEMENT'S REPLY

In compliance with Section 3 of the Electricity Act, 2003, Central Government has notified the tariff policy on 6th January, 2006. As per the tariff policy the rate of depreciation notified by Central Commission would be applicable for the purpose of tariff as well as accounting.

Accordingly, Corporation has provided depreciation for the year 2005-06 at the rate notified by the Central Electricity Regulatory Commission.

For and on behalf of the Board of Directors



M. R. Ghosh
Chairman & Managing Director

**ANNEXURE -III
TO THE DIRECTORS REPORT**

COMMENTS UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF NORTH EASTERN ELECTRIC POWER CORPORATION LIMITED, SHILLONG FOR THE YEAR ENDED 31st March 2006.

**BALANCE SHEET :
Accounting Policy No. 4 (Depreciation)**

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Dated, Kolkata
The 24th July 2006

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