

## ANNEXURE- III TO THE DIRECTOR'S REPORT

### AUDITORS' REPORT

To,

**The Members of North Eastern Electric Power Corporation Ltd.,**

We report that, we have audited the attached Balance Sheet of North Eastern Electric Power Corporation Ltd., as at 31st March 2009 and also the Profit and Loss account for the year ended on that date and cash flow for the year ended on that date annexed thereto. These financial statements are the responsibility of the Corporation's Management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. We report that,
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Corporation so far as appears from our examination of those books.
  - (c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - (d) In our opinion the Balance Sheet and Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub sec. (3C) of sec. 211 of the Companies Act, 1956.
  - (e) The provision of sec. 274 (1) (g) of the Companies Act does not apply to a Govt. Company in view of notification of Dept. of Co. Affairs, Ministry of Finance (vide their notification no. F.No. 8/5/22001- CL.V dated 21st October, 2003). Therefore it is not required to report whether a Director is disqualified as on 31st March, 2009 from being appointed as a director under sec 274 (1) (g) of the companies Act, 1956.
2. In our opinion to the best of our information and according to the explanation given to us the said accounts give the information required by Companies Act, 1956 in the manner so required and give a true & fair view in conformity with the Accounting Principles accepted in India subject to our comment stated below:-
  - (a) In case of the Balance Sheet of the state of affairs of the company as at 31st March, 2009; and
  - (b) In case of profit & loss account of the profit of the company for the year ended on that date; and
  - (c) In case of Cash Flow Statement of the cash flow for the year ended on that date.

As required by the Companies (Auditors Report) Order, 2003 issued by the Central Govt. of India in terms of sub. Sec. 4A of Sec. 227 of Companies Act, 1956 and on the basis of such checks as we considered appropriate we report on the matters specified in paragraphs 4 & 5 of the said order:

- (I) (a) The Corporation has maintained proper records including quantitative details and situation of fixed assets.
  - (b) The Fixed Assets as explained to us have been physically verified by the management at the year-end and no serious discrepancies were noticed. In our opinion, the frequency of verification is reasonable.
  - (c) Substantial Part of the fixed assets has not been disposed off during the year.
- (II) (a) As explained to us the inventory has been physically verified by the management at the year end. In our opinion the frequency of verification is reasonable.
  - (b) According to information and explanations given to us in our opinion procedures for physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Corporation and nature of its business.
  - (c) The discrepancies noticed during physical verification of the inventory were provided in the Accounts.
- (III) (a) The Corporation has not granted any loans secured or unsecured to companies, firms or other parties listed in the register covered under sec. 301 of the Companies Act, 1956.
  - (b) The Corporation has not taken any loans secured or unsecured from companies firms or other parties listed in the register covered under sec. 301 of the Companies Act, 1956.
- (IV) In our opinion and according to information and explanations given to us, there are adequate internal control procedure commensurate with the size of the Corporation and the nature of its business for purchase of inventories, fixed assets and sale of energy. The Corporation has no service activity. We have not noticed any continuing failure to correct major weaknesses in internal control.
- (V) In our opinion there is no contract or arrangements referred to in sec. 301 of the Act during the year. Therefore clause (V) of the order is not applicable.
- (VI) Corporation has not accepted any deposits from the public covered by sec. 58A and 58AA of the Companies Act, 1956. Therefore clause (VI) of the order is not applicable.
- (VII) Corporation has in house Internal Audit system commensurate with the size of the Corporation & nature of its business. However the system needs to be further strengthened.
- (VIII) The Central Govt. has prescribed under clause (d) of sub section (1) of section 209 of the Act for the maintenance of cost records. We have broadly reviewed the records and prima-facie are of the opinion that such records have been made and maintained. However, we have not made detailed examination of those records.
- (IX) The Corporation is regular in depositing undisputed statutory dues including provident fund, employees state insurance, income tax, sale tax, wealth tax, custom duty, excise duty, cess, service tax and any other statutory dues with the appropriate authorities. The Corporation has paid dividend to shareholders on regular basis and there is no need to deposit any amount in investor, education and protection fund. There is no disputed amount in respect of custom duty, wealth tax, excise duty and cess. However, there is a disputed amount of income tax for Rs. 3,92,073.00 in respect of Assessment year 2001-02 for which Corporation has preferred a representation before Chief Commissioner of Income Tax and Rs.14,74,389.00, being Interest on Sales Tax for the assessment period from 01.07.02 to 31.3.04 pending before the Gauhati High Court.
- (X) The Corporation has no accumulated loss and has not incurred cash loss during the year and in the immediately preceding financial year.
- (XI) In our opinion and according to information and explanation given to us, the Corporation has not defaulted in repayment of dues to financial institutions, banks or bondholders.
- (XII) The Corporation has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

- (XIII) In our opinion, the provision of any special statute applicable to chit funds are not applicable to the Corporation. Therefore clause (XIII) of the order is not applicable.
- (XIV) The Corporation is not dealing or trading in shares, debentures and other investments. Therefore, Para (XIV) of the order is not applicable to the Corporation.
- (XV) According to the information and explanation given to us, the Corporation has not given any guarantee for loans taken by others from banks or financial institutions. Therefore clause (XV) of the order is not applicable.
- (XVI) According to the information and explanation given to us, in our opinion, term loans were applied for the purpose for which the loans were obtained during the year.
- (XVII) On the basis of overall examination of the Balance Sheet, we have not come across instances where the Corporation has raised funds on short term basis and used for long term investments.
- (XVIII) The Corporation has not made any preferential allotment of shares to parties and Companies covered in register maintained under section 301 of the Companies Act, 1956 during the year. However a sum of Rs. 13.82 crores has been released as equity share capital by Govt. of India during the year.
- (XIX) The Corporation has not issued any debenture during the year. Therefore clause (XIX) of the order is not applicable.
- (XX) The Corporation did not raise money by public issue during the year. Therefore clause (XX) of the order is not applicable.
- (XXI) No fraud register is being maintained by the Corporation. According to information and explanations given to us no fraud on or by the Corporation has been noticed or reported to us during the year under audit.

**For ADD & ASSOCIATES  
Chartered Accountants**

Place: Shillong  
Date: 10<sup>th</sup> June, 09

**( D. R. Dey )**  
Partner  
Membership No.13682