

1 Q. Re: Fully Accrued: Please provide the Company's policy regarding the continuation
2 of recording depreciation expense to the accumulated provision for depreciation
3 once an asset becomes fully accrued. Further state when such policy was
4 implemented and all support for the Company's practice.

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7 A. Hydro does not calculate depreciation on assets once they become fully accrued
8 and has not done so since the inception of the Company. Even though Hydro is
9 proposing to use a group method of depreciation, the rate will be applied to each
10 asset rather than making one overall calculation for the whole group. Because
11 Hydro will apply the remaining life to each individual asset, it will be known when
12 each asset becomes fully depreciated. This treatment will be in line with Paragraph
13 54 of IAS 16, which states:

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15 *"The residual value of an asset may increase to an amount*
16 *equal to or greater than the asset's carrying value. If it does, the*
17 *asset's depreciation charge is zero unless and until its residual*
18 *value subsequently decreases to an amount below the assets*
19 *carrying value."*