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AUDITORS' REPORT TO SINDH IRRIGATION & DRAINAGE AUTHORITY

We have audited the accompanying Balance Sheet, Receipts and Payments Account & Statement of Sources & Uses of Funds and Special Account of **Sindh Irrigation & Drainage Authority** [under World Bank Loan No. IDA 2999 Pak] and local components from Government of Pakistan and Government of Sindh [Funds received through P.C. Sindh] and financed under Asian Development Bank (ADB) Loan No. 1413 Pak (SF) and Loan No. 1578 Pak (SF) and World Bank Loan No. IDA CR 3905 Pak at June 30, 2007 together with notes forming part thereof, for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. 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 presentation. We believe that our audit provides a reasonable basis for our opinion and we report that:-

- As stated in Note 13 to the financial statements Advances, Prepayments and Other Receivables include old advances of Rs. 3.535 Million (2006: Rs 3.535 Million) which were neither confirmed nor adjusted against proper heads of accounts on June 30, 2007.

In our opinion, subject to the effects of the matter referred to in the preceding paragraph, the financial statements and Special Account give a true and fair view of the financial position as at June 30, 2007, Receipts & Payment Account & Statement of Sources & Uses of Funds of **Sindh Irrigation & Drainage Authority** [under World Bank Loan No. IDA 2999 Pak] and local components from Government of Pakistan and Government of Sindh [Funds received through P.C. Sindh] and financed under Asian Development Bank (ADB) Loan No. 1413 Pak (SF) and Loan No. 1578 Pak (SF) and World Bank Loan No. IDA CR 3905 Pak at June 30, 2007 together with notes forming part thereof, for the year ended June 30, 2007 in accordance with the International Accounting Standards.

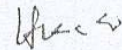
In addition, (a) with respect to SOEs, adequate supporting documentation has been maintained to support claims to the Asian Development Bank for reimbursements of expenditures incurred; and (b) which expenditures are eligible for financing under the ADB Loan No. 1413 Pak (SF) and Loan No. 1578 Pak (SF) and World Bank Loan No. IDA CR 3905 Pak.

Without qualifying our opinion we draw attention that:-

- With the closure of IDA funding to the Authority through NDP P.C. Sindh after December 31, 2004 and closure of ADB funding after December 31, 2006, the sustainability of the Authority is dependent upon the sharing of Abiyana, World Bank Loan No. IDA CR 3905 Pak and Government of Pakistan alongwith Government of Sindh may continue its funding.
- As more fully explained in note 1.8 to the financial statements, the Authority has not accounted for transfer of Barrages and other assets in its books of accounts, as required under section 97 of Sindh Water Management Ordinance 2002, which states that upon coming into force of this Ordinance (i) The Irrigation and Power Department shall transfer its barrages, outlets, existing spinal drains and flood protection infrastructure including staff, budgets and assets to the SIDA before June 30, 2005 (ii) Government shall vest in the barrages the irrigation, drainage and flood protection infrastructure, office premises, stores, plant and machinery related to them so that the barrage divisions can carry out their functions under this Ordinance.

Lahore
Dated:

Hameed Khan & Co.
Chartered Accountants



**SINDH IRRIGATION & DRAINAGE AUTHORITY
BALANCE SHEET AS AT JUNE 30, 2007**

(Figures in thousand)

		2007											2006	
Note	TOTAL	GOS Grant	Through P.C. Sindh				GOP Share			GOS Share			Total	
			GOP Share	GOS Share	IDA Share	ADB Share		IDA Share						
									Rs.		Rs.	Rs.		Rs.
FUNDING														
International Development Association (IDA)	3	1,351,601	-	-	-	1,351,601	22,981	-	-	-	-	-	1,351,600	
LOAN FROM INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)	4	180,874	-	-	-	-	-	-	-	-	180,874	3,004	59,677	
LOANS FROM ASIAN DEVELOPMENT BANK	5	1,020,464	-	-	-	-	-	1,020,464	16,951	-	-	-	926,173	
FUNDS FROM GOVERNMENT OF PAKISTAN	3 & 6	825,452	-	546,028	-	-	279,424	-	-	-	-	-	385,360	
FUNDS FROM PROVINCIAL GOVERNMENT	3 & 7	130,959	-	-	100,247	-	-	-	-	30,712	-	-	59,521	
TOTAL FUNDS EMPLOYED		<u>3,509,350</u>	<u>-</u>	<u>546,028</u>	<u>100,247</u>	<u>1,351,601</u>	<u>22,981</u>	<u>1,020,464</u>	<u>16,951</u>	<u>30,712</u>	<u>180,874</u>	<u>3,004</u>	<u>2,782,331</u>	
REPRESENTED BY														
CAPITAL EXPENDITURES														
• Fixed Assets	8	901	-	-	520	366	5	-	-	-	-	15	-	1,296
• Civil Works Completed	9	2,686,929	-	500,513	55,835	842,819	14,429	279,424	1,008,338	16,904	-	-	-	1,170,103
• Capital Work in Progress	10	129,445	-	-	-	-	-	-	-	12,858	116,587	1,934	1,155,474	
• Consultancy	11	589,106	-	48,299	27,844	474,743	7,982	-	-	588	37,632	623	515,893	
• Other Development Expenditures	12	186,227	-	4,177	52,982	39,053	669	-	38,547	486	7,366	44,102	731	119,000
		<u>3,592,608</u>	<u>-</u>	<u>552,989</u>	<u>137,181</u>	<u>1,356,981</u>	<u>23,085</u>	<u>279,424</u>	<u>1,046,885</u>	<u>17,390</u>	<u>20,812</u>	<u>198,336</u>	<u>3,288</u>	<u>2,961,766</u>

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(Figures in thousand)

2007													2006	
Note	Through P.C. Sindh						GOP Share			GOS Share			Total	
	TOTAL	GOS Grant	GOP Share	GOS Share	IDA Share									
	Rs.	Rs.	Rs.	Rs.	Rs.	US\$		Rs.	Rs.		US\$	Rs.		Rs.
CURRENT ASSETS														
• Advances, Prepayments & Other Receivables	13	7,875	-	4,647	744	144	3	-	-	-	334	2,006	33	10,104
• Bank and Cash Balances	14	61,739	452	37,779	2,354	-	-	-	-	-	11,902	9,252	154	12,964
Total Current Assets		69,614	452	42,426	3,098	144	3	-	-	-	12,236	11,258	187	23,068
LESS: CURRENT LIABILITIES														
• Creditors, accrued and other liabilities	15	152,872	452	49,387	40,032	5,524	107	-	26,421	439	2,336	28,720	471	202,503
NET CURRENT ASSETS/(LIABILITIES)		(83,258)	-	(6,961)	(36,934)	(5,380)	(104)	-	(26,421)	(439)	9,900	(17,462)	(284)	(179,435)
CONTINGENCIES AND COMMITMENTS														
	16	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS		3,509,350	-	546,028	100,247	1,351,601	22,981	279,424	1,020,464	16,951	30,712	180,874	3,004	2,782,331

The annexed notes form an integral part of these financial statements.

General Manager (Finance)
(SIDA)Managing Director
(SIDA)

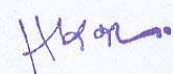
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**SINDH IRRIGATION & DRAINAGE AUTHORITY
RECEIPTS & PAYMENTS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2007**

(Figures in Thousand)

	Note	2007 Rs.	2006 Rs.
<u>RECEIPTS</u>			
Opening Balance of Grant		330	357
Grant from Government of Sindh (For Expenditure)	17	8,527	5,990
		<u>8,857</u>	<u>6,347</u>
<u>PAYMENTS</u>			
Salaries & Allowances		4,285	4,165
Medical Charges		19	-
Telephone & Postage		338	121
Travelling & Conveyance		130	357
Electricity, Water and Gas		922	427
Commutation		747	-
Vehicle Expenses		464	576
Printing and Stationery		82	32
Courier Charges		87	117
Newspaper & Periodical		14	17
Uniform & Liveries		19	
Leave Encashment		1,000	88
Income Tax		3	3
Repairs & Maintenance		38	10
Payment of G.P. Fund & Pension		201	-
Miscellaneous Expenses		56	104
		<u>8,405</u>	<u>6,017</u>
Balance of Grant Carried to Balance Sheet	15	<u>452</u>	<u>330</u>

The annexed notes form an integral part of these accounts.



General Manager (Finance)
(SIDA)

Managing Director
(SIDA)

**SINDH IRRIGATION & DRAINAGE AUTHORITY
STATEMENT OF SOURCES AND USES OF FUNDS
AS AT JUNE 30, 2007**

(Figures in thousand)

	2007												2006
	Through P.C. Sindh												Total
	TOTAL	GOS	GOP	GOS			GOP			GOS			
	Rs.	Grant	Share	Share	IDA Share	US\$	Share	ADB Share	US\$	Share	IDA Share	US\$	Rs.
FUNDING & GRANT													
• International Development Association (IDA)	1,351,601	-	-	-	1,351,601	22,981	-	-	-	-	-	-	1,351,600
• International Development Association (IDA)	181,016	-	-	-	-	-	-	-	-	-	181,016	3,004	59,225
• Asian Development Bank													
• SOE Procedures (Including Advance)	183,420	-	-	-	-	-	-	183,420	3,098	-	-	-	172,542
• Direct Payments	826,889	-	-	-	-	-	-	826,889	13,853	-	-	-	743,662
• Government of Pakistan	825,452	-	546,028	-	-	-	279,424	-	-	-	-	-	385,360
• Government of Sindh	130,959	-	-	100,247	-	-	-	-	-	30,712	-	-	59,521
Grant from Government of Sindh	8,527	8,527	-	-	-	-	-	-	-	-	-	-	5,990
Exchange Variation (\$/Rs.)	10,013	-	-	-	-	-	-	10,155	-	-	(142)	-	10,421
TOTAL FUNDING	3,517,877	8,527	546,028	100,247	1,351,601	22,981	279,424	1,020,464	16,951	30,712	180,874	3,004	2,788,321

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(Figures in thousand)

	2007												2006
	Through P.C. Sindh												Total
	TOTAL	GOS Grant	GOP Share	GOS Share	IDA Share		GOP Share	ADB Share		GOS Share	IDA Share		
	Rs.	Rs.	Rs.	Rs.	Rs.	US\$	Rs.	Rs.	US\$	Rs.	Rs.	US\$	Rs.
AUTHORITY EXPENDITURES													
Investment Projects													
• Civil Works	1,499,128	-	453,292	27,094	837,295	14,322	-	181,447	3,052				1,149,747
• Incremental Staff & Operating Costs)	6,306		689	-	5,617	96							6,306
	1,505,434	-	453,981	27,094	842,912	14,418	-	181,447	3,052	-	-	-	1,156,053
Institutional Reforms													
• Equipments	2,737	-	-	1,261	1,476	25	-	-	-				2,737
• Consultancy	538,313		46,853	16,717	474,743	7,982	-	-	-				504,921
• Establishment of SIDA	8,075	8,075	-	-	-	-							5,660
• Incremental Staff & Operating Costs	89,964	-	2,768	52,077	32,326	553	-	2,793	47				49,814
	639,089	8,075	49,621	70,055	508,545	8,560	-	2,793	47	-	-	-	563,132
Sind Onfarm Water Management													
• Civil Works	108,005	-	-	-	-	-	-	-	-	10,713	97,292	1,614	37,542
• Civil Works (Advances)	2,340	-	-	-	-	-	-	-	-	334	2,006	33	2,875
• Consultancy	37,406									588	36,818	609	
• Fixed Assets	20	-	-	-	-	-	-	-	-	-	20	-	20
• Incremental Staff & Operating Costs	42,827	-	-	-	-	-	-	-	-	7,175	35,652	594	25,643
	190,598	-	-	-	-	-	-	-	-	18,810	171,788	2,850	66,080
Second Flood Protection													
• Civil Works	1,106,315	-	-	-	-	-	279,424	826,891	13,852	-	-	-	977,046
• Incremental Staff & Operating Costs	-	-	-	-	-	-	-	-	-	-	-	-	-
	1,106,315	-	-	-	-	-	279,424	826,891	13,852	-	-	-	977,046

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(Figures in thousand)

	2007												2006
	TOTAL	GOS Grant	Through P.C. Sindh				GOP Share	ADB Share		GOS Share	IDA Share		Total
			GOP Share	GOS Share	IDA Share								
	Rs.	Rs.	Rs.	Rs.	Rs.	US\$	Rs.	Rs.	US\$	Rs.	Rs.	US\$	Rs.
Advances & other Receivables	5,535	-	4,647	744	144	3	-	-	-	-	-	-	3629
Exchange Variation (\$/Rs.)	9,167	-	-	-	-	-	-	9,333	-	-	(166)	-	9,417
TOTAL AUTHORITY EXPENDITURES	3,456,138	8,075	508,249	97,893	1,351,601	22,981	279,424	1,020,464	16,951	18,810	171,622	2,850	2,775,357
CASH & BANK BALANCES	61,739	452	37,779	2,354	-	-	-	-	-	11,902	9,252	154	12,964

General Manager (Finance)
(SIDA)

Managing Director
(SIDA)