REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH
BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE.

We have reviewed the enclosed Statement of Compliance with the best practices contained in the
Code of Corporate Governance (the Code) prepared by the Board of Directors of Szgar Engineering
Works Limited for the year ended June 30, 2015 to comply with the requirements of Listing Regulation
No. 35 of the Karachi, Lahore & Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our
responsibility is to review, to the extent where such compliance can be objectively verified, whether
the Statement of Compliance reflects the status of the Company's compliance with the provisions of
the Code and report if it does not and to highlight any non-compliance with the requirements of the
Code. A review is limited primarily to inquiries of the Company's personnel and review of various
documents prepared by the Company to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the
accounting and internal control systems sufficient to plan the audit and develop an effective audit
approach. We are not required to consider whether the Board of Directors' statement on internal
control covers all risks and controls or to form an opinion on the effectiveness of such internal
controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of
the Audit Committee, place before the Board of Directors for their review and approval its related
party transactions distinguishing between transactions carried out on terms equivalent to those that
prevail in arm's length transactions and transactions which are not executed at arm's length price and
recording proper justification for using such alternate pricing mechanism. We are only required and
have ensured compliance of this requirement to the extent of the approval of the related party
transactions by the Board of Directors upon recommendation of the Audit Committee. We have not
carried out any procedures to determine whether the related party transactions were undertaken at
arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement
of Compliance does not appropriately reflect the Company's compliance, in all material respects, with
the best practices contained in the Code as applicable to the Company for the year ended June 30,
2015.

Kabani & Company
Chartered Accountants

Engagement Partner: Younus Kamran
Lahore

Dated: August 24, 2015
AUDITORS’ REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Sagar Engineering Works Limited ("the Company") as at June 30, 2015 and the related profit and loss account, statement of comprehensive income, cash flow and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company’s management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) In our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) In our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company’s business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company’s affairs as at June 30, 2015 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) In our opinion zakat deductible at source under the Zakat and Ushur Ordinance, 1980(XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Kabani & Company
Chartered Accountants
Engagement Partner: Younus Kamran
Lahore

Dated: August 24, 2015