ITTEHAD CHEMICALS LIMITED

ICL/PSX-2527/18
September 25, 2018

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi

Subject: Certificate on Free Reserves for the Issue of Bonus Shares

Dear Sir,

This is in continuation of our letter No. ICL/PSX-2526/18 dated September 25, 2018 wherein the financial results of the Company for the year ended June 30, 2018 have been communicated to the PSX.

We are enclosing herewith copy of Certificate of Free Reserves received from our External Auditors BDO Ebrahim & Co. Chartered Accountant having reference # I-30/AA-308/18 dated September 25, 2018 respectively for the issue of Bonus Shares.

Yours truly
For Ittehad Chemicals Limited

Abdul Mansoor Khan
Company Secretary

Encl: A.A.

Cc: The Director /HOD, Surveillance, Supervision and Enforcement Department, Securities Exchange Commission of Pakistan, NIC Building, 63 Jinnah Avenue, Blue Area, Islamabad.

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The Board of Directors
Ittehad Chemicals Limited
39, Empress Road,
Lahore

September 25, 2018
I-30/AA-308/18

AUDITORS' CERTIFICATE ON FREE RESERVES FOR THE ISSUE OF BONUS SHARES

Dear Sirs,

We have been requested to provide you with a certificate that the Company's residual free reserves, in terms of the meaning given to free reserves in the Companies (Issue of Capital) Rules, 1996, after the proposed issue of Bonus shares @ 10% in the proportion of 1 share for every 10 shares held amounting to Rs. 77.00 million would be higher than fifteen percent of the enhanced paid up capital of the Company.

Scope of certificate

This certificate is being issued at the request of the Company for the purpose of issue of bonus shares in accordance with Rule 6 of the Companies (Issue of Capital) Rules, 1996. The certificate is being issued to be submitted to Board of Directors, Securities and Exchange Commission of Pakistan and Pakistan Stock Exchange Limited.

Management responsibility

The management of Ittehad Chemicals Limited is responsible for the completeness of the information provided to us with respect to the proposed issue of bonus shares and convening the meeting of the Board of Directors to resolve the issue of bonus shares. The management is also responsible for the maintenance of adequate accounting records and other information supporting the details and the discharge of obligations under the rule 6 of the Companies (Issue of Capital) Rules, 1996.

Auditors' responsibility

Our responsibility is to verify that Company's residual free reserves, in terms of the meaning given to free reserves in the Companies (Issue of Capital) Rules, 1996, after the proposed issue of Bonus shares @ 10% in the proportion of 1 share for every 10 shares held amounting to Rs. 77.00 million would be higher than fifteen percent of the enhanced paid up capital of the Company only in accordance with the "Guidelines for Issue of Certificates for Special Purposes by Practicing Chartered Accountant Firms" issued by the Institute of Chartered Accountants of Pakistan.

BDO Ebrahim & Co. Chartered Accountants
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Our verification was limited to the procedures as mentioned below:

1. Obtained the Company's annual audited financial statements for the year ended June 30, 2018 and ascertain the amount of free reserves,

2. We have reviewed the contingent liabilities outstanding as at June 30, 2018 to determine the contingent loss, if any, falling within the scope of paragraph 14 of the International Accounting Standard 37 'Provisions, Contingent Liabilities and Contingent Assets'.

3. Reviewed the Company's 'Free Reserves' to ascertain that the 'Free Reserves' retained after the issue of bonus shares do not include any reserves created as a result of revaluation of fixed assets or any intangible or fictitious assets such as preliminary expenses, goodwill, brokerage or commission.

4. We have not reviewed the transactions from June 30, 2018 till the date of issue of bonus shares that could have an impact on the aforementioned figures.

Certificate

Based on procedures mentioned above, we certify that Company's residual free reserves after the issuance of 10% bonus shares i.e. Rs. 77.00 million in the proportion of 1 shares for every 10 shares held, will be more than 15% of the enhanced paid up capital of the Company in accordance with the meaning defined in the Companies (Issue of Capital) Rules, 1996.

Restriction on use and distribution

This certificate is issued solely for the purpose set forth in the scope of certificate and is given in our capacity as statutory auditors of the Company and is not to be used or distributed for any other purpose. This certificate is restricted to the facts stated herein.

Yours faithfully,

BDO Ebrahim & Co.

BDO EBRAHIM & CO.
Chartered Accountants

BDO Ebrahim & Co. Chartered Accountants
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