

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ORGANIC MEAT COMPANY LIMITED

GRANT THORNTON ANJUM RAHMAN

1st & 3rd Floor,
Modern Motors House
Beaumont Road,
Karachi 75530

T +92 021 3567 2951-56
F +92 021 3568 8834
www.gtpak.com

Report on the audit of the financial statements

Opinion

We have audited the annexed financial statements of **The Organic Meat Company Limited** (the Company), which comprise the statement of financial position as at **June 30, 2020**, and the statement of profit or loss, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2020 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the Code) as adopted by the Institute of Chartered Accountants of Pakistan and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key audit matters	How our audit addressed the key audit matters
<p>Existence and valuation of stock in trade</p> <p>Refer Note 17 to the financial statements, and ‘stock-in-trade’ which includes finished goods, livestock, work in process and packing material which are stored in factory premises. Due to the significance of the stock balances and related estimations involved, this is considered a key audit matter.</p>	<p>Our audit procedures to assess the existence and valuation of inventories, amongst others, included the following:</p> <ul style="list-style-type: none"> • Attended the physical stock in trade count performed by the Company; • Compared on sample basis specific purchases with underlying supporting documents; • Evaluated the appropriateness of the basis and processes used by management in determining the net realizable value of stock in trade; • Assessed the appropriateness of Company's accounting policy for valuation of stock in trade and compliance of the policy with applicable accounting and reporting standards; and • Performed testing on a sample of items to assess the NRV of the stock in trade held and evaluated the adequacy of provision for slow moving and obsolete stock (if any); and • Reviewed the adequacy of disclosures on stock in trade in the financial statements.
<p>Revenue</p> <p>Refer Note 21 to the financial statements.</p> <p>We focus on the risk of material misstatement in recognition of revenue, because revenue is material and is an important determinant of the Company's profitability which has a consequential impact on its share price.</p> <p>The Company gave sales discount of Rs. 44.5 million to its customers.</p> <p>We considered revenue as a key audit matter as revenue is one of the key performance indicators of the Company which gives rise to</p>	<p>Our audit procedures to assess the recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> • We understand and evaluated controls relating to recognition including the revising of invoice through to the collection of debtor. Revenue is recorded in both the general ledger and subsidiary ledger; • Assessed the appropriateness of management's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards;

an inherent risk of fraud and error that it could be subject to misstatement to meet expectations or targets.

- Performed cut-off procedures to ensure revenue has been recognized in the correct period;
- Performed recalculation of discounts as per Company's policy, as approved by the BOD, on test basis;
- Performed analytical procedures to analyze variation in the price and quantity sold during the year;
- Obtained the schedule of revenue items in terms of quantity sold, and reconciled quantity sold with the inventory in hand and quantity purchased;
- Tested journal entries relating to revenue recognized during the year based on our risk assessment procedure;
- On sample basis, we verified the revenue transactions recorded with the underlying supporting documentation such as sales order, sales invoices, Form-E's, goods declaration form, bill of lading, gate pass and other relevant underlying documentation to assess if the related revenue was correctly recorded and agreed to supporting documents;
- Obtained details of remittances received to ensure occurrence of revenue transaction and compared with bank credit advice and bank withholding tax certificate;
- Obtained list of export sales and cross matched the transactions for which duty draw back rebates are eligible. Performed recalculations for the export rebates as per the Government's directives; and
- Reviewed the adequacy of disclosure as required under applicable financial reporting framework.

Management's consideration of the potential impact of COVID-19

Refer **Note 38** to the financial statement.

Management and the Board have considered the potential impact of the events caused by

Our audit procedures included the following:

- We obtained managements most recent financial results for cash and liquidity analysis, understanding their going concern assessment

the pandemic, COVID-19 on the current and future operations of the Company. In doing so, management has made estimates and judgments that are critical to the outcome of these considerations with particular focus on the Company's ability to continue as a going concern for a period of at least 12 months from the date of the signing of the Financial Statements.

Consideration of the potential impact of COVID-19 (including their associated estimates and judgments) to be a key audit matter.

and tested the integrity of the forecast, including mathematical accuracy;

- We also considered the likelihood and effect of potential mitigating action available to management which have not been reflected in their assessment;
- We discussed the most recent forecast with the company secretary and CFO of the Company to understand management's and Board view on going concern and the potential impact of COVID-19 on the Company; and
- We considered the appropriateness of the disclosure made by the management and the basis in respect of potential impact of COVID-19 on the current and future operations of the Company.

Based on above procedures, we have not identified any matters to report.

Information other than the financial statements and the Auditor's report thereon

Management is responsible for the other information. The other information comprises the information included in the annual report for the year ended June 30, 2020, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) No Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **Muhammad Shaukat Naseeb**.

Grant Thornton Anjum Rahman
Karachi

Date: September 24, 2020