



THE ORGANIC MEAT COMPANY LIMITED

ANNUAL PROGRESS REPORT



AS AT JUNE 30, 2022

REPORT OF FACTUAL FINDINGS IN CONNECTION WITH ANNUAL PROGRESS REPORT OF THE ORGANIC MEAT COMPANY LIMITED

**Grant Thornton Anjum
Rahman**

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Karachi, Pakistan.

Purpose

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We have performed the procedures agreed with you and enumerating below with respect to pre-defined inspection items. Our engagement was undertaken in accordance with the "International Standard on Related Services (ISRS 4400)" to perform agreed upon procedures regarding financial information. The procedures were performed solely to assist The Organic Meat Company Limited (the Company) to demonstrate to the investors, upon request about the progress of the expansion.

This report relates to the annual progress report which is being submitted in compliance with the requirement of Clause 16(i)(ii) of post issue reporting and disclosures of the "Public Offering Regulations, 2017" and in pursuance of the requirement specified in the clause 4(ii)(2)(b)(2) of the prospectus to the issue of the Company and may not be suitable for any other purpose.

Responsibilities of the Engaging Party and Responsible Party

The Organic Meat Company Limited has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

Management, as identified by (the Company) is responsible for the subject matter on which the agreed-upon procedures are performed.

Practitioner's Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), Agreed-Upon Procedures Engagements. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with The Organic Meat Company Limited, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional Ethics and Quality Control

We have complied with the ethical requirements in 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. For the purpose of this engagement, there are no independence requirements with which we are required to comply.

Our firm applies International Standard on Quality Control (ISQC) 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements

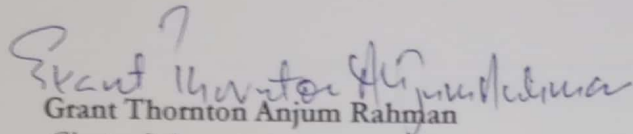
Procedures and Findings

We have performed the procedures described below, which were agreed with (the Company) in terms of its IPO progress report.

S.no	Procedures	Findings
1	Obtain the management's annual progress report to ensure that all the required information is appropriately disclosed as per "Public Offering Regulations, 2017"	We have reviewed the management's annual progress report to ensure that it is in accordance with "Public Offering Regulations, 2017" and no exception were noted.
2	Obtain supporting documents amounting to Rs 6.39 million relating to steam heated kettles, steam generators and their installation and fittings for offal's processing facility in Korangi Industrial Area.	We inspected supporting documents of Rs 6.39 million relating to steam heated kettles, steam generators and their installation and fittings for offal's processing facility in Korangi Industrial Area.
3	Inspect the minutes of the meeting of Board of Directors (BOD) to check any progress has been made relating to EPZA facility during the year ended June 30, 2022.	We inspected the minutes of the meeting of BOD, and report that no progress has been made relating to EPZA facility during the year ended June 30, 2022.
4	Inspect the minutes of meeting for the approval of the capital expenditure for the year ended June 30, 2022.	We have inspected the minutes of meeting and found it in accordance with the requirement of Companies Act 2017.

S.no	Procedures	Findings
5	Obtain representation that the offal processing facility at Korangi industrial area is operational including Cold Chain machinery and related storage equipment, and the proceeds from the IPO are to be applied solely for the purpose as mentioned in the prospectus and to no other purpose.	We have obtained written representation letter that attest to the completeness of annual progress report and the all information relevant to this purpose has been disclosed to us.

Yours sincerely


Grant Thornton Anjum Rahman
Chartered Accountants
Date: 28 NOV 2022

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INTRODUCTION

This annual progress report is being submitted in compliance with the requirement of Clause 16(i)(ii) of post issue reporting and disclosures of the “Public Offering Regulations, 2017” and in pursuance of the requirement specified in the clause 4(ii)(2)(b)(2) of the prospectus to the issue of the Company.

The Company carried out a successful IPO in July 2020, to finance its expansions, at estimated costs, as detailed below:

- Facility for local Offal at Korangi Industrial Areas - Rs. 167.20 million
- Facility in Export Processing Zone (EPZ), Karachi – Rs.104.45 million
- Utilization in Working Capital – Rs.448.35 million

We are pleased to share the second annual progress report after the listing on PSX and in accordance with quarterly results uploaded at PSX, in respect of the aforementioned projects, in the ensuing pages.

SUMMARY OF IPO FUNDS GENERATED

Description	Rupees
Issuance of 40 million ordinary shares at floor price of Rs. 18 per share	720,000,000
Excess funds received – Share Premium at Rs. 2 per share	80,000,000
Less: Share issuance costs	(23,769,303)
Net IPO Proceeds	776,230,697

SUMMARY OF IPO FUNDS UTILIZED

Description	IPO Funds		
	Approved	Utilized	Balance
<i>Intended usage as per prospectus for:</i>			
Facility of Local Offal in Korangi Industrial Area	167,200,000	167,200,000	-
Facility for Export Processing Zone:	104,448,556	-	104,448,556
Working Capital	448,351,444	448,351,444	-
	720,000,000	615,551,444	104,448,556
<i>Excess funds raised, used for</i>			
Payment of IPO expenses	23,769,303	23,769,303	-
Loan re-paid	40,000,000	40,000,000	-
Fattening farm	16,230,697	16,230,697	-
	80,000,000	80,000,000	-
Total	800,000,000	695,551,444	104,448,556

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IMPLEMENTATION STATUS

1. FACILITY FOR LOCAL OFFAL IN KORANGI INDUSTRIAL AREA

As of March 31, 2022, the offal processing facility is fully operational, and the management has fulfilled its commitments, as mentioned in the prospectus, in respect of the Korangi Offal Processing Facility.

The Company had successfully acquired a partially-constructed building at an ideal location in the Korangi Industrial Area, with a total area of 1,067 square yard. The building has a total covered area of around 18,000 square ft.

The Company has spent a total amount of Rs.198.44 million for acquisition of land and construction of building. The expenditure represents a 51.4% increase over planned expenditures due to 50% additional built-up area of the acquired property and related civil works conducted. These additional capital expenditures were financed through Company's own sources.

Further, the major portion of the cold-chain management machinery which was imported vide firm Letter of Credits amounting to around Rs.35 million, as detailed in Annexure-I, was successfully completed at 2QFY22, and the trial run ended at 3QFY22. The cold chain machinery is fully operational.

Implementation status

Particulars	Commitment	Completed
Acquisition of property	Q1 FY 21	Yes
Construction	Q4 FY 21	Yes
Installation of machinery and commission	Q1 FY 22	Yes
Test run	Q1 FY 22	Yes
Commencement of production	Q2 FY 22	Yes

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2. FACILITY FOR KARACHI EXPORT PROCESSING ZONE (KEPZ)

The Company is still in process of procuring suitable land in the Karachi Export Processing Zone (KEPZ) to construct the offal processing plant.

As per the information disclosed in the prospectus, the Company had originally intended to purchase suitable land in the Karachi Export Processing Zone (KEPZ) to construct the offal processing plant, and installation of related plant and machinery. However, due to implications of applicable laws within the KEPZ and lack of availability of suitable vacant land for allotment by the Export Processing Zone Authority (EPZA) themselves for the purpose, the Company has so far been unable to finalize the purchase of land arrangements. Moreover, the frequent PKR depreciation against US Dollar has also increased the cost of acquisition of land in the KEPZ, which are denominated in US Dollars.

Additionally, the Company is considering and pursuing the following options to procure land in the KEPZ: (a) acquiring a surrendered license from the Export Processing Zone Authority (EPZA) following a public auction process; (b) acquiring an entity in the KEPZ that is currently holding a license and land; and (c) acquiring a fresh license from the Export Processing Zone Authority (EPZA).

Implementation status

Particulars	Commitment	Completed
Acquisition of property	Q1 FY 21	No
Approval of construction drawings	Q2 FY 21	No
Construction	Q1 FY 22	No
Application for completion month	Q2 FY 22	No
Installation of machinery and commission	Q2 FY 22	No
Test run	Q2 FY 22	No
Commencement of production	Q3 FY 22	No

3. INVESTMENT IN WORKING CAPITAL

The Company had evaluated its working capital requirement based on previous trends, requirements and future business outlook and the expected amount was allocated in the prospectus.

As at June 30, 2022, the funds allocated for the working capital have been fully utilized, and have been rolled over multiple times in the working capital cycle. The ratio of fund utilization in within the different product categories has been adjusted as per the demand pattern of different products over the period, since the IPO date.

SYED IMRAN ALI
Chief Financial Officer

IMRAN KHAN
Company Secretary

ANNEXURE - I**DETAILS OF MACHINERY AND EQUIPMENT**

LC #	Value	Vendor	Product Description
EQUIPMENT			
TF2032875330	US\$ 179,845/- (Rs. 27.20 million)	Emerson Climate Technologies	Cold Chain Machinery with standard accessories and attachments for freezing and chilling applications, comprising of compressors, evaporators, condensing units, heat exchangers monitoring systems, and related accessories.
TF2032831726	US\$ 59,400/- (Rs. 8.23 million)	Kelvin Controls LLC.	Insulated sandwich panels with standard accessories and attachments
MACHINERY			
N/A	Rs.3,340,084	Wenzhou Longwan Wanyuan Food Machinery Factor	Steam Heated Cattles
N/A	Rs. 925,000	Local Fabrication	Steam generator
N/A	Rs.1,325,396	Local Fabrication	Installation and Fitting
N/A	Rs. 802,500	Local Fabrication	Cooking hood and Installation

ANNEXURE - II**STATUS OF THE PROJECTS AS MENTIONED IN THE PROSPECTUS**

(Under regulation 16(i)(ii) of “Public Offering Regulations, 2017”)

Commitment made in the prospectus	Start date <i>(As disclosed in the prospectus)</i>	Completion date <i>(As disclosed in the prospectus)</i>	Current status	Rationale for delay (If any)
Utilization in Working Capital	August 04, 2020	1Q FY21	The funds allocated for the working capital have been fully utilized, and have been rolled over multiple times in the working capital cycle	Not Applicable
Facility for local offal	4Q FY20	2Q FY22	Facility has been completed, and has successfully commenced commercial production.	Not Applicable
Facility in EPZ, Karachi	1Q FY20	3Q FY22	Delayed	Not yet started. The Company is in search for suitable land in KEPZA, and plans to do the needful before June 30, 2023.