

THE ORGANIC MEAT COMPANY LIMITED

December 31, 2021

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

Dear Sir,

ANNUAL PROGRESS REPORT FOR THE PERIOD ENDED JUNE 30, 2021

In compliance with the requirement of Clause 16(i) & 16(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, we are pleased to attach herewith Annual Progress Report on implementation of the expansion projects for the period ended June 30, 2021, duly reviewed by the auditor.

Yours sincerely,


FAISAL HUSSAIN
Chief Executive Officer



Report of factual findings in connection with Annual Progress Report of The Organic Meat Company Limited

Grant Thornton Anjum Rahman
1st & 3rd Floor,
Modern Motors House,
Beaumont Road,
Karachi, Pakistan.

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Objective

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 Company to demonstrate to the investors, upon request about the progress of the expansion.

We have obtained from the management, a list of eligible payments and performed the following:

1. Obtained the complete trail of the initial public offering (IPO) funds from bank statements of designated bank accounts from receipt till the transfer to the Company's other bank accounts;
2. Reviewed the management's annual progress report as at 30 June, 2021 to ensure that all the required information is appropriately disclosed;
3. Obtained agreements for purchase of land and building related to facility for offals processing in Korangi Industrial Area;
4. Obtained supporting documents of plant and machinery imported for offals processing facility in Korangi Industrial Area;
5. Obtained the details of amount utilized to meet the working capital requirement of the Company on aggregate basis;
6. Obtained the breakup of IPO expenses adjusted directly against the share premium;
7. Obtained the detail of excess funds received;
8. Verified the utilization of excess funds received as per the progress report;
9. Obtained written representation from Chief Executive Officer (CEO) and Chief Financial Officer (CFO) that the proceeds from the IPO are to be applied solely for the purpose, as mentioned in the prospectus and to no other purpose;
10. We have inspected the minutes of meeting for the approval of the capital expenditure;



Grant Thornton

11. Visited to Korangi site to verify the existence of assets mentioned in an underlying progress report.

With respect to procedure number 1 to 11 above, we have no findings to report.

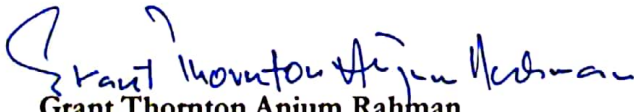
The sufficiency of the above procedures is solely the responsibility of the Management. Consequently, we make no representation regarding the sufficiency of the procedures described above either for the purpose for which this report has been requested or for any other purpose. Further, we have not carried out any procedures to ascertain the completeness and authenticity of information provided by the Management, except to the extent mentioned in the report.

Because the above procedures do not constitute either an audit or a review made in accordance with the International Standards on Auditing or International Standard on Review Engagement, we do not express any assurance on the progress report of the Company. Had we performed additional procedures, or an audit of the Distributor's financial statements in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to the Management.

We assume no liability whatsoever to any party including third party, for the contents of this report. We will not be involved in any litigation and /or inquiry with any Court, regulatory authority etc. However, if for any reason whatsoever, we are required to appear in the court of law or other legal forum, to make representation on behalf of any of the parties to or on defense, our time at our scale charges, the legal cost, including the cost of legal representation would be borne by the Company.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the progress report of the Company as specified above and does not extend to any other area.

Yours sincerely,


Grant Thornton Anjum Rahman
Chartered Accountants

Dated: 21 DEC 2021



THE ORGANIC MEAT COMPANY LIMITED

ANNUAL PROGRESS REPORT



AS AT JUNE 30, 2021

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ANNUAL PROGRESS REPORT

INTRODUCTION

This annual progress report is being submitted in compliance with the requirement of Clause 16(i) & 16(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 quarterly 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 –Premium at Rs. 2 per share	80,000,000
Less: Share issuance costs	(23,769,303)
Net IPO Proceeds	776,230,697

IMPLEMENTATION STATUS

1. FACILITY FOR LOCAL OFFAL IN KORANGI INDUSTRIAL AREA

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, which is under additional civil-works for installation of plant and related machinery to enable its utilization as an offal processing plant.

The Company had over-spent an amount of around Rs. 22.84 million for acquisition of land and building as against planned expenditure of Rs.131 million. The increase is due to 50% additional built-up area of the acquired property, as against the construction plan mentioned in the prospectus.

Further, the major portion of the cold-chain management machinery was imported vide firm Letter of Credits amounting to around Rs.38 million, as detailed in Annexure-I.

Implementation status

Particulars	Commitment	Completed
Acquisition of property	Q1 FY 21	Yes
Approval of construction drawings	Q1 FY 21	Not applicable. The Company acquired an already built-up property for the processing plant.
Construction	Q4 FY 21	Renovation work is in progress, and is expected to be completed before end of Q2-FY22
Application for completion	Q1 FY 22	Not applicable. The Company acquired an already built-up property for the processing plant, and has partially renovated it according to its product processing needs.
Installation of machinery and commission	Q1 FY 22	Installation of machinery is in process, and is expected to be completed before the end of Q2 FY22.
Test run	Q1 FY 22	Expected to be before end of Q2-FY22
Commencement of production	Q2 FY 22	Production is expected to commence early Q3-FY22

The first consignment of equipment, comprising of insulated panels and related accessories and attachments, were received on schedule. The equipment was used for construction of the cold rooms and its installation has been completed in the premises.

The second consignment of cold chain machinery was delayed due to supply chain management issues being faced by the supplier, in the wake of global COVID-19 pandemic crisis. The equipment reached the offal facility in the month of June 2021, and soon thereafter its installation process had started in the insulated cold rooms. Subsequent to the year end, the installation process has been substantially completed, along with all the necessary electrical and civil works. At the moment floor insulation works of the cold rooms is in process for improved efficiency of the cold chain equipment and enhancing the life of cold rooms.

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The management is now aggressively working to complete the project, by finishing installation work of plant and machinery, and commence production in the second half of FY2022.

Please refer 'Annexure – II' for pictorial representation of the new property and the under-process civil works would give an idea over pace of progress.

2. FACILITY FOR EXPORT PROCESSING ZONE

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

Approved intended utilization as per the prospectus is as under.

Description	Funds Allocated	Allocation %	Incurred costs
Land (1000 to 1200 Sq. yards)	60,000,000	57%	-
Construction of Office Building (12000 Sq. Feet)	22,000,000	21%	-
Equipment (Chillers + freezers Storages)	19,948,556	19%	-
Machinery	2,500,000	2%	-
Total	104,448,556	100%	-

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 of December 31, 2020 the Company had over spent on working capital by Rs.7.04 million, out of the funds allocated for the EPZA Offal facility, in order to secure a contract with one of the leading food processors in the Middle East, National Foods Company – Americana, as was disclosed on December 07, 2020 as material information.

Subsequently, sufficient liquidity was generated on account of returns generated from Company's investment in working capital, the resultant shortfall in respect of funds allocated for EPZA facility have now been replenished to the level mentioned in the prospectus.

As at June 30, 2021, 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 within the different product categories has been adjusted as per the demand pattern of different products over the period, since the IPO date.

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4. UTILIZATION OF EXCESSIVE FUNDS

With reference to the published prospectus, the Company intended to raise Rs.720 million through the IPO of the Company. However, the actual funds raised exceeded by Rs.80 million, totaling to Rs.800 million.

The excessive funds of Rs.80 million were utilized as detailed below:

Description	Funds Allocated	Allocation %
Bank Islami Pakistan Limited – Short term borrowing repaid	40,000,000	50%
IPO expenses	23,769,303	40%
CAPEX in fattening farm operations	16,230,697	10%
	80,000,000	100%

SYED IMRAN ALI
Chief Financial Officer

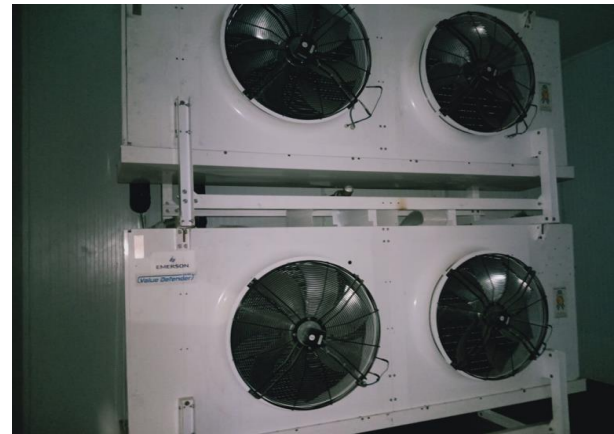
ABDUL QUADIR
Company Secretary

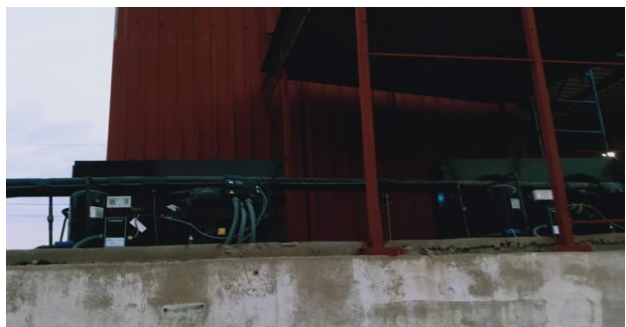
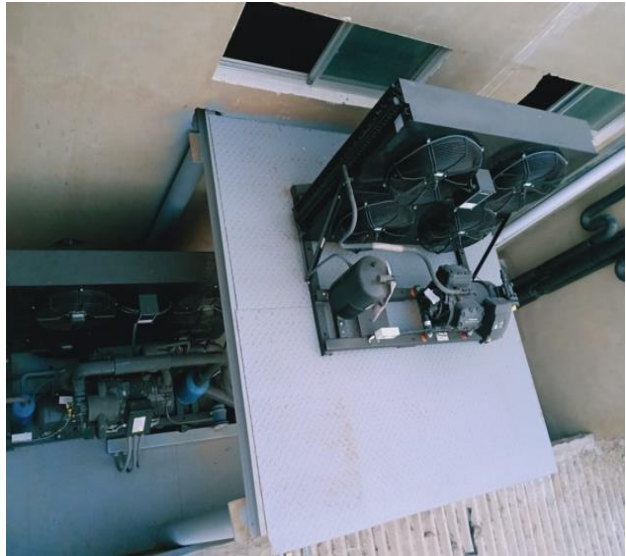
ANNEXURE - I**DETAILS OF COLD CHAIN MACHINERY**

LC #	Value in FCY	Beneficiary	Product Description
TF2032875330	US\$ 179,845/-	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/-	Kelvin Controls LLC.	Insulated sandwich panels with standard accessories and attachments

ANNEXURE II

LOCAL OFFAL PROCESSING PLANT KORANGI INDUSTRIAL AREA





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

(Under regulation 16(i)(ii))

Commitment made in the prospectus	Start date	Completion date	Current status	Rationale for delay (If any)
Utilization in Working Capital	August 04, 2020	Not Applicable	The funds allocated for the working capital have been fully utilized now, and have been rolled over multiple times in the working capital cycle	Not Applicable
Facility for local offal	August 06, 2020	Expected completion before end of Q2 FY 22	Work in Progress	On schedule
Facility in EPZ, Karachi	Not yet started	Not Applicable	Delayed	Company is in search for suitable land in KEPZA