



alshaheer

**Quarterly Compliance Report
From August 24, 2015 to October 31, 2015**

Al Shaheer Corporation Limited

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COMPLIANCE AUTHORITIES

This report is prepared in Compliance of following:

1. Securities and Exchange Commission of Pakistan

Condition Number 5 for Initial Public Offering of 25 Million Ordinary Shares by Al Shaheer Corporation Limited under section 88(1) read with section 87(2) of the Securities Act, 2015 through Letter Number SMD/CO.57(1)/02/2015-1 dated June 26, 2015.

2. Karachi Stock Exchange Limited

Condition Number 20 for Clearance of Prospectus of Al Shaheer Corporation Limited through letter bearing Ref. No. KSE/GEN-3031 dated April 24, 2015

3. Lahore Stock Exchange Limited

Condition Number 19 for Clearance of Draft Prospectus of Al Shaheer Corporation Limited through letter bearing Ref. No. 2305 dated May 13, 2015

4. Islamabad Stock Exchange Limited

Condition Number 20 for Clearance of Prospectus of Al Shaheer Corporation Limited through letter bearing Ref. No. LC/15/1019 dated May 11, 2015

CONDITION IMPOSED BY COMPLIANCE AUTHORITIES

The condition imposed by compliance authorities are as follows:

1. Securities and Exchange Commission of Pakistan

The company shall submit progress report on implementation of its expansion project i.e. “Poultry & Meat Processing Plant and Extension of Retail Network” on quarterly basis till its completion, to the stock exchange concerned and Commission.

2. Karachi Stock Exchange Limited

The company shall submit quarterly progress report of the expansion project of Poultry & Meat Processing Factory to the Exchange until implementation and commencement of commercial operations for its dissemination to all concerned.

3. Lahore Stock Exchange Limited

The company shall submit quarterly progress report of the expansion project of Poultry & Meat Processing Factory to the Exchange until implementation and commencement of commercial operations for its dissemination to all concerned.

4. Islamabad Stock Exchange Limited

The company shall submit quarterly progress report of the expansion project of Poultry & Meat Processing Factory to the Exchange until implementation and commencement of commercial operations for its dissemination to all concerned.

EXTRACT OF PROSPECTUS REGARDING CONDITIONS IMPOSED

Following is mentioned in the prospectus about the utilization of proceed of Initial Public Offering:

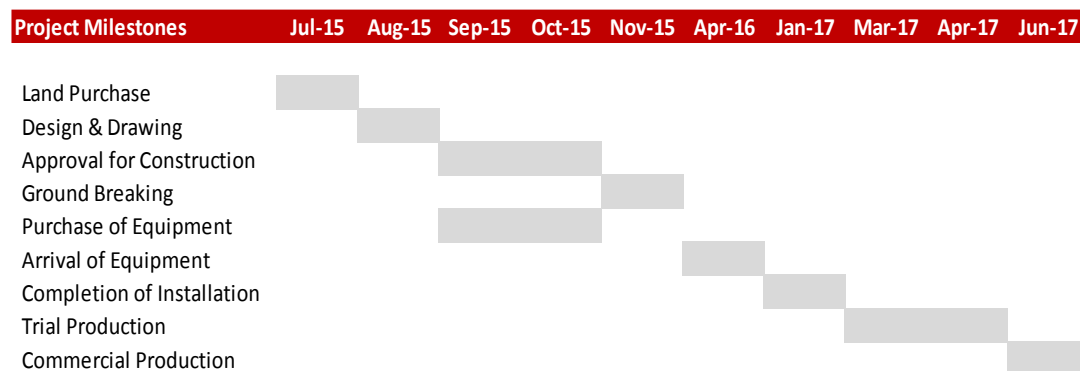
The proceeds of the IPO will be utilized for the following:

- Poultry Business & Meat Processing Factory
- Extension of Retail Network
- Working Capital

A. Poultry Business & Meat Processing Factory

Poultry is one of the largest agro based sectors of Pakistan and a major source of protein consumption in the country. It is cheap, widely available and has grown at an annual rate of 12% with a turnover of Rs. 700 billion. The Company aims to establish a fully vertically integrated poultry enterprise, from the hatchery to final production at Bedeyan road, Lahore. These will be set up along modern lines comprising an automated chicken processing plant. Once processed into various cuts, the meat will be supplied to their existing network of retail shops, distributed to modern trade as frozen meat and sent to the Company's further processing plant for value addition at Bedeyan road, Lahore. The aim is to achieve cost efficiencies that will eventually translate into improve profitability and shareholder value.

The project implementation schedule is given below. Commercial production is expected in FY17.



The Plant (storic chicken slaughter line) will be imported from the Netherlands and will be brand new. Total electrical load will be 500KVA including cold room and freezers. The Plant will have a capacity of 5,000 birds per hour. The Company has SGS Halal and Jama Mansoorah Lahore Certification.

The Company is also planning to establish a meat processing facility that will produce frozen, ready to cook products. These products will have a one year longer shelf life and will be distributed across the chain of retail shops and super markets throughout the country. Processed meat is a volumetric business just like fresh meat retail but with significantly higher margins.

Overall cost of both projects is given below:

Poultry and Meat Processing Plant	Cost in PKR
Land 8 Acres @ 5,000,000 per acre	40,000,000
Construction PKR 1,500 per sq feet @ 50,000 sq feet	75,000,000
Stork Chicken Slaughter Line (5000 birds per hour) - Already Purchased	60,000,000
Blast Freezer	50,000,000
Spiral Freezer	20,000,000
Air Chilling System	10,000,000
Cold Rooms	10,000,000
Plant Design	5,000,000
Plant Installation	15,000,000
Miscellaneous	10,000,000
Total Cost for Poultry Business	295,000,000
Total cost of Meat Processing Plant	85,000,000
Working Capital	200,000,000
Total Cost	580,000,000

B. Extension of Retail Network

The Company is in the process of expanding its retail network in Karachi, Lahore and Islamabad to have a strong nationwide presence. The Company plans to open 35 retail outlets / store-within-store under the brand names of “Meat One” and “Khaas”.

Retail Network Expansion		Cost in PKR
Furniture & Fitting, Equipment & Misc Per Outlet	A	5,728,570
No. of Outlets to be Opened	B	35
Total Cost for Network Expansion	A * B	200,500,000

C. Working Capital

PKR 294.5 million will be used to fulfill short term working capital requirements

Particulars	Amount (PKR)
Investment in Poultry & Meat Processing Plant	580,000,000
Extension of Retail Network	200,500,000
Working Capital	294,500,000
Total	1,075,000,000

The break up of funds utilized above has been based on full subscription at the Floor Price of PKR 43 per share. Any excess funds received due to full subscription above the Floor Price will be utilized towards meeting further working capital requirements, as required over time.

PROGRESS UPDATE

- **Poultry Business & Meat Processing Factory**

The chronological detail of activities undertaken is as follows:

1. Chicken Slaughter House
2. Further Processing of Meat
3. Beef Slaughter Line
4. Mutton Slaughter Line
5. Samosa, Paratha and Roll Facility

The brief description of above is as follows:

- 1. Chicken Slaughter House**

Stork evisceration line can process up to 6000 birds per hour. This line has a Cropper, Final Control and Inside/Outside Bird Washer. It should be noted that 70% of the equipment has been imported.

- 2. Further Processing of Meat**

This is a complete line for ready to cook and ready to eat product. It should be noted that 70% of the equipment has been imported. Eleven [11] Acre land has already been acquired in Raiwand Lahore. Contractor for construction will be finalized by November 30, 2015 while the ground breaking will start by December 15, 2015.

- 3. Beef Slaughter Line**

This project will be undertaken in Lahore and Islamabad simultaneously. This machine has the capability of 40 heads per hour slaughter line. It should be noted that necessary equipment has been imported for Lahore while the equipment for Islamabad will be imported soon.

4. Mutton Slaughter Line

This project will also be undertaken in Lahore and Islamabad simultaneously. It is an Australian plant with a capacity of 200 head per hour. It should be noted that necessary equipment has been imported for Lahore while the equipment for Islamabad will be imported soon.

5. Samosa, Paratha and Roll Facility

Equipment has been identified and negotiations is in final stages.

NOTE

Please refer to Serial Number 3 and 4, whereby Land in Islamabad is in a process of acquisition after obtaining the necessary approval from the Board of Directors in accordance with the provisions of section 196 of the Companies Ordinance, 1984 whereby the company has paid Rs1,000,000/- [Rupee One Million] as token advance money where the total cost excluding allied and ancillary cost of transfer is Rs14,500,000/- [Rupees Fourteen Million and Five Hundred Thousand Only].

Taxation Impact

Finance Act, 2015 has provided three major exemptions to an Industrial Undertaking setting up and commencing production between the July 1, 2015 and June 30, 2017 for establishing and operating halal meat production unit and have obtained halal certification to that effect. The first exemption pertains to exemption of profits and gains under clause 126K of part I of the second schedule to the Income Tax Ordinance, 2001 [“the Tax Ordinance”]. The second one pertains to exemption from section 113 of the tax ordinance by virtue of sub clause (xxiv) of Clause 11A of Part IV of Second Schedule of the tax ordinance while the third one pertains to exemption from section 154 of the tax ordinance by virtue of clause 93 of Part IV of the Second Schedule of the tax ordinance.

Board of Directors Decision

Keeping an eye on the above, the Company intends incorporate a fully owned subsidiary of Al Shaheer Corporation Limited with an initial investment of Rupees outlay of Rupees Eight Hundred and Ninety Four Million (Rs894,000,000/-) by way of fully subscribed paid up Capital to meet the very purpose of setting up and making the Industrial Unit with Halal production facility operational.

Pursuant to section 208 of the Companies Ordinance, 1984 [“the Ordinance”] read with Companies (Investment in Associated Companies or Associated Undertakings) Regulation, 2012, the management intends to take the approval from the members of Board of Directors initially and make it part of special business for the forthcoming General Meeting whereby notice under section 160(1)(b) of the Ordinance will be given in order to seek the approval of shareholders through special resolution. Members are requested to please review the same and if consider fit pass the following resolution.

It was hereby resolved that directors authorize the incorporation of a new company fully owned subsidiary of Al Shaheer Corporation Limited for setting up and making the Industrial Unit with Halal production facility operational and the investment shall be by way of fully subscribed 89,400,000 shares of Rupees 10/- each to meet the necessary capital expenditure during the Financial Year ending on June 30, 2016 and 2017. This approval is subject to passing a special resolution about to be presented in the forthcoming general meeting of the Company in pursuance to section 208 of the Companies Ordinance, 1984 [“the Ordinance”] and notice to this effect under section 160(1)(b) of the Ordinance be attached with the notice of general meeting..

It was further resolved that the CEO and CFO were authorized to execute all necessary documents in this respect on behalf of the Company and other officials of the Company as delegated by CEO and CFO of the Company..”

Notice Under Section 160(1)(b)

INVESTMENT IN NEW SUBSIDIARY OF AL SHAHEER GROUP, AN UNQUOTED COMPANY, TO BE INCORPORATES AS FULLY OWNED SUBSIDIARY

Brief Background of New Al Shaheer Group Company

The company has recently raised money by issuing 25 million shares to general public for Poultry Business, Meat Processing Factory, Extension of Retail Network and working capital thereof. However, Finance Act, 2015 has provided three major exemptions to an Industrial Undertaking setting up and commencing production between the July 1, 2015 and June 30, 2017 for establishing and operating halal meat production unit and have obtained halal certification to that effect. The first exemption pertains to exemption of profits and gains under clause 126K of part I of the second schedule to the Income Tax Ordinance, 2001 [“the Tax Ordinance”]. The second one pertains to exemption from section 113 of the tax ordinance by virtue of sub clause (xxiv) of Clause 11A of Part IV of Second Schedule of the tax ordinance while the third one pertains to exemption from section 154 of the tax ordinance by virtue of clause 93 of Part IV of the Second Schedule of the tax ordinance.

Consequently, in order to appropriately safeguard the shareholders money and provide maximum return on shareholders’ hard money received through subscription, the Board of Directors of the company has decided to incorporate a fully owned new subsidiary in order to avail the tax exemption announced through Finance Act, 2015. The new company will undertake the Business of Poultry and Meat Processing Factory in a tax efficient manner.

Shareholder Mandate

Consequently, the Board of Directors have resolved, subject to approval from the shareholders, that Rs894,000,000 should be invested in 100% Subsidiary, an unquoted company and as a consequence, approval of shareholders is sought for making investment of Rs894,000,000 (Rupees Eight Hundred and Ninety Four Million) by subscribing 89,400,000 million Ordinary Shares to incorporate, make it fully operational and start commercial Operation thereafter.

The information required to be disclosed to the members under Companies (Investment in Associated Companies or Associated Undertakings) Regulation, 2012, as applicable in the instant case, is as follows:

Name of Associated Company Al Shaheer Group Company name to be decided upon
Approval from regulators

Criteria of Relationship 100% Subsidiary as 100% shares will be held by the
Company

Purpose, Benefit and Period of Investment

To incorporate a fully owned subsidiary that will be part of Company’s plan to vertically integrate its supply chain and invest shareholders’ proceed in same manner as laid down in the prospectus but through a subsidiary in a tax efficient manner. The period of investment would be ongoing basis and beneficial for the continuity of the company.

Maximum Amount of Investment Rs894,000,000

Maximum Price of Acquisition of Securities @Rs10/- Per Share

Maximum Number of Securities to be Acquired 89,400,000

Number of Securities and Percentage thereof Held before and After Investment 100%

Sources of funds from which securities are Acquired Out of Equity

Direct or Indirect Interest of Directors, Sponsors, Majority shareholders, and their relatives No Direct or Indirect Interest

Project of the Associated Company has not Commenced Operation It would be a Poultry Plant and Meat Processing Factory project expected to commence business during the financial year ending on June 30, 2017

Interest of the directors of subsidiary in the Company None of the nominee Director of the Company on the Board of Subsidiary have any personal interest in the company

For this purpose, it is intended to propose the following resolution to be passed as special resolution with or without modification:

“It is hereby resolved that the Company be and is hereby authorized to invest an amount of Rupees Eight Hundred and Ninety Four Million (Rs894,000,000/-), out of its equity, by subscribing 89,400,000 million ordinary shares of Rs10/- each in Al Shaheer Group Company, name to be proposed and may change subject to regulatory approvals, being fully paid up, an unquoted company, to meet the necessary capital, pre and post commencement, expenditure during the Financial Year ending on June 30, 2016 and June 30, 2017.”

Resolved further that the company is authorized to take all appropriate steps and execute all necessary documents and in this connection the Chief Executive and the Company Secretary be and are hereby authorized jointly and severally to do all the acts, deeds, and things necessary to implement this special resolution and also jointly and severally empowered to make amendments / modifications to the resolution as may be required by the members or by the regulators”

Shareholders' Special Resolution

“It was resolved with more than three fourth majority that the Company be and is hereby authorized to invest an amount of Rupees Eight Hundred and Ninety Four Million (Rs894,000,000/-), out of its equity, by subscribing 89,400,000 million ordinary shares of Rs10/- each in Al Shaheer Group Company, name to be proposed and may change subject to regulatory approvals, being fully paid up, an unquoted company, to meet the necessary capital, pre and post commencement, expenditure during the Financial Year ending on June 30, 2016 and June 30, 2017.

Resolved further that the company is authorized to take all appropriate steps and execute all necessary documents and in this connection the Chief Executive and the Company Secretary be and are hereby authorized jointly and severally to do all the acts, deeds, and things necessary to implement this special resolution and also jointly and severally empowered to make amendments / modifications to the resolution as may be required by the members or by the regulators”

- **Extension of Retail Network**

Currently, the company is marketing two different brands namely as follows:

1. Meat One
2. Khaas Meat

The company has opened 7 different shops as follows:

1. Meat One 2
2. Khaas Meat 5

The five shops of Khaas includes four shops in different regions of the Province of Punjab based on our shop in shop model with CSD Stores. The geographical spread of these shops are as follows:

Lahore	2
Rawalpindi	1
Gujranwala	1

RETAIL EXPANSION

The company has planned 40 new shops of Meat One and Khaas Meat. These shops are under the process of opening and are expected to be operational by March 30, 2016.

The company has also expanded with respect to its supply chain and has acquired the following:

Warehouse in Karachi	1	[Rent]
Supply Chain Office in Bahawalpur	1	[Rent]
Head Office in Clifton area of Karachi	1	[Acquisition]

Sd.

Chief Executive Officer

Sd.

Company Secretary