

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF  
HALLMARK COMPANY LIMITED**

**REPORT ON THE ANNUAL AUDIT OF THE FINANCIAL STATEMENTS OF JUNE 30,  
2018**

**Opinion**

We have audited the annexed financial statements of Hallmark Company Limited (the Company), which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows 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 changes in equity and the statement of cash flows 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, 2018 and of the profit and 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* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) 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.

We have determined the matters described below to be the Key Audit Matters to be communicated in our report:

S. No.	Key audit matters	How the matter was addressed in our audit
<b>1</b>	<b>Uncertainty related to Going Concern</b>	
	<p>As referred in note 1 and 2 to the accompanying financial statements, the Company has now earning profits and its financial ratios are getting better. Further, it has disclosed some events occurred during the year which are favorable to the Company. These events are withdrawal of show cause notice under section 309 of the repealed Companies Ordinance, 1984, further investment for new product line and merger. Moreover, the commercial operations of the Company have recently been recommenced.</p> <p>These conditions indicate that, a material uncertainty related to going concern ability was existed till last year, it is no more exists.</p> <p>Due to the significance of the matter in respect of users understanding of the financial statements we considered this matter as key audit matter.</p>	<p>The key audit procedures which we have performed for ascertaining validity of assumption of the management regarding going concern and material uncertainty existed, we performed the following procedures:</p> <p>We evaluated the important financial ratios of the Company, and compared the income from the current trading activities with the budgeted activities earlier disclosed by the management. We found the current profits from trading activities near the projected amounts.</p> <p>We further enquired management about future plans and evaluated them with the present events and conditions till the reporting date. During the performance of audit, we remained alert to the conditions and events which may create doubt over the ability of the Company to continue as going concern. We examined and evaluated the order of the Securities and Exchange Commission of Pakistan and the correspondence with it, and the Pakistan Stock Exchange did with the Company.</p> <p>We evaluated the progress in merger process and reviewed the petition filed and other correspondence with the legal advisor involved and the Hon'able High Court of Sindh with the Company.</p>

<b>S. No.</b>	<b>Key audit matters</b>	<b>How the matter was addressed in our audit</b>
<b>2.</b>	<b>Preparation of financial statements under Companies Act, 2017</b>	
	<p>As referred in note 3.1 and 4 to the accompanying financial statements, the Companies Act, 2017 (the Act) became applicable for the first time for the preparation of financial statements.</p> <p>The Act forms an integral part of the financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosure in relation to various elements of the financial statements</p> <p>In case of the Company, specific additional disclosures have been included in the financial statements as referred to note 4 to the accompanying financial statements.</p> <p>The aforementioned changes and enhancements in the reporting framework are considered as a key audit matter because of the volume and significance of the new disclosures in the financial statements resulting from the transition to the new reporting requirement under the Act.</p>	<p>We assessed the procedures adopted by the management for identification of the required changes in the financial statements due to the application of the Act. We considered the adequacy and appropriateness of the additional disclosures presented and changes to the previous disclosures based on the new requirements. We also evaluated the sources of information used by the management for the preparation of the above referred disclosure and internal consistency of such disclosures and information with other elements of the financial statements.</p>

### **Information Other than the Financial Statements and Auditor's Report Thereon**

Management is responsible for other information. The other information comprises the information included in the Annual Report, 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 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 material misstatement of this 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 the 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.
- 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 other 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) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund, established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Mr. S.M. Suhail, FCA.

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S. M. Suhail & Co.  
Chartered Accountants  
Karachi

Our Ref: SMS-A-4372018  
Date: October 01, 2018