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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ***HALLMARK COMPANY LIMITED***
ON THE AUDIT OF THE ***FINANCIAL STATEMENTS OF JUNE 30, 2019***

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, 2019, and the statement of profit or loss, 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, statement of profit or loss, 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, 2019 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 matters were addressed in our audit
1	**Value of stock in trade**	
	The Company is claiming to face shortage of funds and in spite of this it has significant amount of stock of used computers and allied equipment. This increase in stock was observed in last quarter of the financial year therefore the risk of overstatement was significant. Due to the significance of the amount and degree of risk involved we considered this matter as key audit matter.	Our audit procedures which we performed include the following: Observing the physical inventory count at year end with special focus on physical condition and model of items to counter check need of write down in stock. Enquiring management for the reason of increase in purchases during the last quarter and verifying consistency and adequacy of the reason provided with other corroborative evidences. Evaluating the valuation method being used and examining the valuation and related documentation to recalculate the rate on test basis to work out the exact value of the stock. Obtaining management's assessment of net realizable value of the stock and comparing it with cost of the assets for recognition of stock at lower of cost or net realizable value. Examining of sale agreements with customers to assess need of immediate availability of stock in hand and at to compare realizable value.

2.	Changes in intangible asset	
	As referred in notes 2.3 and 7 to the accompanying financial statements, license for sale of ERP "Entrepreneur Resource Planning" has been surrendered by the Company to the provider in exchange of a new license of ERP to be used in operations of the Company. It involves transfer of significant amount of funds and further involved complex computation of gain/ loss on exchange of license. Due to the involvement of significant management's judgment in evaluating the availability of intangible for use during the year, and its related impact on profit or loss we considered this matter as key audit matter.	Our audit procedures which we performed include the following: Obtaining the exact date of decision for discontinuing the use of license and computing the amortization on the asset till date of discontinuation. We computed the gain on exchange of intangible based on the carrying value of the intangible at the date of discontinuation and the consideration received partially in cash and remaining in shape of another license. Examining the revised agreement of license and ascertaining the date of availability for use and computed amortization accordingly to reach carrying amount at the end of reporting period. Examining communication with ERP provider and verifying the consent over discount on the amount refunded. We also reviewed the related documentation to understand the terms involved in exchange. Enquiring management for the reason of discontinuing the sale license and verifying the consistency of the reason with the other corroborative evidences like revenue generated from license in past periods and cost incurred to generate that revenue. Obtaining management's assessment for need of impairment of intangible asset and verify the assessment basis whether it is correct or there is any need of impairment. Checked accuracy of the amount of amortization and gain on exchange recognized in statements with appropriateness of disclosures involved.

<table>
<tr><td>3</td><td colspan="2">Adoption of IFRS-15 “Revenue from Contracts with Customers”</td></tr>
<tr><td></td><td>As referred in note 3.3 of the accompanying financial statements, the IFRS-15 “Revenue from Contracts with Customers” has been notified by the Securities and Exchange Commission of Pakistan (SECP) for adoption with effect from financial year beginning on or after July 1, 2018. IFRS-15 became applicable for financial reporting of revenue and related assets and liabilities in Pakistan and the Company has adopted IFRS-15 from July 1, 2018.

The IFRS-15 replaced IAS-11 “Construction Contracts”, IAS-18 “Revenue”, and the other related interpretations. It provided five step model framework to recognize revenue. The framework is; identify contract, identify performance obligation, determine transaction price, allocate transaction price to each performance obligation and recognize revenue as and when the entity satisfies the performance obligation.

We considered the adoption of IFRS-15 as a key audit matter because of the volume and significance of the revenue and probable impact of the change in accounting policy related to recognition criteria of revenue and related disclosures in the financial statements resulting from the adoption.</td><td>Our audit procedures which we performed include the following:

We understand and assessed the adequacy of the procedures adopted by the management for identification of the required changes in the time and valuation of revenue recognition due to the application of the IFRS-15.

We considered the application IFRS 15 specific to the Company in measurement and recognition of revenue and matched the management’s adopted treatment with our understanding. We also compared the outcome of changed recognition criteria of revenue based on new requirement as compared to the previous criteria.

We considered the adequacy and appropriateness of the additional disclosures presented for change in accounting policy in accordance with the IAS-8 “Accounting policies, changes in accounting estimates and errors”.</td></tr>
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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, 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 Mr. S. M. Suhail, FCA.

S. M. Suhail & Co.

S. M. Suhail & Co.
Chartered Accountants
Karachi

Our Ref: SMS-A-2582019
Date: July 08, 2019