



HALLMARK  
COMPANY LIMITED

*Eager to Grow*

# **ANNUAL REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2020**

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# VISION AND MISSION STATEMENTS

## OUR VISION

Our vision is to be the state-of-the art supplier of Information Technology (I.T.) products and I.T. related services in the market and ambitious to be a quality product and service-oriented Company, and explore other products for the customers, shareholders and employees.

To achieve this goal, we will be driven by an obsession even we are better than make ourselves be the best not focusing on destination but make a continuous onward journey.

Quality product/ service means a sustained, dedicated and commitment to meet and exceed stakeholder expectations. As we will go the "Mile & Miles" to delight our customers with products and services that exceed their expectations.

## OUR MISSION

The Company's aims to become one of the leading suppliers of I.T. related other products and services in the market through commitment to providing products and services that best suits need of our customers. We will manage our affairs through modern technology, collective wisdom and institutionalized leadership and as a result achieves zero defects everything we do.

We aimed doing good business, with good clients with high integrity. We will not compromise our principles and we will like to be known as a responsible corporate citizen, aware of our obligation to the Government, religion, and the society we serve.

## **COMPANY INFORMATION**

### **Chairman**

S. Muhammad Imran

### **Chief Executive**

Mr. Naveed Hamid

### **Directors**

Mr. Muhammad Farrukh Bashir

Executive director

Mr. Saad Aftab Shamsi

Independent director

Mr. Ahtesham Ashraf

Non-executive

Mrs. Mehnaz Manzoor

Non-executive

Mr. Abdul Rahim

Non-executive

Mr. S. Muhammad Imran

Non-executive

Mr. Zubair Ahmed Khan

Independent director

### **Audit Committee**

Mr. Zubair Ahmed Khan

Chairman and Member

Mr. Ahtesham Ashraf

Member

Mrs. Mehnaz Manzoor

Member

### **HR & Remuneration Committee**

Mr. Saad Aftab Shamsi

Chairman and Member

Mr. Muhammad Farrukh Bashir

Member

Mr. Abdul Rahim

Member

### **Chief Financial Officer**

Mr. Muhammad Farrukh Bashir

### **Company Secretary**

Mrs. Kishwar Parveen

### **External Auditors**

M/s. S. M. Suhail & Co.

Chartered Accountants

### **Legal Advisor**

Mr. Bhagwan Das

Advocate High Court

### **Shares Registrar**

M/s. F.D. Registrar Services (SMC-Private) Limited

### **Bankers**

Habib Metropolitan Bank Limited

## **OFFICE OF THE COMPANY**

### **Registered Office Karachi**

Suite # 1001/1005, Uni Centre, 10<sup>th</sup> Floor,

I.I. Chundrigar Road,

Karachi, Pakistan.

Phone: 021-32414419, 37011105

Fax: 021-32416288

Email: [hallmark@bizcorei.com](mailto:hallmark@bizcorei.com)

Web: [www.hiclpk.com](http://www.hiclpk.com)

## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 41<sup>st</sup>, Annual General Meeting of the Shareholders of **Hallmark Company Limited** will be held on, Thursday, **November 26, 2020 at 11:00A.M.** at Office # 1001/1005, 10th Floor, Uni Centre, I.I. Chundrigar Road, Karachi, to transact the following business:

### **ORDINARY BUSINESS**

1. To confirm the minutes of the 40<sup>th</sup> Annual General Meeting held on July 30, 2019.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2020, together with the Directors' and Auditors' Reports thereon.
3. To appoint Auditors for the year ending on June 30, 2021 and fix their remuneration. The retiring Auditors, M/s. S.M. Suhail & Co., Chartered Accountants are eligible and, have provided their consent and the Directors have recommended for their reappointment.
4. Election and appointment of directors in place of existing Board at the request of the acquirer, under the Listed Companies (Substantial Acquisition of Voting Shares & Takeovers) Regulations, 2017. The existing directors are not willing to continue as directors of the Company.

Following members of the Company, have communicated their interest to contest in the election, scheduled in the upcoming AGM.

- |                              |                              |
|------------------------------|------------------------------|
| 1) Mr. Salman -              | as Executive Director        |
| 2) Mr. Muhammad Saad Iqbal - | as Non-Executive Director    |
| 3) Mr. Sharjeel-             | as Non-Executive Director    |
| 4) Mr. Jawad-                | as Non-Executive Director    |
| 5) Ms. Irsa Faruqi-          | as Non-Executive Director    |
| 6) Mr. Muhammad Ashfaq -     | as Independent Director, and |
| 7) Ms. Areej Rafique -       | as Independent Director      |

5. To transact any other business with the permission of the Chairman.

By Order of the Board

**Company Secretary**

Karachi: November 4, 2020

## NOTES:

- 1. Number directors to be elected are 7 (seven)** in accordance with the provisions of section 159(1) of the Companies Act, 2017, the number of directors to be elected has been fixed at 07 (Seven).
- 2. Any member who seeks to contest the election of Directors**, should file with the Company at its registered office not later than 14 (fourteen) days before the day of the meeting, a notice of his/her intention to offer himself/herself for election as a Director in terms of Section 159(3) of the Companies Act, 2017, along with and comply with the relevant provisions of the listing regulations of Pakistan Stock Exchange.
- 3. A member is entitled to attend and vote** at the Annual General Meeting, may appoint another member as his/her proxy to attend, speak and vote instead of him/her.
- 4. The Share Transfer Book of the Company will be closed** from November 20, 2020 to November 26, 2020 (both days inclusive). Transfers received in order, by our Shares Registrar, the F.D. Registrar Services (SMC-Private) Limited, located at, 17th Floor, Trade Centre, I.I. Chundrigar Road, Karachi, at the close of the business, on November 19, 2020 will be considered in time to attend and vote at the meeting and for the entitlement of Dividend (if any).
- 5. The Forms of proxy**, in order to be valid, must be properly filled-in, executed and received at the registered office of the Company not later than 48 hours before the time of the meeting.
- 6. Members are requested to notify** to the Share Registrar of the Company, promptly of any change in their addresses.
- 7. Notice to Shareholders who have not provided CNIC** Pursuant to the directive of the Securities & Exchange Commission of Pakistan (SECP) contained in SRO 831(1)/2012 dated July 05, 2012 for the issuance of future dividend warrants etc., and in absence of such information, payment of dividend may be withheld in terms of SECP's above mentioned directive, Shareholders are therefore, requested to submit a copy of their updated/ valid CNIC (if not already provided) to the Share Registrar.
- 8. Video Conference Facility**, the Members can also avail video conference facility. In this regard, please submit to registered address of the Company, the following request 10 days before holding of the Annual General Meeting.

*"I/We, \_\_\_\_\_ of \_\_\_\_\_, being a member of Hallmark Company Limited, holder of \_\_\_\_\_ ordinary share(s) as per registered Folio / CDC Account No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_."*

- 9. E-Voting Facility**, in pursuant to the Notification vide SRO.43 (1)/2016 of January 22, 2016, the SECP has directed to facilitate the members of the Company for e-voting if the Company receives demand for poll from at least five (5) members or by any member or members having not less than one tenth of the voting power. In this regard, please submit to the registered address of the Company, the following request, 10 days before holding of the Annual General Meeting.

*"I/We, \_\_\_\_\_ of \_\_\_\_\_, being a member of Hallmark Company Limited, holder of \_\_\_\_\_ ordinary share(s) as per registered Folio / CDC Account No. \_\_\_\_\_ hereby opt for e-voting through Intermediary and hereby consent the appointment of execution officer as proxy and will exercise e-voting as per the Companies (e-voting) Regulations, 2016 and hereby demand for poll for resolutions.*

*My/our secured email address is \_\_\_\_\_, please send login details, password and electronic signature through email."*

## **10. Mandate for E-Dividends for Shareholders**

In order to make process of payment of cash dividend more efficient, e-dividend mechanism has been envisaged where shareholders can get amount of dividend credited into their respective bank accounts electronically without any delay. In this way, dividend may be instantly credited to respective bank accounts and there are no chances of dividend warrants getting lost in the post, undelivered or delivered to the wrong address, etc.

The SECP, through Notice No. 8(4) SM/CDC208 dated April 5, 2013, had advised to all listed companies to adopt e-dividend mechanism due to the benefits it entails for shareholders. In view of the above, you are hereby encouraged to provide the Company, a dividend mandate in favor of e-dividend by providing mandate form duly filled in and signed. The dividend mandate form is available at website of the Company.

## **11. Electronic Transmission of Financial Statements**

The SECP, through notification No., SRO 787(I)/2014 dated September 8, 2014 has allowed companies to circulate Annual Financial Statements along with notice of Annual General Meeting through email instead of sending the same through post, to those members who desires to avail this facility. The members who desire to opt to receive aforesaid statements and notice through e-mail are requested to provide their written consent on Standard Request Form available at registered office of the Company.

## **12. Form of Proxy is enclosed at the ending part of this annual report.**

### **STATEMENT UNDER SECTION 166(3) OF THE COMPANIES ACT, 2017**

Independent Directors shall be elected through election process of Directors, in terms of Section 159 of the Companies Act, 2017, as they shall meet the criteria prescribed under Section 166(2) of the Companies Act, 2017.

The present independent directors are not eligible being nonmember, therefore, are not consented to be reappointed as Independent Directors of the Company.

### **PROFILE OF CANDIDATES AND APPOINTMENT OF FEMALE DIRECTOR ARE AS UNDER**

- 1- Mr. Salman Yousuf** has consented to be appointed as executive director. He has completed his MBA (Masters in Business Administration) from Iqra University and has more than 10 years of experience in the field of Information Technology. He has acted as Executive Vice President (Digital Marketing) for four years and presently working as Chief Operating Officer for over three years in a reputed tech company. He is a tax filer and eligible to be appointed in the Board.
  
- 2- Mr. Muhammad Saad Iqbal** has shown his consented to be appointed as non-executive director. He has completed his master's degree in business administration (MBA). He has started his career back in 2003 and since then he has been associated with big companies of IT and media groups. He has worked as Senior Manager Business Unit for more than 11 years and currently he is associated with reputed tech company as President – Executive Management since 2016. He is a tax filer and eligible to be appointed in the Board.

- 1- **Mr. Sharjeel** has shown his consent to be appointed as non-executive director. He is a sole proprietor and associated with many groups of real estate development. He is a certified Realtor from Real Estate Regulatory Authority, Dubai. He has completed his graduation from University of Karachi and has completed MIS (Management Information System) courses from American Intercontinental University AIU (UK). He has extensive experience in marketing and real estate. He is a tax filer and eligible to be appointed in the Board.
- 2- **Mr. Jawad** was working as Executive Director for two and half years, in the Inter-market Securities (Pvt.) Ltd. and prior to that, has worked as CFO and Company Secretary in the same Company. He is a member of The Institute of Chartered Accountants of Pakistan and had completed his mandatory Chartered Accountancy Article from PWC.
- 3- **Ms. Irsa Faruqi** has shown her consent to be appointed as non-executive female director. She has completed her graduation in media sciences (advertising) from Iqra University and begun her career in advertising in 2007. She has remarkable working experience with large names like Tohfay.com. She has worked as Senior Strategy and Events Manager and currently she is acting as President – Executive Management since 2016 in a reputed tech company. She is tax filer and eligible to be appointed in the Board.
- 4- **Mr. Muhammad Ashfaq** partner of Alluhaid and Alyahya firm and also Chief Executive of AA Global advisory Firm. In addition to this, he is also serving as corporate advisor of Mansour Al Mosaid Group of companies that base in Saudia Arabia. He is Chartered Accountant with varied certifications including ACMA (UK), CGMA (UK) and CPA (Australia) with over 22 years of audit, financial and corporate advisory experience primarily in Financial services.
- 5- **Ms. Areej Rafique** an independent director of Sana Industries Limited and also the Product Market Manager at Pakistan Oxygen Limited (formerly Linde Pakistan). She has also served at Pakistan Telecommunication Company Limited and Landmark Group (Dubai). She holds masters degree in Business Administration from Heriot Watt University (Scotland-UK) and BE-Telecommunication from NED University of Engineering and technology, Karachi.

By Order of the Board

Karachi: November 4, 2020

**COMPANY SECRETARY**



## **Chairman's Review**

It gives me immense pleasure to present this report to the members of Hallmark Company Limited (the Company) pertaining to the overall performance of the Board and effectiveness of its role in attaining overall objectives of the Company.

## **Business Performance**

The current financial year was a real test due to the outbreak of COVID – 19 pandemic. More than four months of the financial year have suffered due to the pandemic and impacted the financial performance of the Company. I am delighted to mention here that, even after this pandemic we are able to report profits in our financial performance. The amount of profit is significantly declined from past trend due to the fact that our cost to procure inventory has increased and we did not implement any rigid measure against our employees to cut second major cost for the Company.

There is significant need of establishing new procedures and controls due to the growing size of the Company. In such circumstances, administrative cost was very difficult to be controlled, but due to the selfless efforts of the executive and non-executive directors, the Company has been able to restrict the increase in administrative expense at very low margin. The Board of directors is still not receiving any remuneration from the Company for their services and this is saving a significant cost to the Company. I really appreciate the efforts of the Board and involved staff for the progress of the Company in such difficult times, when it has very scant resources and business environment in the country is going through difficult crises.

The challenge of being price competitive for a new trading company is very difficult specially where the Company is expected to earn profit over its every transaction to survive in the operations. The Board has effectively managed the equilibrium in overall functions of the Company especially during the period of COVID – 19. The Company is still able to generate sizeable gross profits. Still the Company has able to generate gross profit margin of 28% in comparison to last year 33%.

## **Public Offer to Acquire Control**

During the financial year under review, a public intention to acquire controls of the Company has been received in the month of April 2020, and finally, the public offer has been made. I appreciate the vigilance of the Board who had managed all the reporting and other related requirements of substantial acquisition in addition to existing compliance requirements.

The public offer has been completed subsequent to the year end, and shares have been transferred. The acquirer has now requested to hold fresh election of directors and our present Board is not willing to reelect and has effectively managed to hold election of directors in the upcoming 41<sup>st</sup>, Annual General Meeting.

## **Financial Management**

The Company remained focused on effective management of funds in such a manner as to accomplish the objectives of the Company. The aim of our financial management is to maximize profits. During the year, the inventory levels and trade receivables were managed effectively to accomplish business objectives which added value for the shareholders. It has been focused to receive the outstanding dues from customers within due date and avoid sale on credit to those who are doubtful to pay full amount on time.

Throughout the year, the management was much focused on cost effectiveness and profit improvement.

### **Internal Audit**

The Company has an independent internal audit department, which leads the internal audit function. The internal audit function is concerned with evaluating and improving the effectiveness of risk management, control and governance process in the Company. It is an independent appraisal activity in the Company to examine and evaluate its financial and operational matters. The objective of internal audit is to achieve operational efficiency, safeguard of profitability and Company's interests and establishment and observance of internal control.

### **Acknowledgement**

On behalf of the Board of Directors, I would like to express gratitude to our stakeholders for their continued support and encouragement and place on record the appreciation of the valuable services rendered by the employees of the Company. I also acknowledge the commitment and diligence of our Chief Executive and his team and thank them for their concerted efforts.

**S. Muhammad Imran**  
**Chairman**

Karachi

Dated: November 4, 2020

## چیسر میں کا جائزہ

بورڈ کی مجموعی کارکردگی اور کمپنی کے مجموعی مقاصد کے حصول میں اس کے کردار کی تاثیر سے متعلق ہالمارک کمپنی لمیٹڈ (کمپنی) کے ممبروں کو یہ رپورٹ پیش کرنے سے مجھے بے حد خوشی ہوئی ہے۔

## کاروبار کی کارکردگی

موجودہ مالی سال COVID-19 وبائی بیماری کے پھیلنے کی وجہ سے ایک حقیقی امتحان تھا۔ مالیاتی سال کے چار مہینے سے زیادہ وبائی مرض کی وجہ سے دوچار ہیں اور اس نے کمپنی کی مالی کارکردگی کو متاثر کیا ہے۔ مجھے یہاں یہ بتاتے ہوئے خوشی محسوس ہو رہی ہے کہ، اس وبائی مرض کے بعد بھی ہم اپنی مالی کارکردگی میں منافع کی اطلاع دے رہے ہیں۔ ماضی کے رجحان سے منافع کی مقدار میں نمایاں کمی واقع ہوئی ہے اس وجہ سے کہ انونٹری کی خریداری کے لئے ہماری لاگت میں اضافہ ہوا ہے اور ہم نے اپنے ملازمین کے خلاف کمپنی کے لئے دوسرا بڑا خرچ کم کرنے کے لئے کوئی سخت اقدام نافذ نہیں کیا۔

کمپنی کے بڑھتے ہوئے حجم کے پیش نظر نئے طریقہ کار اور کنٹرول کے قیام وقت کی اہم ضرورت ہے۔ ایسے حالات میں، انتظامی لاگت پر قابو پانا بہت مشکل تھا، لیکن ایگزیکٹو اور غیر ایگزیکٹو ڈائریکٹرز کی بے لوث کوششوں کی وجہ سے، کمپنی انتظامی اخراجات میں اضافے کو بہت کم مارجن پر روکنے میں کامیاب رہی ہے۔ بورڈ آف ڈائریکٹرز کو اب بھی ان کی خدمات کے لئے کمپنی سے کوئی معاوضہ نہیں مل رہا ہے اور اس سے کمپنی کو ایک قابل لاگت بچت ہو رہی ہے۔ میں وقفاً وقفاً ایسے مشکل وقتوں میں کمپنی کی ترقی کے لئے بورڈ اور اس میں شامل عملے کی کوششوں کی تعریف کرتا ہوں، جب اس کے وسائل بہت کم ہیں اور ملک میں کاروباری ماحول مشکل بحرانوں سے گزر رہا ہے۔

نئی ٹریڈنگ کمپنی کے لئے قیمت مسابقتی ہونے کا چیلنج خاصا مشکل ہے جہاں کمپنی سے توقع کی جاتی ہے کہ وہ اپنے ہر لین دین سے منافع حاصل کرے گی تاکہ وہ کاموں میں مامور رہے۔ بورڈ نے کمپنی کے مجموعی کاموں میں توازن کا مؤثر طریقے سے انتظام کیا ہے خاص طور پر COVID-19 کی مدت کے دوران کمپنی اب بھی قابل قدر مجموعی منافع حاصل کرنے میں

کامیاب ہے۔ پھر بھی کمپنی گذشتہ سال 33% کے مقابلہ میں 28% کے مجموعی منافع کا مارجن حاصل کرنے میں کامیاب ہے۔

## کنٹرول کو حاصل کرنے کیلئے عوامی پیش کش

زیر نظر مالی سال کے دوران، کمپنی کے کنٹرول حاصل کرنے کا عوامی ارادہ اپریل 2020 کے مہینے میں موصول ہوا، اور آخر کار، عوامی پیش کش کی گئی۔ میں بورڈ کی تعریف کرتا ہوں جنہوں نے موجودہ تعمیل کی ضروریات کے علاوہ خاطر خواہ حصول کی تمام رپورٹنگ اور دیگر متعلقہ ضروریات کا بھی انتظام کیا تھا۔

عوامی پیش کش سال کے اختتام کے بعد مکمل ہو گئی ہے، اور حصص کو منتقل کر دیا گیا ہے۔ حاصل کرنے والے ڈائریکٹرز کے نئے انتخابات کرانے کی درخواست کی ہے اور ہمارا موجودہ بورڈ دوبارہ انتخاب پر راضی نہیں ہے اور آئندہ 41 ویں سالانہ جنرل میٹنگ میں ڈائریکٹرز کا انتخاب مؤثر طریقے سے کرانے میں کامیاب ہو گیا ہے۔

## مالی انتظام

کمپنی فنڈز کے مؤثر انتظام پر اس طرح مرکوز رہی کہ کمپنی کے مقاصد کو پورا کیا جاسکے۔ ہمارے مالیاتی انتظام کا مقصد زیادہ سے زیادہ منافع حاصل کرنا ہے۔ ایک سال کے دوران کاروباری مقاصد کو پورا کرنے کے لئے انویسٹری کی سطح اور تجارتی وصولیوں کا مؤثر طریقے سے انتظام کیا گیا جس نے حصص یافتگان کے ویلیو قدر میں اضافہ کیا۔ اس پر توجہ مرکوز کی گئی ہے کہ وہ مقررہ تاریخ کے اندر اندر صارفین سے بقایا واجبات وصول کریں اور وقت پر پوری رقم ادا کرنے میں شک کرنے والوں کو کریڈٹ پر فروخت سے گریز کریں۔ پورے سال میں، انتظامیہ لاگت اور منافع میں بہتری پر زیادہ توجہ مرکوز رہی ہیں۔

## اندرونی آڈٹ

کمپنی کے پاس ایک آزاد اندرونی آڈٹ محکمہ ہے، جو اندرونی آڈٹ کا کام سرانجام دیتا ہے۔ اندرونی آڈٹ کا کام کمپنی میں رسک مینجمنٹ، کنٹرول اور گورننس کے عمل کی تاثیر کا جائزہ لینے اور بہتر بنانے سے ہے۔ کمپنی میں اس کے مالیاتی اور آپریشنل امور کی جانچ پڑتال اور تشخیص کرنے میں ایک آزاد تشخیصی سرگرمی ہے۔ داخلی آڈٹ کا مقصد آپریشنل کارکردگی، منافع بخش

منافع اور کمپنی کے مفادات کا تحفظ اور داخلی کنٹرول کا قیام اور عمل ہے۔

## اعتراف

بورڈ آف ڈائریکٹرز کی جانب سے، اور اپنے اسٹیک ہولڈرز کی جانب سے ان کی مسلسل حمایت اور حوصلہ افزائی اور کمپنی کے ملازمین کی جانب سے پیش کی گئی قیمتی خدمات کی تعریف کو ریکارڈ کرنے پر ان کا شکریہ ادا کرنا چاہتا ہوں۔ میں کمپنی کے چیف ایگزیکٹو اور ان کی ٹیم کے عزم کا بھی اعتراف کرتا ہوں اور ان کی ٹھوس کوششوں کے لئے ان کا شکریہ ادا کرتا ہوں۔

## DIRECTORS REPORT TO THE MEMBERS

The Directors of the Company are pleased to present the 41<sup>st</sup>, Annual Report with the Financial Statements of the Company for the year ended on June 30, 2020.

### Company's Performance

The Company has successfully completed this year despite a challenging business environment and potential adverse effect of COVID – 19 pandemic on the economy. The year under review is relatively tough year and it is apparent from the financial results of the Company. During this year it has earned a net profit after tax of Rs. .382 million as compared to last year Rs. 1.314 million. The current performance has declined mainly due to the impact of COVID – 19 in the last four months of the financial year. It was completely unexpected and caused loss to the Company during initial phase of lockdown when management was mainly concerned establishing new operational environment where remote working was possible. Due to the small size of the Company, the impact is clearly apparent in its financial performance. Throughout the pre-COVID – 19 periods, the Company keeps its pace above the budgeted amounts, whereas in last quarter the Company is still able to secure net profit after tax and it is carrying business successfully in subsequent period too. We are continuously working hard not only to sustain this growth but to perform further than this in the current market situation.

The summarized operating results of the Company for the year are as follows:

### Operating Results

	Actual activity for the year (Rs.)	Activities of last year (Rs.)
<b>Revenue</b>	<b>15,874,970</b>	<b>18,121,036</b>
<b>Gross Profit</b>	<b>4,477,438</b>	<b>6,015,605</b>
<b>Other Income</b>	<b>Nil</b>	<b>215,500</b>
<b>Profit After Taxation</b>	<b>322,833</b>	<b>1,314,450</b>
<b>Earnings per Share</b>	<b>0.77</b>	<b>2.63</b>

With the decline in revenue, as compared to last year and increase in cost of purchases, the results of current year are little discomfoting due to the adverse impact of COVID – 19 and small size of the Company but still it has able to secure earning per share of Rs. 0.77. We observed a decline in gross profit margin by 5% only, which shows our management's dedication in performing their duties and generating return over the capital of the Company. It is a sign of appreciation and hope that we are earning profits since commencement of the new business and at an increasing trend from main business activities. It is a great relief for the management and the Company.

Due to extension plan in operations, the management decided to locate its operations to some larger place, and due to shortage of funds it was assessed that the Company cannot presently bear the cost of owning any premises therefore, a premises has been obtained during the year on rent for operations. First rent is commenced from financial year 2021.

Despite of commencement of business and consistent profits, the Directors of the Company are still not receiving any remuneration from the Company with their consent. This has saved significant cost of the Company.

### **Future Outlook**

Our 2021 budget is focused on increasing the working capital of the Company with significantly higher amount through injection of further equity and achieving increased growth which we shall hopefully achieve. This shall going to be attributed to the following factors:

- The Company has engaged in trading of used personal computers, laptops and notebooks, and has large market available to access but, due to the financial constraints and limited liquidity it has restricted its operations to limited markets. The injection of capital will let the Company to concentrate on those unaddressed markets to increase its volume of profit.
- Through increase in volume of sales, the Company shall be able to reduce its fixed cost per unit and ultimately will be earning gross profit margin prevailing in the market.
- We are also intended to invest in sectors other than Information Technology too, to earn profits from there and reduce the dependability of the Company in any one sector.
- The capital injected shall initially be invested in secured investments most probably debt securities of high credit ranking so that no working capital is left without generating further return.

The Company is going through a takeover process and its future course shall mainly be decided by the acquirer with approval of other members. Presently, the Company has available resources to continue its existing business in normal course.

### **Dividend**

The Company has earned profit during the year, and the accumulated deficit has now become surplus. However, as the Company needs funds for further growing of the business, thus the situation does not permit presently, to consider payment of dividend; therefore, no dividend is being recommended by the Board for the year. However, as earlier disclosed we are heading towards and expecting to declare our next dividend very soon.

### **Evaluation of the Board's Performance and Directors' Training Program**

The Board has developed a mechanism of annual performance evaluation. Every member of the Board ensures his active participation in all the meetings of the Board. Detailed discussions are held on strategic matters and clear directions are provided to the management, which are

regularly monitored by the Board and its committees. The Board ensures that the Company adopts the best possible practices of corporate governance. The Board also has planned to review performance of business at each quarter with an aim to improve the same.

In compliance with the provisions of Listed Companies (Code of Corporate Governance) Regulations, 2019, Directors' orientation program had also been planned in current financial year. However, due to takeover intimation and subsequent public offer, the Directors expect discontinuation of Board and due to shortage of funds with the Company it has not made expenditure on trainings.

### **Statutory Auditors**

The present auditors M/s. S. M. Suhail and Co., Chartered Accountants shall retire, and are eligible to continue as auditors of the Company. As suggested by the Audit Committee the Board has recommended M/s. S. M. Suhail and Co., Chartered Accountants for re-appointment as auditors of the Company for the ensuing year.

### **Corporate Social Responsibility**

In the developing countries like Pakistan, there is an intense need to work together to address social issues as effectively and efficiently as possible. The Company values the importance of working together with its employees and with all other stakeholders to focus towards social responsibilities. Basic needs which are needed to be addressed in our society include education, health and safety, women empowerment, economic opportunity, equity of rights, law enforcement, and environmental protection and community grants.

Presently, due to scarce resources, the Company is unable to participate through monetary means. However the Company has acknowledged and discharged its responsibility towards society through following measures:

Dealing in products of only those companies which are certified as Energy Star and only those products are sold which are recyclable and energy efficient. For compliance, certifications over products are strictly observed. Also the policy of paper less environment has been adopted as strictly as possible. The policies are adopted as step towards environmental protection.

The Company has established a policy of providing interest free loan convertible to Qarz-e-Hasna to its employees, for the purposes of higher education and treatment of serious medical injuries.

### **Compliance with Corporate Governance Environment**

The requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 set out by the Securities and Exchange Commission of Pakistan, relevant for the year ended June 30, 2020 have mostly been complied with. A statement to this effect is part of this annual report.

### **Statement of Ethics and Business Practices**

The Board has adopted the statement of Ethics and Business Practices, wherever practicable and shall continue to improve its' implementation all over the Company.



## **Audit Committee**

The Company has established Audit Committee as required by the Listed Companies (Code of Corporate Governance) Regulations, 2019. The Chairman of the Committee is an independent director and the Committee comprises of three members as detailed below:

Mr. Zubair Ahmed Khan	Chairman and Member
Mr. Ahtesham Ashraf	Member
Mrs. Mehnaz Manzoor	Member

The Audit Committee has met 4 times during the year and all the members of the meeting have attended all the meetings.

## **HR and Remuneration Committee**

The Company has established HR & Remuneration Committee as required by the Listed Companies (Code of Corporate Governance) Regulations, 2019. The Committee comprises of three members and details of the members are as follows:

Mr. Saad Aftab Shamsi	Chairman and Member
Mr. Muhammad Farrukh Bashir	Member
Mr. Abdul Rahim	Member

The Chairman of the Committee is an independent director. The Committee has met 4 times during the year and all the members of the meeting have attended all the meetings.

## **Corporate and Financial Reporting Framework**

- a) The financial statements prepared by the management of the Company, present fairly its financial position, the result of its operations, cash flows and changes in equity.
- b) Proper books of accounts have been maintained by the Company.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment, except for changes in accounting policy as mentioned in note 3.3 to the financial statements.
- d) The International Accounting and Financial Reporting Standards, as applicable to the Company in Pakistan, have been followed in preparation of these financial statements.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) The Company's shall continue as a going concern.
- g) There has been no material departure from the best practices of Corporate Governance, as detailed in the Listed Companies (Code of Corporate Governance) Regulations, 2019.
- h) The key operating and financial data for the last six years is annexed herewith.
- i) During the year, four meetings of the Board of directors were held and the number of meetings attended by each director is given hereunder:

<b>NAME OF DIRECTOR</b>	<b>MEETINGS ATTENDED</b>
Mr. Muhammad Farrukh Bashir	4
Mr. Saad A. Shamsi	2
Mr. S Muhammad Imran	4
Mr. Ahtesham Ashraf	3
Mr. Zubair Ahmed Khan	4
Mrs. Mehnaz Manzoor	4
Mr. Abdul Rahim	4

- j) The pattern of shareholding in the Company as at June 30, 2020 is included in this annual report.
- k) Information about taxes and levies is given in the notes forming part of the financial statements.

### **Acknowledgements**

Directors of your company take this opportunity to express their deep sense of gratitude for all the stakeholders for their encouragement and continued support and look forward to your continued collaboration with the Company as we move forward to meet and execute our targets together.

Further, we appreciate the Company's management and supporting staff for their satisfactory performance and devotion to duty and we are grateful to all Government Institutions, Auditors, the SECP, the PSX and its bank, for their valuable support and cooperation throughout the year.

**Naveed Hamid S.**  
Chief Executive

**Muhammad Imran**  
Chairman

**November 4, 2020**

کمپنی کے ڈائریکٹرز 30 جون 2020 کو ختم ہونے والے سال کے لئے کمپنی کے مالی بیانات کے ساتھ 41 ویں، سالانہ رپورٹ پیش کرنے پر خوش ہیں۔

### کمپنی کی کارکردگی

کمپنی نے کاروباری ماحول اور معیشت پر COVID-19 وبائی امراض کے ممکنہ منفی اثرات کے باوجود اس سال کی کامیابی کے ساتھ مکمل کیا ہے۔ زیر جائزہ سال نسبتاً سخت سال ہے اور یہ کمپنی کے مالی نتائج سے ظاہر ہوتا ہے۔ اس سال کے دوران اس نے Rs.382,833 روپے کے ٹیکس کے بعد خالص منافع حاصل کیا ہے۔ گذشتہ سال کے مقابلے میں Rs.1,314 ملین روپے موجودہ کارکردگی کی مالی سال کے آخری چار مہینوں میں بنیادی طور پر COVID-19 کے اثرات کی وجہ سے کم ہوئی ہے۔ یہ مکمل طور پر غیر متوقع تھا اور لاک ڈاؤن کے ابتدائی مرحلے کے دوران کمپنی کو نقصان پہنچا تھا جب کہ مینجمنٹ بنیادی طور پر نئے آپریشنل ماحول کے قیام کا ادارہ رکھتی تھی جہاں ریموٹ ورکنگ ممکن ہو۔ کمپنی کی مالی کارکردگی میں اس کا اثر واضح طور پر ظاہر ہوتا دکھائی دیتا ہے۔ پہلے سے COVID-19 کے دوران، کمپنی اپنی رفتار کو بچھڑا کر شدہ رقم سے بالاتر رکھتی ہے، جبکہ آخری سہ ماہی میں کمپنی اب بھی ٹیکس کے بعد خالص منافع حاصل کرنے میں کامیاب رہی اور اس کے نتیجے میں اس کے بعد کے عرصے میں بھی کامیابی سے کاروبار جاری ہے۔ ہم نہ صرف اس کو برقرار رکھنے کے لئے مستقل محنت کر رہے ہیں بلکہ موجودہ مارکیٹ کی صورتحال میں اس سے کہیں زیادہ کارکردگی کا مظاہرہ کرنے کے لئے کوشاں ہیں۔

سال کے لئے کمپنی کے خلاصہ آپریٹنگ نتائج درج ذیل ہیں:

### آپریٹنگ نتائج

پچھلے سال کی سرگرمیاں (روپے)	سال کی اصل سرگرمی (روپے)	
18,121,036	15,874,970	آمدنی
6,015,605	4,477,438	کل منافع
215,500	نہیں	دوسری آمدنی
1,314,450	322,833	ٹیکس لگانے کے بعد منافع
2.63	0.77	فی شیئر آمدنی

گذشتہ سال کے مقابلہ میں اور آمدنی میں کمی کے ساتھ، خریداری کی لاگت میں اضافے کے ساتھ، موجودہ سال کے نتائج COVID-19 اور کمپنی کے منفی اثرات کی وجہ سے تھوڑا سا تکلیف دے رہے ہیں لیکن اس کے باوجود Rs.0.77 فی شیئر آمدنی کو محفوظ بنالیا ہے۔ ہم نے مجموعی منافع کے مارجن میں صرف 5% کمی دیکھی جس سے ہماری انتظامیہ نے اپنے فرائض کی انجام دہی اور کمپنی کے سرمائے سے آمدنی/روپیہ پیدا کرنے میں لگن ظاہر کی۔ یہ ستائش اور امید کی علامت ہے کہ ہم نئے کاروبار کے آغاز کے بعد اور اہم کاروباری سرگرمیوں کے بڑھتے ہوئے رجحان پر منافع کما رہے ہیں۔ یہ انتظامیہ اور کمپنی کے لئے ایک بہت بڑی راحت ہے۔ کارروائیوں میں توسیع کے منصوبے اور انتظامیہ نے اپنی کارروائیوں کو کسی بڑی جگہ پر شفٹ کرنے کا فیصلہ کیا، اور فنڈز کی کمی کی وجہ سے اندازہ لگایا گیا کہ کمپنی اس وقت کسی بھی احاطے کے مالکانہ اخراجات برداشت نہیں کر سکتی ہے، لہذا، سال کے دوران ایک احاطہ حاصل کیا گیا ہے۔ پہلا کرایہ مالی سال 2021 سے شروع ہوگا۔

کاروبار شروع کرنے اور مستقل منافع کے باوجود، کمپنی کے ڈائریکٹرز ان کی رضامندی کے ساتھ اب بھی کمپنی سے کوئی معاوضہ وصول نہیں کر رہے ہیں۔ اس سے کمپنی کی قابل قدر لاگت بچ گئی ہے۔

### مستقبل کا نظریہ

ہمارا 2021 کا بجٹ مزید ایکویٹی کے ذریعہ نمایاں طور پر زیادہ رقم کے ساتھ کمپنی کے ورکنگ سرمایہ کو بڑھانے اور بڑھتی ہوئی سرمایہ کو حاصل کرنے پر مرکوز ہے جس کی امید ہے کہ ہم اسے حاصل کریں گے۔ اس کو مندرجہ ذیل عوامل سے منسوب کیا جائے گا۔

☆ کمپنی استعمال شدہ پرسنل کمپیوٹرز، لیپ ٹاپ اور نوٹ بک کی تجارت میں مصروف ہے، اور اس تک رسائی میں بڑی مارکیٹیں دستیاب ہے لیکن، مالی رکاوٹوں اور محدود دقت کے سبب اس نے اپنی کارروائی محدود مارکیٹوں تک محدود کر دی ہے۔ سرمایہ کار انجیکشن کمپنی کو ان منافع بخش بازاروں پر توجہ دینے کی اجازت دے گا تاکہ اس کے منافع میں اضافہ ہو سکے۔

☆ فروخت کے حجم میں اضافے کے ذریعے، کمپنی اپنی فی یونٹ طے شدہ لاگت کو کم کرنے کے قابل ہوگی اور آخر کار مارکیٹ میں مجموعی منافع کا مارجن حاصل کرے گی۔

☆ ہمارا مقصد انفارمیشن ٹکنالوجی کے علاوہ دوسرے شعبوں میں بھی سرمایہ کاری کرنا ہے، تاکہ وہاں سے منافع کمایا جاسکے اور کسی ایک شعبے میں کمپنی کی انحصار کم ہو سکے۔

☆ انجیکشن کیپٹل ابتدائی طور پر اعلیٰ کریڈٹ ریٹنگ کی محفوظ سکیورٹیز میں محفوظ سرمایہ کاری میں لگایا جائے گا تاکہ کوئی کام کرنے والا سرمایہ مزید منافع پیدا کرنے کے بغیر نہ رہے۔

کمپنی ٹیک اوور کے عمل سے گزر رہی ہے اور اس کے آئندہ کے لائحہ عمل کا فیصلہ دوسرے ممبروں کی منظوری کے ساتھ بنیادی طور پر حصول

کار کے ذریعے کیا جائے گا۔ فی الحال، کمپنی کے پاس موجودہ وسائل موجود ہیں کہ وہ اپنے موجودہ کاروبار کو معمول کے مطابق جاری رکھے۔

## منافع

کمپنی نے سال کے دوران منافع کمایا، اور جمع شدہ خسارہ اب سرپلس ہو گیا ہے۔ تاہم، چونکہ کمپنی کو کاروبار میں مزید اضافے کے لئے فنڈز کی ضرورت ہے، لہذا اس وقت اس صورت حال کی اجازت نہیں ہے، تاکہ منافع کی ادائیگی پر غور کیا جاسکے۔ لہذا، بورڈ اس سال کے ذریعہ کسی بھی منافع کی سفارش نہیں کریگا۔ تاہم، جیسا کہ پہلے انکشاف ہوا ہے، ہم آگے بڑھ رہے ہیں اور توقع کر رہے ہیں کہ ہم جلد ہی اپنا اگلا فائدہ اٹھائیں گے۔

## بورڈ کی کارکردگی اور ڈائریکٹرز کے تربیتی پروگرام

بورڈ نے سالانہ کارکردگی کی تشخیص کا ایک طریقہ تیار کیا ہے۔ بورڈ کا ہر ممبر بورڈ کے تمام اجلاسوں میں اپنی فعال شرکت کو یقینی بناتا ہے۔ اسٹریٹجک امور پر تفصیلی تبادلہ خیال کیا جاتا ہے اور انتظامیہ کو واضح ہدایات فراہم کی جاتی ہیں، جن کی باقاعدگی سے بورڈ اور اس کی کمیٹیوں کے ذریعہ نگرانی کی جاتی ہے۔ بورڈ اس بات کو یقینی بناتا ہے کہ کمپنی کارپوریٹ گورننس کے بہترین ممکنہ طریقوں کو اپنائے۔ بورڈ نے ہر سہ ماہی میں کاروبار کو بہتر بنانے کے مقصد کے ساتھ کارکردگی کا جائزہ لینے کا بھی منصوبہ بنایا ہے۔

فہرست کمپنیوں (کوڈ کارپوریٹ گورننس) ریگولیشنز، 2019 کی شقوں کی تعمیل میں، موجودہ مالی سال میں ڈائریکٹرز کے واقفیت پروگرام کا بھی منصوبہ بنایا گیا تھا۔ تاہم، اس کی اطلاع اور اس کے نتیجے میں عوامی پیش کش کی وجہ سے، ڈائریکٹرز بورڈ کو ختم کرنے کی توقع کرتے ہیں اور کمپنی کے ساتھ فنڈز کی قلت کی وجہ سے اس نے تربیت پر خرچ نہیں کیا ہے۔

## قانونی آڈیٹر

موجودہ آڈیٹرز میسرز۔ ایس ایم سہیل اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹ ریٹائر ہو جائیں گے، اور وہ کمپنی کے آڈیٹر کی حیثیت سے جاری رہنے کے اہل ہیں۔ جیسا کہ آڈٹ کمیٹی کے تجویز کردہ بورڈ نے میسرز ایس ایم سہیل اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کو رضامندی ظاہر کی ہے، اور آئندہ سال کے لئے کمپنی کے آڈیٹر کی حیثیت سے دوبارہ تقرری کے لئے میسر ہے۔

## کارپوریٹ سماجی ذمہ داری

پاکستان جیسے ترقی پذیر ممالک میں معاشرتی امور کو موثر طریقے سے حل کرنے کے لئے مل کر کام کرنے کی شدید ضرورت ہے۔ کمپنی معاشرتی ذمہ داریوں کی طرف توجہ دینے کے لئے اپنے ملازمین اور دیگر تمام اسٹیک ہولڈرز کے ساتھ مل کر کام کرنے کی اہمیت کی قدر کرتی

ہے۔ ہمارے معاشرے میں جن بنیادی ضروریات کو دور کرنے کی ضرورت ہے ان میں تعلیم، صحت اور حفاظت، خواتین کو بااختیار بنانا، معاشی مواقع، حقوق کی مساوات، قانون نافذ کرنے والے عمل، اور ماحولیاتی تحفظ اور برادری کی گرانٹ شامل ہیں۔

فی الحال، کم وسائل کی وجہ سے، کمپنی مالیاتی ذرائع سے حصہ لینے سے قاصر ہے۔ تاہم، کمپنی نے مندرجہ ذیل اقدامات کے ذریعہ معاشرے کے خلاف اپنی ذمہ داری کو تسلیم کیا ہے اور اسے نبھایا ہے۔

صرف انہی کمپنیوں کی مصنوعات میں کاروبار کرنا جو انرجی اسٹار کے طور پر سند یافتہ ہیں اور صرف وہی مصنوعات فروخت کی گئیں جو قابل تجدید اور قابل توانائی ہیں۔ تعمیل کیلئے پروڈکس، مصنوعات پر سٹیفیکیشن سختی سے مشاہدہ کیے جاتے ہیں۔ نیز کاغذی ماحول کی پالیسی کو ہر ممکن حد تک سختی سے اپنایا گیا ہے۔ پالیسیاں ماحولیاتی تحفظ کی سمت قدم کے طور پر اختیار کی گئیں۔

کمپنی نے ایک سود سے آزاد قرض کی فراہمی کی پالیسی قائم کی ہے۔ جس میں جو بعد ادا قرض حسنہ میں بھی تبدیل ہو سکتی ہے۔ اسے ان ملازمین کے لئے رکھی گئی ہے جو اعلیٰ تعلیم اور اپنے علاج و معالجہ کو مد میں لینا چاہتے ہیں۔

### کارپوریٹ گورننس ماحولیات کے ساتھ تعمیل

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے ذریعہ طے شدہ فہرست کمپنیوں (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کی شرائط جن کی 30 جون، 2020 کو ختم ہونے والی سال کے لئے متعلقہ شرائط ہیں۔ اس بارے میں ایک بیان میں سالانہ رپورٹ پیش کیا گیا۔

### اخلاقیات اور کاروباری طریقوں کا بیان

بورڈ نے اخلاقیات اور کاروباری طریقوں کے بیان کو اپنایا ہے، جہاں بھی قابل عمل ہے اور پوری کمپنی میں اس کے عمل درآمد کو بہتر بناتا رہے گا۔

### آڈٹ کمیٹی

کمپنی نے درج کمپنیوں (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کی ضرورت کے مطابق آڈٹ کمیٹی قائم کی ہے۔ کمیٹی کا چیئرمین ایک آزاد ڈائریکٹر ہے اور کمیٹی تین ممبروں پر مشتمل ہے جس کی تفصیل ذیل میں ہے:

جناب زبیر احمد خان

چیئرمین اور ممبر

جناب احتشام اشرف

ممبر

مسز مہنا منظور

ممبر

آڈٹ کمیٹی نے سال کے دوران 4 ملاقات کی ہے اور اجلاس کے تمام ممبران نے تمام اجلاسوں میں شرکت کی ہے۔

## ایچ آر اور معاوضہ کمیٹی

کمپنی نے درج کمپنیوں (کوڈ کارپوریٹ گورننس) ریگولیشنز، 2019 کے تحت مطلوبہ ایچ آر اینڈ ریفرنس کمیٹی قائم کی ہے۔ کمیٹی میں تین ممبران شامل ہیں اور ممبروں کی تفصیلات درج ذیل ہیں:

جناب سعد آفتاب شمسی	چیئر مین اور ممبر
جناب محمد فرخ بشیر	ممبر
جناب عبدالرحیم	ممبر

کمیٹی کا چیئر مین آزاد ڈائریکٹر ہوتا ہے۔ کمیٹی نے سال کے دوران 4 بار ملاقات کی ہے اور اجلاس کے تمام ممبران نے تمام اجلاسوں میں شرکت کی ہے۔

### کارپوریٹ اور مالی رپورٹنگ کا فریم ورک

(a) کمپنی کی انتظامیہ کے ذریعہ تیار کردہ مالی بیانات، اس کی مالی حیثیت، اس کے کاموں، نقد بہاؤ اور ایکویٹی میں تبدیلیوں کا نتیجہ پیش کرتے ہیں۔

(b) کمپنی کی طرف سے اکاؤنٹس کی مناسب کتابیں برقرار رکھی گئی ہیں۔

(ج) مالی بیانات کی تیاری کے لئے مناسب اکاؤنٹنگ پالیسیاں مستقل طور پر لاگو کی گئیں اور اکاؤنٹنگ کے تخمینے معقول اور محتاط فیصلے پر مبنی ہیں، سوائے اکاؤنٹنگ پالیسی میں تبدیلیوں کے جو مالی بیانات میں نوٹ 3.3 میں بیان کی گئی ہے۔

(د) ان مالی بیانات کی تیاری کے سلسلے میں، بین الاقوامی اکاؤنٹنگ اور مالی رپورٹنگ معیارات، جیسے پاکستان میں کمپنی پر لاگو ہوتے ہیں، کی پیروی کی گئی ہے۔

(e) اندرونی کنٹرول کا نظام ڈیزائن میں مستحکم ہے اور اس کو موثر انداز میں نافذ اور نگرانی کی گئی ہے۔

(f) کمپنی کی تشویش جاری رہے گی۔

(g) کارپوریٹ گورننس کے بہترین طریقہ کار سے کسی قسم کی مراعات نہیں ہوئی ہیں، جیسا کہ درج کمپنیوں (کارپوریٹ گورننس کا ضابطہ) ضابطہ، 2019 میں تفصیل سے بتایا گیا ہے۔

(h) پچھلے چھ سالوں کے کلیدی آپریشننگ اور مالی اعداد و شمار کو اس کے ساتھ منسلک کیا گیا ہے۔

(i) سال کے دوران، بورڈ آف ڈائریکٹرز کے چار اجلاس ہوئے اور ہر ڈائریکٹر کے اجلاسوں کی تعداد ذیل میں دی گئی ہے۔

اجلاسوں میں شرکت	ڈائریکٹر کے نام
4	جناب محمد فرخ بشیر
2	جناب سعد احمد شمسی
4	جناب ایس محمد عمران
3	جناب احتشام اشرف
4	جناب زبیر احمد خان
4	مسز مہناز منظور
4	جناب عبدالرحیم

(j) 30 جون، 2020 تک کمپنی میں حصص یافتگی کا انداز اس سالانہ رپورٹ میں شامل ہے۔  
(k) ٹیکسوں اور محصولات کے بارے میں معلومات مالی بیانات کا حصہ بننے والے نوٹ میں دی گئی ہے۔

#### اعترافات

آپ کی کمپنی کے ڈائریکٹرز اس موقع پر تمام فریقین کی حوصلہ افزائی اور ان کی حمایت کے لئے اظہار تشکر کرتے ہیں اور کمپنی کے ساتھ آپ کے مسلسل تعاون کے منتظر ہیں جب ہم مل کر اپنے اہداف کو پورا کرنے اور اس پر عملدرآمد کرنے کے لئے آگے بڑھیں گے۔ مزید، ہم کمپنی کی انتظامیہ اور معاون عملے کی ان کی تسلی بخش کارکردگی اور ڈیوٹی کے ساتھ عقیدت کیلئے ان کی تعریف کرتے ہیں اور ہم تمام سرکاری اداروں، آڈیٹرز، ایس ای سی پی، پی ایس ایکس اور اس کے بینک کا سال بھران کی قدر و تعاون پر شکر گزار ہیں۔

ایس۔ محمد عمران

چیئر مین

نومبر 4، 2020

نوید حامد

چیف ایگزیکٹو

نومبر 4، 2020



**KEY FINANCIAL DATA FOR LAST SIX YEARS**

	June, 2020	June, 2019	June, 2018	June,2017	December, 2016	December, 2015
Total sales revenue	15,874,970	18,121,036	14,844,275	4,169,260	-	-
Cost of sales	(11,397,532)	(12,105,431)	(10,551,973)	(2,560,662)	-	-
Gross profit	4,477,438	6,015,605	4,292,302	1,608,598	-	-
Other income		215,500	1,780,000	1,165,000	1,898,238	300,000
Administration expenses	(3,285,755)	(2,934,607)	(2,541,520)	(450,515)	(985,405)	(125,000)
Other expenses	(803,002)	(1,301,175)	(1,270,260)	(395,148)	(275,000)	-
Profit before taxation	388,681	1,995,323	2,260,521	1,927,936	912,833	175,000
Taxation - net	(5,848)	(680,873)	(131,975)	(100,424)	-	-
Profit after taxation	382,833	1,314,450	2,128,546	1,827,511	912,833	175,000
Earning per share	0.77	2.63	4.26	3.66	1.28	0.35
Shareholders equity excluding loan	6,712,641	6,329,810	5,015,360	2,886,815	1,059,304	421,471
Non current assets	4,009,685	4,192,597	5,329,194	2,537,964	1,775,473	1,775,473
Cash and bank balances	221,477	587,269	280,954	498,507	192,691	487,313
Trade debts	1,578,052	1,296,906	1,003,564	1,095,446	-	-
Total debt – Financing	-	300,000	1,800,000	1,500,000	250,000	-
Creditor and other payable	549,938	1,219,179	1,358,387	799,371	500,000	500,000
Tax payable	238,125	359,177	15,980	44,693	-	-
Total Assets at book value	7,500,704	8,274,018	8,223,491	5,286,610	2,318,164	3,165,323

## **Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019**

**Name of Company: Hallmark Company Limited**

**Year ending: June 30, 2020**

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 07 as per the following:
  - i. Male:06
  - ii. Female:01
2. The composition of board is as follows:
  - i. Independent Directors: Mr. Saad Aftab Shamsi  
Mr. Zubair Ahmed Khan
  - ii. Other Non-executive Director: Mr. Ahtesham Ashraf  
Mrs. MehnazManzoo  
Mr. Abdul Rahim  
Mr. S. Muhammad Imran
  - iii. Executive Directors Mr. Muhammad Farrukh Bashir
3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company.
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed vision and mission statements, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of the Companies Act, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2019 with respect to frequency, recording and circulating minutes of meeting of the board.
8. The board of directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Companies Act, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2019.
9. The Board shall arrange Directors' Training program in due course of time.
10. The board has approved appointment of CFO and Company Secretary including their remuneration and terms and conditions of employment and complied with relevant requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019.

11. CFO and CEO duly endorsed the financial statements before approval of the board. However, head of Internal Audit is not yet been appointed due to the heavy cost involved in his appointment as the business has recently commenced.

12. The board has formed committees comprising of members given below:

**Audit Committee**

Mr. Zubair Ahmed Khan	Chairman and Member
Mr. Ahtesham Ashraf	Member
Mrs. Mehnaz Manzoor	Member

**HR and Remuneration Committee**

Mr. Saad Aftab Shamsi	Chairman and Member
Mr. Muhammad Farrukh Bashir	Member
Mr. Abdul Rahim	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of quarterly meetings of the committee were as per following:

Audit Committee	4 meetings were held during FY 2020
HR and Remuneration Committee	4 meetings were held during FY 2020

15. The board has set up an effective internal audit function, which is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they and their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan, and that they and the partners of the firm involved in the audit are not close relative (spouses, parent dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary and director of the Company.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

On behalf of the Board of directors

**S. Muhammad Imran**

**Chairman**

Karachi

November 4, 2020

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF

### HALLMARK COMPANY LIMITED

#### **Review Report on the Statement of Compliance Contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **Hallmark Company Limited** (the Company) for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not, and to highlight any non-compliance, with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2020.

Further, we highlight below instance of non-compliance with the requirement of the Regulations as reflected in the note reference, where it is stated in the Statement of Compliance:

**Note**

<b>Reference</b>	<b>Description</b>
09	The Board has not arranged Director's Training Program for half of Its directors on their Board
11	There was no appointment of head of Internal Audit during the year.

S.M. Suhail & Co.  
Chartered Accountants  
Karachi.

Engagement Partner: S. M. Suhail, FCA

Our Ref: SMS-A-1742021  
Date: November 4, 2020

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**

### **HALLMARK COMPANY LIMITED**

### **ON THE AUDIT OF THE FINANCIAL STATEMENTS OF JUNE 30, 2020**

#### **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, 2020, 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, 2020 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	<b>Adoption of IFRS-9 “Financial Instruments”</b>	
	<p>As referred in note 5.2 and given in note 29 to the financial statements, IFRS 9 ‘Financial Instruments’ is adopted by the Company during the current year. It replaced IAS 39 ‘Financial Instruments: Recognition and Measurement’.</p> <p>IFRS 9 requires the recognition of expected credit losses (‘ECL’) on financial assets rather than incurred credit losses, which is a fundamentally different approach. Management is required to determine the expected credit loss that may occur over either a 12-month period or the remaining life of an asset, depending on the categorization of the individual asset.</p> <p>In accordance with IFRS 9, the measurement of ECL reflect a range of unbiased and probability weighted outcomes, time value of money, reasonable and supportable information based on the consideration of historical events, current conditions and forecasts of future economic conditions. The calculation of ECLs in accordance with IFRS 9 is therefore, complex and involves a number of judgmental assumptions.</p> <p>The Company has adopted IFRS 9 using the allowed modified retrospective approach. We considered this as key audit matter due to the significant changes involved and significant judgments made by management regarding the matter.</p>	<p>We have reviewed and understood the requirements of the IFRS 9. Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>- Considered the management’s process to assess the impact of adoption of IFRS 9 on the Company’s financial statements.</li> <li>- Reviewed the appropriateness of the assumptions used (future and historical), the methodology and policies applied to assess the ECL in respect of financial assets of the Company. Reviewed the working of management for expected credit losses.</li> <li>- We reviewed and assessed the impact and disclosures made in the financial statements with regard to the effect of adoption of IFRS 9.</li> </ul>

## **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 objective is 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 S. M.Suhail, FCA.

S. M. Suhail & Co.  
Chartered Accountants  
Karachi

Ref: SMS-A-1742021  
Date 4 November, 2020

**HALLMARK COMPANY LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2020**

<b>ASSETS</b>	<i>Note</i>	<b>2020</b> <i>Rupees</i>	<b>2019</b> <i>Rupees</i>
<b>Non-Current Assets</b>			
Furniture, fixtures and office equipment	9	<b>845,130</b>	907,595
Intangibles	10	<b>1,605,000</b>	1,785,000
Deferred tax asset	15	<b>59,555</b>	-
Security deposit for rent		<b>1,500,000</b>	1,500,000
		<b>4,009,685</b>	4,192,595
<b>Current Assets</b>			
Stock in trade		<b>854,990</b>	2,044,149
Trade debts - considered good		<b>1,578,052</b>	1,296,906
Loans and advances	11	<b>836,500</b>	153,097
Cash and bank balance	12	<b>221,477</b>	587,269
		<b>3,491,019</b>	4,081,421
<b>TOTAL ASSETS</b>		<b><u>7,500,704</u></b>	<b><u>8,274,017</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital And Reserves</b>			
Authorized Share Capital 1,000,000 (2019: 1,000,000) Ordinary Shares of Rs. 10/- each		<b>10,000,000</b>	10,000,000
Issued, subscribed and paid-up capital	13	<b>5,000,000</b>	5,000,000
Accumulated profits		<b>1,712,641</b>	1,329,809
Capital contribution from Directors	14	<b>-</b>	300,000
		<b>6,712,641</b>	6,629,809
<b>Non Current Liabilities</b>			
Deferred tax liability	15	<b>-</b>	65,852
<b>Current Liabilities</b>			
Trade creditor		<b>156,050</b>	314,504
Contract liabilities		<b>-</b>	411,174
Accrued and other payables	16	<b>370,738</b>	470,351
Unclaimed dividends	17	<b>23,150</b>	23,150
Provision for taxation		<b>238,125</b>	359,177
		<b>788,063</b>	1,578,356
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>7,500,704</u></b>	<b><u>8,274,017</u></b>
Contingencies and commitments	18		

*The annexed notes from 1 to 34 form an integral part of these financial information.*

**Chief Executive**

**Director**

**Chief Financial Officer**

**HALLMARK COMPANY LIMITED  
STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED JUNE 30, 2020**

	<i>Note</i>	<b>2020 Rupees</b>	<b>2019 Rupees</b>
Sales	19	<b>15,874,970</b>	18,121,036
Cost of sales	20	<b>(11,397,532)</b>	(12,105,431)
Gross profit		<b>4,477,438</b>	6,015,605
Administrative expenses	21	<b>(1,156,347)</b>	(1,077,209)
Selling expense	22	<b>(2,129,408)</b>	(1,857,399)
Other income	23	-	215,500
Other expenses	24	<b>(803,002)</b>	(1,301,175)
Profit before taxation		<b>388,681</b>	1,995,322
Taxation	25	<b>(5,848)</b>	(680,873)
Profit after taxation		<b>382,833</b>	1,314,449
Earning per share	26	<b>0.77</b>	2.63

*The annexed notes from 1 to 34 form an integral part of these financial information.*

**Chief Executive**

**Director**

**Chief Financial Officer**

**HALLMARK COMPANY LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<b>2020</b> <i>Rupees</i>	<b>2019</b> <i>Rupees</i>
Profit after taxation	<b>382,833</b>	1,314,449
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b><u>382,833</u></b>	<b><u>1,314,449</u></b>

*The annexed notes from 1 to 34 form an integral part of these financial information.*

**Chief Executive**

**Director**

**Chief Financial Officer**

**HALLMARK COMPANY LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Capital and Reserves		Revenue reserves	Total Equity
	Issued subscribed and paid up capital	Capital contribution from Directors	Accumulated profits	
	----- (Rupees) -----			
<b>Balance as at June 30, 2018</b>	<b>5,000,000</b>	<b>1,800,000</b>	<b>15,360</b>	<b>6,815,360</b>
Total comprehensive income for the year	-	-	1,314,449	1,314,449
Capital contribution refunded to directors	-	(1,500,000)	-	(1,500,000)
<b>Balance as at June 30, 2019</b>	<b>5,000,000</b>	<b>300,000</b>	<b>1,329,809</b>	<b>6,629,809</b>
Total comprehensive income for the year	-	-	382,833	382,833
Capital contribution refunded to directors	-	(300,000)	-	(300,000)
<b>Balance as at June 30, 2020</b>	<b>5,000,000</b>	<b>-</b>	<b>1,712,641</b>	<b>6,712,641</b>

*The annexed notes from 1 to 34 form an integral part of these financial information.*

**Chief Executive**

**Director**

**Chief Financial Officer**

**HALLMARK COMPANY LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<b>2020</b>	2019
	<i>Rupees</i>	<i>Rupees</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	<b>388,681</b>	1,995,322
<b>Adjustments for:</b>		
Depreciation	<b>123,165</b>	84,638
Amortization	<b>180,000</b>	263,500
Gain on intangible	-	(215,500)
<i>Operating Profit Before Working Capital Changes</i>	<b>691,846</b>	2,127,960
<b>Changes in working capital</b>		
<b>(Increase)/ decrease in current assets:</b>		
Stock in trade	<b>1,189,159</b>	(527,307)
Trade receivable	<b>(281,146)</b>	(293,342)
Other receivable	<b>(683,403)</b>	(60,160)
<b>Increase / (decrease) in current liabilities:</b>		
Trade creditor	<b>(158,454)</b>	131,039
Contract liabilities	<b>(411,174)</b>	151,174
Other payable	<b>(99,613)</b>	(421,421)
<i>Total Changes In Working Capital</i>	<b>247,215</b>	1,107,942
Taxes paid	<b>(252,308)</b>	(305,588)
Net Cash (Outflow)/ Inflow From Operating Activities	<b>(5,093)</b>	802,354
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment for procurement of fixed assets	<b>(60,700)</b>	(210,040)
Refund from intangible	-	2,214,000
Proceeds from advance for office premises	-	500,000
Payment for security deposit	-	(1,500,000)
<i>Net Cash (Outflow)/ Inflow From Investing Activities</i>	<b>(60,700)</b>	1,003,960
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of capital contribution	<b>(300,000)</b>	(1,500,000)
<i>Net Cash (Outflow) From Financing Activities</i>	<b>(300,000)</b>	(1,500,000)
<i>Net (decrease)/ increase in cash and cash equivalents</i>	<b>(365,793)</b>	306,314
Cash and cash equivalents at the beginning of the year	<b>587,269</b>	280,954
<b>Cash and cash equivalents at the end of the year</b>	<b>221,477</b>	587,269

*The annexed notes from 1 to 34 form an integral part of these financial information.*

**Chief Executive**

**Director**

**Chief Financial Officer**

**HALLMARK COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**1 CORPORATE INFORMATION, OPERATIONS AND LEGAL STATUS**

**Hallmark Company Limited** was incorporated as a Public Limited Company on 31 October, 1981 under the repealed Companies Act, 1913 (now the Companies Act, 2017), and obtained registration in the year 1983 under repealed Insurance Act, 1938, (now the Insurance Ordinance, 2000) as an insurer. The Company is listed on Pakistan Stock Exchange.

With promulgation of Insurance Ordinance, 2000 requirement of minimum paid up capital was introduced. The Company did not find itself in a position to increase its paid up capital to the required minimum level of Rs. 350 million and had ceased to underwrite insurance business w.e.f. January 01, 2003 and subsequently the Company voluntarily got its insurance license revoked on November 22, 2016.

After revocation of insurance license the Company's principal business activity comprises of engaging in trading of used laptops, used personal computers and, development and sale of software and provision of allied services. The Company has commenced its new trading business activities during the financial year June 30, 2017; and continued successfully carrying its business activities.

**Geographical location and address of business units - Address**

Suite 1001/1005, Uni Centre, 10th Floor, I.I. Chundrigar Road, Karachi.

**Purpose**

Registered office

**2 SIGNIFICANT TRANSACTIONS AND EVENTS THAT EFFECTED THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE**

**Public Offer to Acquire Controlling Shares**

During the year on April 1, 2020, a public offer to acquire control of the Company and more than 50% of shareholding has been made under the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017 (the Regulation). Directors of the Company have been entered into share purchase agreement with acquirer at the rate already disclosed in the public offer. For details, refer the directors report. The takeover process may be completing by the end of following month.

**3 FINANCIAL AND OPERATIONAL IMPACT DUE TO COVID 19**

During the year, global pandemic COVID-19 was outbreak. It was first surfaced in China and then spread all over the world. The World Health Organization declared this outbreak as pandemic in the mid of March, 2020. Government of Pakistan has declared complete lockdown of social and business activities from March, 2020 to control the spread of the pandemic. Currently the potential impact of COVID-19 is uncertain on the overall economy. Business activities were allowed in the month of June, 2020 to some extent, with some measures and these situations are being monitored by the governing bodies closely. The management of the Company is also monitoring the situation and due to restriction on imports procurement, cost of IT items has increased significantly which is mitigated through rise in selling prices to the possible extent to keep demand available in the market. Company did not opt for any redundancies or curtailment of employees' salaries. Operations of the Company has been impacted to some extent. However, as IT products are now have become necessity, therefore management assumes that increase in market selling price would maintain the approximate pre-COVID profit margin. In longer term management does not expect any significant adverse financial impact on financial position, performance and cash flows of the Company due to COVID 19 outbreak.

**4 BASIS OF PREPARATION**

**4.1 STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with the approved accounting and reporting standards as applicable in Pakistan. The approved accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and provisions and directives issued under the Companies Act, 2017. Where provisions and directives issued under the Companies Act, 2017 are differ, from the IFRSs, the provisions and directives issued under the Companies Act, 2017 shall prevail.

**4.2 BASIS OF MEASUREMENT**

These financial statements have been prepared under historical cost convention and on an accrual basis of accounting, except for cash flow information reported in statement of cash flows.

**5 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES**

During the year, the Company has adopted International Financial Reporting Standard 9 (IFRS 9) "Financial Instruments" and IFRS 16 "Leases". The detail of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:



**HALLMARK COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**5.1 IFRS 16 'Leases'**

IFRS 16, 'Leases' has been adopted by the Company from July 1, 2019 for interim and annual reporting. IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company has not entered into any lease agreement under the scope of IFRS 16. Accordingly, the applicability of this standard did not have any impact on the Company.

**5.2 IFRS 9 'Financial Instruments'**

IFRS 9 "Financial Instruments" (IFRS 9) replaces IAS 39 "Financial Instruments: Recognition and Measurement". It introduces new requirements for the classification and measurement of financial assets and financial liabilities and impairment for financial assets.

IFRS 9 permits either a full retrospective or a modified retrospective approach for adoption. The Company has adopted the standard using the modified retrospective approach for classification, measurement and impairment. This means that the cumulative impact, if any, of the adoption is recognized in unappropriated profit as of July 1, 2019 and comparatives are not restated. Details of these new requirements as well as their impact on the Company's financial statements are described below:

**i)**

IFRS 9 no longer has an "Available-for-sale" classification for financial assets. The new standard has different requirements for debt or equity financial assets. It requires the Company to assess the classification of financial assets on its statement of financial position in accordance with the cash flow characteristics of the financial assets and the relevant business model that the Company has for a specific class of financial assets.

*Debt instruments are classified and measured either at:*

- Amortized cost, where the effective interest rate method will apply;
- Fair value through other comprehensive income, with subsequent recycling to the profit or loss upon disposal of the financial asset; or
- Fair value through profit or loss.

*Investments in equity instruments, other than those to which consolidation or equity accounting apply, should be classified and measured either at:*

- Fair value through other comprehensive income, with no subsequent recycling to the profit or loss upon disposal of the financial asset; or that are highly liquid, readily convertible to known amounts of cash with insignificant risk of changes in value and have original maturity period of less than three months from the date of acquisition; or
- Fair value through profit or loss.

Application of IFRS 9 had no impact on financial liabilities of the company.

Assessment of financial impact of measurement requirements on adoption of IFRS 9 as at July 1, 2019 is as follows:

	Measurement category		Carrying amount		Difference
	Under IAS 39 (Original adoption)	Under IFRS 9 (New adoption)	Under IAS 39 (Original adoption)	Under IFRS 9 (New adoption)	
<b>Financial Assets</b>					
Security deposit for rent	Loans and receivable	Amortized Cost	1,500,000	1,500,000	-
Trade debts	Loans and receivable	Amortized Cost	1,578,052	1,578,052	-
Loans and advances	Loans and receivable	Amortized Cost	836,500	836,500	-
Cash and bank balance	Loans and receivable	Amortized Cost	221,477	221,477	-

There is no impact on financial liabilities of the company as result of application of IFRS 09.

**HALLMARK COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

The following table presents the transitional impact of that adoption of IFRS 9 have on the opening statement of financial position of the Company as of July 1, 2019:

**ii) Impairment of financial assets**

IFRS 9 introduces the Expected Credit Loss (ECL) model, which replaces the incurred loss model of IAS 39 whereby an allowance for doubtful debt was required only in circumstances where a loss event has occurred. By contrast, the ECL model requires the Company to recognize an allowance for doubtful debt on all financial assets carried at amortized cost (including, for example, trade debts and other receivables), as well as debt instruments classified as financial assets carried at fair value through other comprehensive income, since initial recognition, irrespective whether a loss event has occurred. For trade receivables and other receivables, the Company applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a lifetime expected loss allowance while general 3-stage approach for other financial assets i.e. to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. If risk has significantly increased then credit loss over the whole life of the assets shall be recognized and in case of happening of actual event the impairment shall be recorded.

**6 NEW AND AMENDED STANDARDS AND INTERPRETATIONS**

**6.1 Standards, interpretations, amendments to published approved accounting standards that are effective in the current year**

In addition to IFRS 9 "Financial Instruments", and IFRS 16 "Leases" the Company has adopted the following new standards, amendments to published standards and interpretations of IFRSs which became effective during the current year. However, some standards and amendments are not relevant to company's operations or are not expected to have significant impact on company's financial statements other than certain additional disclosures:

<b>Standard or Interpretation</b>	<b>Effective for Annual accounting period beginning on or after</b>
IFRS 14 'Regulatory Deferral accounts'	July 1, 2019
IFRS 16 'Leases'	January 1, 2019
IFRS 3 Previously held interest in a joint operation	January 1, 2019
IFRS 9 Prepayment features with negative compensation	January 1, 2019
IFRS 11 Previously held interest in a joint operation	January 1, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments'	January 1, 2019
IAS 28 'Long-term Interests in Associates and Joint Ventures' (Amendments to IAS 28)	January 1, 2019
IAS 19 'Plan Amendment, Curtailments or Settlements' (Amendments to IAS 19)	January 1, 2019
Annual improvements to IFRSs 2015 - 2017 Cycle	January 1, 2019

Certain annual improvements have also been made to a number of standards, which have not been enumerated here for brevity.

**6.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective**

The following standards, amendments and interpretations of approved accounting standards will be effective for the Company, for the accounting periods beginning on or after 01 July 2020:

	<b>Effective for Annual accounting period beginning on or after</b>
IFRS 3 'Definition of a business' Amendment to IFRS 3	January 1, 2020
IAS 1/IAS 8 'Definition of Material' (Amendments to IAS 1 and IAS 8)	January 1, 2020
IFRS 7, IFRS 9, and IAS 39 - Interest Rate Benchmark Reform	January 1, 2020
Various Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020

The Company is in the process of assessing the impact of these Standards, amendments and interpretations to the published standards on the financial statements of the Company.

**HALLMARK COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**6.3 Further, the following standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan**

IFRS-1 First-time adoption of International Financial Reporting Standards

IFRS-17 Insurance Contracts

**7 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of these financial statements in conformity with approved accounting standards as applicable in Pakistan, requires management to make estimates, assumptions and use judgments that effect the reported amounts of assets and liabilities and income and expenses. It also requires managements to exercise judgment in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on, an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and applied prospectively.

Areas where assumptions and estimates are significant to the financial statements are:

- useful life of depreciable assets
- provision for doubtful debts
- provision for taxation and
- provision for obsolete stock

**8 SIGNIFICANT ACCOUNTING POLICIES**

The principle accounting policies applied in the preparation of these financial statements are set out below.

These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

**8.1 Property, Plant and Equipment**

**8.1.1 Owned**

These are stated at historical cost less accumulated depreciation and accumulated impairment loss, if any. Depreciation is charged to statement of profit or loss over the useful life of the assets applying the reducing balance method at the rates specified in the relevant note to these financial statements. Depreciation on additions is charged from the date when it is available for use up to the date of disposal or transfer to the group held for sale whichever is earlier.

An asset's carrying amount is written down immediately to its recoverable amount if the recoverable amount is assessed lower than the carrying amount.

Where major components of an item of property, plant and equipment have different useful lives, they are accounted for as a separate group, under the property, plant and equipment.

Subsequent costs, if any are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will follow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of profit or loss, during the financial year in which they are incurred.

Disposal of asset is recognized when significant risk and rewards incidental to ownership have been transferred to buyers. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are taken to the statement of profit or loss.

**8.2 Intangibles**

Intangibles are initially recognized at cost only when there is technical feasibility exists and future inflow of economic benefits are probable. It is amortized at the rates mentioned in relevant note on straight line basis.

These are measured at cost less amortization and impairment losses, if any.

Amortization is charged to the statement of profit or loss from the date when it is made available for use till the date of disposal or transfer.

**HALLMARK COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**8.3 Stock in Trade**

Stock-in-trade is valued at the lower of weighted average cost and estimated net realizable value.

Cost comprises, all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value signifies the estimated selling price in the ordinary course of business less net estimated costs of completion and selling expenses.

Items in transit, if any, are valued at cost comprising of invoice value plus other charges incurred thereon up to the reporting date.

**8.4 Trade Debts and Other Receivables**

Trade debts and other receivables are recognized at original invoice amount less provision for doubtful debts, if any. A provision for doubtful debts is established when there is an objective evidence that the Company will not be able to collect amounts due, according to the original terms of receivables. Bad Debts are written off when identified.

**8.5 Cash and Cash Equivalents**

For the purpose of statement of cash flows, cash and cash equivalents comprise cash in hand, bank deposits and highly liquid short term investments.

**8.6 Trade Creditor and Other Payable**

Liabilities for trade and other payables are carried at their fair value of the consideration to be paid in the future for goods and services received whether or not billed to the Company.

**8.7 Impairment**

**8.7.1 Financial Assets**

A financial assets are assessed at each reporting date to determine whether there is any objective evidence that financial assets or a group of financial assets is impaired. These are considered to be impaired, only if, there is an objective evidence of impairment as a result of one or more events that has any adverse impact over estimated future cash flows, that can be reliably estimated.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses on financial assets that are being carried at amortized cost are recognized in statement of profit or loss.

**8.7.2 Non Financial Assets**

The carrying amount of the Company's non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, or when annual impairment testing of an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted at present value of money and the risk specific to the asset. The fair value less cost to sell is based on available data on binding sales transactions, conducted at arms length.

A previously recognized impairment loss is reversed if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss is recognized or on subsequent assessment it has been identified that the carrying value of the asset falls short of recoverable amount assessed. The reversal is limited so that the carrying amount of the assets does not exceeds its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

**8.8 Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

**8.9 Dividend**

Dividend distribution to the Company's shareholders is recognized as liability at the time of their approval.

**HALLMARK COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**8.10 Taxation**

**Current**

Provision for taxation is based on the taxable income for the year at current tax rates after taking into account tax credits and tax rebates, if any, computed in accordance with the enacted tax laws and based on minimum tax @1.50% of turnover, Alternate Corporate Tax @ 17% of accounting profit or normal corporate tax @29% of taxable income whichever is higher. Taxable income is computed in accordance with the provisions of the Income Tax Ordinance, 2001.

**Deferred**

Deferred tax, is a tax attributable to the temporary differences, that is, difference between the carrying amount of assets or liability and its corresponding tax base.

Deferred tax is accounted for using the statement of financial position liability method in respect of all temporary timing differences arising from difference between the carrying amount of the assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

**8.11 Revenue Recognition**

Revenue comprises of the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities.

The Company recognizes revenue at the point of time or over the period of time, whichever is applicable, as and when the related performance obligation of the Company is satisfied, amount of revenue can be reliably measured and it is more than probable that future economic benefits will flow to the Company. Generally the performance obligation is deemed to be satisfied when following specific criteria has been met:

- in case of services, when these are rendered, and
- in case of goods when these are dispatched to the customers.

**8.12 Financial Instruments**

**Financial assets**

The company's principal financial assets are cash and bank balances, trade debtors and other receivables. These are stated at their cost which approximates their fair value.

**Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include creditors, loans and other liabilities. These are stated at the amount required to offset them presently which is also its fair value.

**Offsetting of Financial assets and liabilities**

A financial asset and a financial liability are offset, and the net amount is reported in the financial statements if the company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

**8.13 Related Party Transaction**

All transactions involving related parties arising in the normal course of business are conducted at arm's length, at normal commercial rates on the same terms and conditions as third party transactions using valuation modes, as admissible, except in extremely rare circumstances where, subject to the approval of the Board of Directors, it is in the interest of the Company to do so.

**8.14 Earning Per Share**

Basic earning per share is calculated by dividing profit or loss attributable to shareholders of the Company divided by weighted average number of ordinary shares outstanding during the year. Diluted earning per share is calculated by adjusting the profit or loss attributable to shareholders and the weighted average number of outstanding shares during the year for the effects of dilutive ordinary potential shares.

**8.15 Functional and Presentation Currency**

These financial statements are presented in Pakistani Rupees, which is also the functional currency of the Company.

**HALLMARK COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**9 FURNITURE FIXTURES AND OFFICE EQUIPMENT**

Description	Furniture and fixtures	Office equipment	Generator	Computer and allied equipment	Total
(-----Rupees-----)					
<b>YEAR 2020</b>					
<b>COST</b>					
Balance at beginning of the year	2,761,543	829,130	45,700	169,640	3,806,013
Additions during the year	45,700	-	-	15,000	60,700
Balance at end of year	2,807,243	829,130	45,700	184,640	3,866,713
<b>DEPRECIATION</b>					
Accumulated depreciation at beginning of the year	2,299,207	553,208	15,717	30,286	2,898,418
Charge for the year	48,519	27,592	2,998	44,056	123,165
Balance at end of year	2,347,726	580,800	18,715	74,342	3,021,583
<b>CARRYING VALUE - 2020</b>	<b>459,517</b>	<b>248,330</b>	<b>26,985</b>	<b>110,298</b>	<b>845,130</b>
Depreciation rate	10%	10%	10%	30%	

**YEAR 2019**

<b>COST</b>					
Balance at beginning of the year	2,761,543	753,290	45,700	35,440	3,595,973
Additions / transfers during the year	-	75,840	-	134,200	210,040
Balance at end of year	2,761,543	829,130	45,700	169,640	3,806,013
<b>DEPRECIATION</b>					
Accumulated depreciation at beginning of the year	2,247,836	530,274	12,385	23,284	2,813,779
Charge for the year	51,371	22,934	3,332	7,002	84,639
Balance at end of year	2,299,207	553,208	15,717	30,286	2,898,418
<b>CARRYING VALUE - 2019</b>	<b>462,336</b>	<b>275,922</b>	<b>29,983</b>	<b>139,354</b>	<b>907,595</b>
Depreciation rate	10%	10%	10%	30%	

**9.1 Reconciliation of carrying values**

Items	Carrying value at July 1, 2019	Additions during the year	Depreciation Charged for the year	Carrying value at June 30, 2020
(-----Rupees-----)				
<b>YEAR 2020</b>	<b>462,336</b>	<b>45,700</b>	<b>(48,519)</b>	<b>459,517</b>
Furniture and fixtures				
Office equipment	275,922	-	(27,592)	248,330
Generator	29,983	-	(2,998)	26,985
Computer and allied equipment	139,354	15,000	(44,056)	110,298
<b>Total</b>	<b>907,595</b>	<b>60,700</b>	<b>(123,165)</b>	<b>845,130</b>

**YEAR 2019**

Furniture and fixtures	513,707	-	(51,371)	462,336
Office equipment	223,016	75,840	(22,934)	275,922
Generator	33,315	-	(3,332)	29,983
Computer and allied equipment	12,156	134,200	(7,002)	139,354
<b>Total</b>	<b>782,194</b>	<b>210,040</b>	<b>(84,639)</b>	<b>907,595</b>

**9.2 Allocation of depreciation**

Complete amount of depreciation has been charged to administrative expenses (note 21)

**HALLMARK COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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		<b>2020</b>	2019
		<b>Rupees</b>	<i>Rupees</i>
<b>10 INTANGIBLES</b>			
ERP Single user license	10.1	<u>1,605,000</u>	1,785,000
		<u>1,605,000</u>	<u>1,785,000</u>
<b>10.1 ERP Single user license</b>			
Carrying amount at beginning of year		<b>1,785,000</b>	
Cost incurred during the year		-	1,800,000
		<u>1,785,000</u>	1,800,000
Less: Amortization charged @ 10% - Straight line		<b>(180,000)</b>	(15,000)
Carrying value at end of the year		<u>1,605,000</u>	<u>1,785,000</u>
<b>11 LOANS AND ADVANCES</b>			
Loan to employees		<b>536,500</b>	153,097
Advance rent		<b>300,000</b>	-
		<u>836,500</u>	<u>153,097</u>
<b>12 CASH AND BANK BALANCE</b>			
Cash in hand		<b>135,105</b>	95,430
Cash at bank - Current		<b>86,372</b>	491,839
		<u>221,477</u>	<u>587,269</u>
<b>13 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>			
500,000 (2019: 500,000) Ordinary Shares of Rs. 10/- each fully paid in cash		<u>5,000,000</u>	<u>5,000,000</u>
<b>14 CAPITAL CONTRIBUTION FROM DIRECTORS</b>			
Unsecured	14.1	<u>-</u>	<u>300,000</u>
<b>14.1</b>	This capital contribution was made in the nature of loan, and was repayable at the discretion of the Company on availability of the funds and now stand at nil.		
		<b>2020</b>	2019
		<b>Rupees</b>	<i>Rupees</i>
<b>15 DEFERRED TAX (ASSETS)/ LIABILITY</b>			
<b>Relating to deductible temporary difference</b>			
On accelerated depreciation		<b>65,585</b>	64,052
On accelerated amortization		<b>1,800</b>	1,800
Minimum tax		<b>(126,940)</b>	-
		<u>(59,555)</u>	<u>65,852</u>

**HALLMARK COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**16 ACCRUED AND OTHER PAYABLES**

Audit fee payable		<b>350,000</b>	175,000
Workers' profit participation fund	16.1	-	93,675
Salaries payable		-	169,540
Accrued charges		<b>20,738</b>	32,136
		<b>370,738</b>	470,351

**16.1 Workers' profit participation fund**

Balance at beginning of year		<b>93,675</b>	-
Provision for the year	24.2	-	93,675
		<b>93,675</b>	93,675
Less: Paid during the year		<b>(93,675)</b>	-
		-	93,675

**17 UNCLAIMED DIVIDENDS**

For the year ended 31-12-1998		<b>5,150</b>	5,150
For the year ended 31-12-1995		<b>18,000</b>	18,000
		<b>23,150</b>	23,150

**18 CONTINGENCIES AND COMMITMENTS**

There was no contingency or commitment as at year end (2019: Nil)

**19 OPERATING REVENUE**

Sale of used computers and accessories		<b>15,874,970</b>	17,156,955
Advisory		-	964,081
		<b>15,874,970</b>	18,121,036

**20 COST OF SALES**

	<b>2020</b>	2019
	<i>Rupees</i>	<i>Rupees</i>
Opening stock	<b>2,044,149</b>	1,516,842
Purchase of imported used computers	<b>9,468,829</b>	11,816,115
Transportation	<b>310,347</b>	329,292
Packaging, inspection and handling	<b>429,197</b>	487,331
	<b>12,252,522</b>	14,149,580
Less: Closing stock	<b>(854,990)</b>	(2,044,149)
	<b>11,397,532</b>	12,105,431



**HALLMARK COMPANY LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**21 ADMINISTRATIVE EXPENSES**

Salaries	<b>380,463</b>	341,949
Printing and stationary	<b>13,583</b>	11,005
Advertisement	<b>75,981</b>	36,923
Rent and utilities	<b>143,826</b>	121,992
Travelling and conveyance	<b>85,349</b>	70,228
Entertainment	<b>63,980</b>	49,662
Legal and professional charges	<b>90,000</b>	75,000
Depreciation expense	<b>123,165</b>	84,639
Amortization	<b>180,000</b>	263,500
Miscellaneous expenses	-	22,312
	<b><u>1,156,347</u></b>	<u>1,077,209</u>

**22 SELLING EXPENSE**

Salaries	<b>1,742,040</b>	1,551,396
Printing and stationary	<b>98,385</b>	114,757
Advertisement	<b>102,099</b>	57,597
Travelling and conveyance	<b>113,363</b>	55,511
Entertainment	<b>73,521</b>	78,138
	<b><u>2,129,408</u></b>	<u>1,857,399</u>

**23 OTHER INCOME**

Gain on exchange of ERP license	-	215,500
	<u>-</u>	<u>215,500</u>

**24 OTHER EXPENSES**

Listing fee Stock Exchange	<b>303,002</b>	117,500
Auditor's remuneration	<b>500,000</b>	490,000
Professional charges	-	600,000
Workers Profit Participation Fund	-	93,675
	<b><u>803,002</u></b>	<u>1,301,175</u>

**24.1 Auditor's remuneration**

Annual audit	<b>350,000</b>	350,000
Review of half yearly financial statements	<b>150,000</b>	140,000
	<b><u>500,000</u></b>	<u>490,000</u>

**24.2** The company was voluntarily offering profit participation fund to its employees, as not been an industrial undertaking, and it has been engaged in only trading of used computers. Thus does not cause any value addition activities, therefore, considering the decrease in turnover and profits due to COVID -19 situation, it has been discontinued from the current year.

**HALLMARK COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<b>2020</b> <i>Rupees</i>	2019 <i>Rupees</i>
<b>25 TAXATION</b>		
Current	<b>238,125</b>	500,737
Prior	<b>(106,869)</b>	148,048
	<b>131,256</b>	648,785
Deferred (reversal)/ charge	<b>(125,407)</b>	32,088
	<b>5,848</b>	680,873

**25.1 Relationship between tax expense and accounting profit**

Accounting profit before tax	<b>388,681</b>	1,995,322
Tax on accounting profit @ 29%	-	578,643
Effect of prior year tax	-	148,048
Effect of tax rate difference	-	(1,125)
Effect of tax credits	-	(44,693)
	-	680,873
Average tax rate	-	34.12%

As the applicable tax in current year is turnover tax (minimum tax), therefore, no reconciliation of accounting profit with taxable income is disclosed.

**25.2** The management has provided sufficient tax provision in financial statements in accordance with Income Tax Ordinance, 2001. Following is the comparison of tax provision as per financial statements vis a vis tax assessment for last three years.

	As per Accounts	As per Assessment
Accounting year ended June 30, 2019	<b>500,737</b>	393,868
Accounting year ended June 30, 2018	<b>153,943</b>	301,991
Accounting year ended June 30, 2017	<b>44,693</b>	44,693

	<b>2020</b> <i>Rupees</i>	2019 <i>Rupees</i>
<b>26 EARNING PER SHARE</b>		
Profit after taxation	<b>382,833</b>	1,314,449
Weighted average number of Ordinary shares	<b>500,000</b>	500,000
Basic earning per share	<b>0.77</b>	2.63

Diluted earnings per share has not been presented as the Company do not have any convertible instruments in issue as at June 30, 2020 and June 30, 2019, which could have any effect on the earnings per share.

**HALLMARK COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**27 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES**

Although, the commercial activity has been commenced but remuneration of Directors and Chief Executive have been decided as, it is no more payable, therefore, the arrears of remuneration shall neither be paid nor to be charged in these financial statements. There is no employee of the Company who meets the criteria of the executives, as defined in the Companies Act, 2017, thus no remuneration is payable by the Company.

**28 TRANSACTIONS WITH RELATED PARTIES**

The Company has related party relationship with its associated companies including under common directorship, its directors and executive officers. Transactions with related parties essentially pertains to payment and receipts of capital contribution in nature of loan and salaries and other benefits, if any. These transactions are carried at arm's length basis or the terms decided in accordance with the approval of the Board of Directors of the Company.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company considers all members of their management team, including Chief Executive Officer, and Directors to be its Key Management Personnel.

Transaction	Relationship	Basis of relationship	2020	2019
			<i>Rupees</i>	<i>Rupees</i>
Capital contribution (returned)/ received	Directors	Directorship, holding 19.3% shares	<b>(300,000)</b>	(1,500,000)
<b>Account Balances</b>				
Capital contribution	Directors	Directorship, holding 19.3% shares	-	300,000

The Company operates from a place owned by executive director of the Company and all furniture and equipment are being set at that premises. The premises is controlled by the Company except for the right of sale or letting to third parties. The Company does not pay any rent or any other consideration for exercising this control on the premises.

There was no transaction with key management personnel, associated undertakings and other related parties during the year except as disclosed above. The balances outstanding are strictly in accordance with the terms as disclosed in note 14 of these financial statements.

**29 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

**Financial risk management objectives**

The Company finances its operations mainly through its own working capital and from long term markup free finances from directors with a view to maintaining an appropriate mix between various sources of finance to minimize the risk.

Company's activities exposes it to a variety of financial risks:

- Market risk (including fair value interest rate risk, fuel price risk and currency risk)
- Credit risk
- Liquidity risk

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The Board of directors has overall responsibility to establish and oversight the Company's risk management framework and plan and implement risk management policies. The Company's overall risk management plan focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk measured and managed by the company are explained in notes 29.1 to 29.4, of these notes.

**29.1 Credit risk**

Credit risk represents the risk of loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The carrying amount of financial assets represents the maximum credit exposure with quality of financial assets and other detail are as follows:

	<b>2020</b>	2019
	<i>Rupees</i>	<i>Rupees</i>
Trade receivable	<b>1,578,052</b>	1,296,906
Other receivable	<b>536,500</b>	153,097
Deposit with -		
Habib Metropolitan Bank      PACRA A1+	<b>86,372</b>	491,839
	<b>1,306,962</b>	1,306,962

**29.1.1 Quality of financial assets**

Aging analysis of the trade debts is as follows:

	<b>Gross Amount</b>	
Neither past due nor impaired	<b>1,169,600</b>	910,500
Past due but not impaired		
31 to 60 days	<b>98,500</b>	195,730
61 to 180 days	<b>309,930</b>	190,676
181 to 360 days	-	-
360 days and above	<b>22</b>	-
	<b>1,578,052</b>	1,296,906

Based on the past experience, the management believes that no impairment needs to be charged for past due amount, as there are reasonable grounds to believe that the amount will be recovered in small course of time.

Other receivable comprises of loan to employees which are highly probable to be received.

Deposits with Habib Metropolitan Bank Limited is provided credit ranking of A1+ for short term deposits and AA+ for long term deposit by Pakistan Credit Rating Agency (PACRA).

**HALLMARK COMPANY LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
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**29.2 Market risk**

Market risk is the that fair value of cash flows from financial instruments of the Company will fluctuate because of changes in market prices. Market risk comprises of currency risk, interest rate risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

**29.2.1 Currency Risk**

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future economic transactions or receivables and payables that exist due to transaction in foreign exchange.

There is no foreign currency risk arises on the financial instruments of the Company.

**Sensitivity Analysis**

The Company does not hold any asset or liability in foreign currency at reporting date. Therefore, any change in exchange rate of PKR against foreign currency would not affect statement of profit or loss.

**29.2.2 Interest rate risk**

Interest rate risk represents the risk that, the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the date of the statement of financial position the interest rate profile of the Company's interest-bearing financial instrument is NIL.

**Sensitivity Analysis**

**Fair value sensitivity analysis for fixed rate instruments**

The Company does not account for any fixed rate financial assets and liabilities at fair value through statement of profit or loss. Therefore any change in interest rate at the reporting date does not affect statement of profit or loss.

**Cash flow sensitivity analysis for variable rate instruments**

The Company does not hold any variable rate financial assets or liabilities. Therefore a change in interest rates at the reporting date would not affect cash flows.

**29.2.3 Other price risk**

Other price risk is the risk that, the fair value of future cash flows of a financial instrument will fluctuate because of change in market price excluding the impact of changes due to interest rate or currency risk. The company does not hold any financial asset or financial liability which is traceable in open market therefore it is not exposed to any other price risk.

**29.3 Liquidity risk**

Liquidity risk is the risk for a Company, where it will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that, it will always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Following are the carrying amount and maturities of the Company's financial liabilities.

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2020			
-----Rupees-----			
Non Interest Bearing	Carrying amount	Up to one year	After one year
Capital contribution	-	-	-
Trade creditors	156,050	156,050	-
Unclaimed dividends	23,150	23,150	-
Accrued expenses	370,738	370,738	-
<b>Total financial liabilities</b>	<b>549,938</b>	<b>549,938</b>	<b>-</b>

2019			
-----Rupees-----			
Non Interest Bearing	Carrying amount	Up to one year	After one year
Capital contribution	300,000	-	300,000
Trade creditors	314,504	314,504	-
Unclaimed dividends	23,150	23,150	-
Accrued expenses	470,351	470,351	-
<b>Total financial liabilities</b>	<b>1,108,005</b>	<b>808,005</b>	<b>300,000</b>

**29.4 Fair value of financial assets and liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

In the principal market for the asset or liability; or

In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market is accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

**HALLMARK COMPANY LIMITED**  
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For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's Board of director determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement. External evaluator may be involved for valuation of significant assets and significant liabilities. For the purpose of fair value disclosures, the Company determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Presently no financial or non financial asset or liability is valued at fair value. All assets are valued at their amortized cost which is the most appropriate available valuation basis.

The carrying values of financial assets and financial liabilities reported in the statement of financial position, are at approximate their fair values.

**30 CAPITAL RISK MANAGEMENT**

The Company's objective when managing capital is to ensure the Company's ability not only to continue as a going concern but also to meet its requirements for expansion and enhancement of its business, maximize return of shareholders and optimize benefits for other stakeholders to maintain an optimal capital structure and to reduce the cost of capital. The gearing ratio as at the end of reporting date is as follows:

	<b>2020</b>	2019
	<i>Rupees</i>	<i>Rupees</i>
Total borrowing	-	300,000
Cash and bank balances	<u>(221,477)</u>	<u>(587,269)</u>
	<b>(221,477)</b>	<b>(287,269)</b>
Total equity	<u>6,712,641</u>	6,329,809
Total capital	<u><b>6,491,165</b></u>	<u>6,042,540</u>
Gearing ratio	<u><b>0%</b></u>	<u><b>0%</b></u>

The Company finances its operations mainly through equity and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk.

**31 OPERATING SEGMENT**

These financial statements have been prepared on the basis of a single reportable segment. There was no change in the reportable segments during the year.

- 31.1 There is only one source of revenue of the segment which is from sale of used imported laptops.
- 31.2 All non-current assets of the segment are located in Pakistan.
- 31.3 All the sales are made to customers located in Pakistan only.
- 31.4 There is no significant major customer of the segment. Sales are made to number of individuals and corporate entities on non repetitive basis.

**HALLMARK COMPANY LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
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**32 EVENTS AFTER REPORTING DATE**

Subsequent to the reporting date i.e. year end, share transfer process in relation to the Listed Companies (Substantial Acquisition of Voting Shares & Takeovers) Regulations, 2017, has been completed and the transfer of control is expected to be completed in upcoming annual general meeting (AGM), which is scheduled on 26 November, 2020, through the election of directors.

**33 NUMBER OF EMPLOYEES**

Number of employees as at June 30, 2020 were 6 (2019: 6).  
Average number of employees during the year were 6 (2019: 6)

**34 GENERAL**

- 34.1 Figures in the financial statement have been rounded off to the nearest of Rupee.
- 34.2 These financial statements were authorized for issue in accordance with a resolution of the Board of Directors on **4 November, 2020**

**Chief Executive**

**Director**

**Chief Financial Officer**



## HALLMARK COMPANY LIMITED

### Pattern of Shareholding

As at June 30, 2020

Number of Shareholders	Shareholding			Number of Shares Held
	From		To	
193	1	-	100	19,300
94	101	-	500	29,270
18	501	-	1000	14,600
35	1001	-	5000	87,710
4	5001	-	10000	29,400
0	10001	-	20000	0
0	20001	-	30000	0
1	30001	-	40000	30,920
6	40001	-	50000	288,800
<b>351</b>				<b>500,000</b>

### Categories of Shareholders

S.No.	Shareholder's Category	Number of Shareholders	Number of Shares	Percentage %
1	Directors /Chief Executive Office and their spous and minor children	10	208,000	41.60
2	NIT & ICP	1	200	0.04
3	General public	339	291,700	58.34
4	Others	1	100	0.02
		<b>351</b>	<b>500,000</b>	<b>100</b>

# HALLMARK COMPANY LIMITED

## Pattern of Shareholding








As at June 30, 2020








S. No.	Shareholder's Category	Number of Shareholders	Number of Shares Held	Category Wise No. of Shares	Percentage %
1	<b>Directors/Chief Executive Office</b>	8		208,000	41.6
	Mrs. Mehnaz Manzoor		49,500		
	Mr. Muhammad Adil		48,500		
	Mr. S. M. Imran		48,000		
	Mr. Abdul Rahim		47,000		
	Mr. Muhammad Farrukh Bashir		2,500		
	Mr. Saad A. Shamsi		2,500		
	Mr. Ahtesham Ashraf		2,500		
	Mr. Zubair Ahmed Khan		2,500		
	Mr. Naveed Hamid		2,500		
	Mr. Haris Aftab Shamsi		2,500		
2	<b>Banks, DFIs, NBFIs, Insurance, Modarabas, Mutual Funds &amp; Others.</b>	2		300	0.06
	Investment Corporation of Pakistan		200		
	Karachi Investment Trust Limited		100		
<b>Shareholders holding 5% or more voting rights</b>					
	<b>Total Paid up Capital</b>		<b>500,000</b>	<b>Shares</b>	
	<b>5% of the Paid Up Capital</b>		<b>25,000</b>	<b>Shares</b>	
	<b>Directors &amp; Associates</b>			<b>Holding</b>	<b>%</b>
	Mrs. Mehnaz Manzoor			49,500	9.9
	Mr. Muhammad Adil			48,500	9.7
	Mr. S. M. Imran			48,000	9.6
	Mr. Abdul Rahim			47,000	9.4
	<b>Others</b>				
	Mr. Shahab Ahmed			48,500	9.7
	Mr. Bilal Ahmed			47,300	9.5
	Mrs. Chaman Ara			30,920	6.2



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# HALLMARK COMPANY LIMITED

Regd. Office: Office # 1001/1005, 10th Floor, Uni Centre, I.I Chundrigar Road, Karachi, Pakistan.  
Tel: 021-32414419, 021-37011105 Fax: 021-32416288

## Form of Proxy

I/We \_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_ being member(s) of **HALLMARK COMPANY LIMITED** and  
holder of \_\_\_\_\_ Ordinary Shares as per Share Register Folio/ CDC Account No. \_\_\_\_\_  
\_\_\_\_\_ holding CNIC/ Passport No. \_\_\_\_\_ hereby, appoint Mr./  
Ms. \_\_\_\_\_ Folio/ CDC Account No. \_\_\_\_\_ CNIC/ Passport  
No. \_\_\_\_\_ who is also a member of the Company as my/ our proxy to  
attend and vote for me/us and on my/ our behalf at the 41<sup>st</sup> Annual General Meeting of the  
Company to be held on Thursday, **November 26, 2020 at 11:00AM** and at any adjournment  
thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

**Rs. 5.00  
Revenue  
Stamp**

Witnesses:

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Address: \_\_\_\_\_

CNIC/ Passport No. \_\_\_\_\_

CNIC/ Passport No. \_\_\_\_\_

### **IMPORTANT**

1. This form of proxy, duly completed and signed, must be deposited at the Company's Registered Office not later than 48 hours before meeting.
2. This form should be signed by the Members or by his/ her attorney duly authorized in writing. If the member is a Corporation, its common seal should be affixed to the instrument.
3. A member entitled to attend and vote at the meeting may appoint any other member as his/ her proxy to attend and vote on his/ her behalf except that a corporation may appoint a person who is not a member.

### **For CDC Account Holders/ Corporate Entities**

In addition to the above, following requirements have to be met:

1. The proxy form shall be witnessed by two persons whose names, address and CNIC/ Passport No. shall be mentioned on the form.
2. Attested copies of CNIC/ Passport of the beneficial owner and the proxy shall be furnished with the proxy form.
3. The proxy shall produce his/ her original CNIC/ Passport at the time of the meeting.
4. In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form of the Company.