HALLMARK COMPANY LIMITED

CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE HALF YEAR ENDED
DECEMBER 31, 2019

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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
Sayeed A. Sheikh & Co., Advocates

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

Bankers
Habib Metropolitan Bank Limited

OFFICE OF THE COMPANY
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DIRECTORS' REPORT

Dear Shareholders,

The Directors of your Company are pleased to present you the un-audited condensed interim financial information for the half year ended on December 31, 2019. The Directors' report is prepared under section 227 of the Companies Act, 2017.

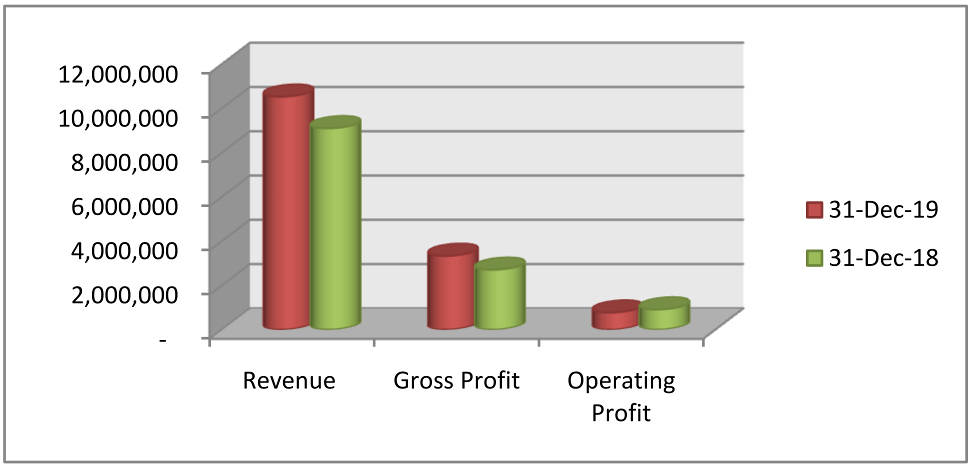
Company's Performance

We are pleased to inform you that the Company's performance is consistent and favorable to the budgeted projections. The Company has achieved marginally same return as of last year and striving for further better performance. To keep moving towards our vision, we are continuously working hard not only to sustain this growth but to perform further than this in the current market situation.

Operational Results

Brief summary of the operational results is as follows:

	Six Months ended 31Dec, 2019 (Rs.)	Six Months ended 31Dec, 2018 (Rs.)
Revenue	**10,526,743**	**9,098,052**
Gross Profit	**3,332,556**	**2,704,125**
Operating Profit	***771,021***	***1,062,554***
Profit After Taxation	**558,983**	**765,589**
Earnings per Share	**1.12**	**1.53**



The Company has earned a gross profit of Rs. 3.332 million and incurred administrative and selling expenses of Rs. 2.108 million which were inevitable. The Company has achieved the gross profit margin of 32% which is better in contrast with past year on transactions. We are expecting that in future the gross margin shall increase further, depending on the market condition and business volume. Accumulated profits of the Company have increased to Rs. 1,889 million. Instead of increase in sales and gross profits we are observing decline in earning per share which is due to the increase in other charges especially statutory charges like registration with Audit Oversight Board and Central Depository. Decline in profit is also due to the increase in salaries of marketing staff to have enhanced sale revenue.

The earnings per share for the period under review came out to be Rs. 1.12 per share which is short by Rs. 0.29from the anticipated earnings per share. This shortfall was due to the impact of selling expense which was not considered in projections.

Future Outlook

Our budget for financial year 2020 is focused on achieving steady growth which we are hopefully carrying. After withdrawal of merger, the Board is in the process of deciding the injection of funds through issue of capital other than right. This growth and injection of capital are going to be attributed to the following factors:

- The Company is 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 funds it has restricted its operations to limited markets. The injection of funds through 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 which may be injected shall initially, may be invested in secured investments most probably debt securities of high credit ranking so that no working capital is left without generating further return.

Based on the current growth rate and profit margin in I.T. sector, we are in expectation that the return from business activities shall further increase.

During the period under review, the Board has received an intimation of intention of acquiring control of the Company from Mr. Azneem Bilwani, through Topline Securities (his manager of acquisition), and he intends to buy controlling shares of the Company and its controls. In compliance with the regulations of Listed Companies (Substantial Acquisition of Voting Shares and Takeover) Regulations, 2017, we have issued disclosure to the Pakistan Stock Exchange and Securities and Exchange Commission of Pakistan within due time. We wish that whatever happens will benefit to all the shareholders, who were with us through all these difficult times for the Company and continue being supportive to the Company, its management and the Board.

Acknowledgement

Directors of your Company take this opportunity to express their deep sense of gratitude for all the stakeholders including regulatory bodies for their encouragement and continued support. We would like to place on record our sincere appreciation for the commitment, dedication and hard work put in by every member and also for our shareholders, who have always shown their confidence and faith in the Company.

Naveed Hamid	**S. Muhammad Imran**
Chief Executive	**Chairman**

ڈائریکٹرز کی رپورٹ

محترم عزیز شیئر ہولڈرز

آپ کی کمپنی کے ڈائریکٹرز 31 دسمبر، 2019 کو ختم ہونے والے نصف مالی سال کی غیر جانچ شدہ مالی نتائج پیش کرنے میں خوشی محسوس کررہے ہیں۔ یہ ڈائریکٹرز رپورٹ کمپنیز ایکٹ 2017 کے سیکشن 227 کے تحت تیار کی گئی ہے۔

کمپنی کی کارکردگی

ہمیں آپ کو یہ بتانے میں خوشی محسوس ہورہی ہے کہ کمپنی کی کارکردگی بجٹ کے تخمینوں کے مطابق ہی نہیں بلکہ اس سے بہتر ہے۔ کمپنی نے پچھلے سال کی نسبتاً برابر ہی کا نفع حاصل کیا ہے اور مزید بہتر کارکردگی کے لئے کوشاں ہے اپنے نقطہ نظر کی طرف گامزن رہنے کے لئے ہم نہ صرف اس کے نمو کو برقرار رکھنے کے لئے مستقل محنت کررہے ہیں بلکہ موجودہ مارکیٹ کی صورتحال میں اس سے بھی بہتر کارکردگی کی کوشش کررہے ہیں۔

آپریشنل نتائج

آپریشنل نتائج کا مختصر خلاصہ مندرجہ ذیل ہے۔

	ششماہی سال 31 دسمبر 2019 رقم	ششماہی سال 31 دسمبر 2018 رقم
آمدنی	10,526,743	9,098,052
آپریٹنگ منافع	3,332,556	2,704,125
آپریٹنگ منافع	771,021	1,062,554
ٹیکس لگانے کے بعد منافع	558,983	765,589
فی حصص آمدنی	1.12	1.53

کمپنی نے 3.332 روپے ملین کا بنیادی منافع حاصل کیا ہے اور اس کے انتظامی اور فروخت کے اخراجات پر 2.108 ملین روپے خرچ ہوئے جو ناگزیر تھے۔ کمپنی نے 32 فیصد کے مجموعی منافع کا مارجن حاصل کرلیا ہے جو کہ گذشتہ سال کے مقابلہ میں بہتر ہے۔ ہم توقع کررہے ہیں کہ مستقبل میں مارکیٹ کی حالت اور کاروباری حجم کے لحاظ سے مجموعی مارجن میں مزید اضافہ ہوگا۔

کمپنی کا جمع شدہ منافع بڑھ کر 1.889 ملین روپے ہوگیا ہے۔ فروخت اور مجموعی منافع میں اضافے کے ہوتے ہوئے بھی ہماری فی حصص آمدنی میں کمی واقع ہوئی ہے جس کی وجہ غیر عملی سرگرمیوں کے اخراجات میں اضافے ہیں خاص طور پر ریگولیٹری اخراجات جیسے اے۔ او۔ بی اور سنٹرل ڈپازٹری میں رجسٹریشن۔ منافع میں کمی کی ایک وجہ مارکیٹنگ کے عملے کی تنخواہوں میں اضافہ ہے جس سے فروخت میں اضافہ ہوا ہے۔

زیرجائزہ مدت کے لئے فی شیئر کی آمدنی 1.12 روپے فی حصص رہی جو فی حصص متوقع آمدنی سے 0.29 روپے کم ہے۔ یہ کمی مارکیٹنگ اخراجات کے اثرات کی وجہ سے ہے، جس کو تخمینے میں شامل نہیں کیا گیا تھا۔

مستقبل کا نظریہ

مالی سال 2020 کے لئے ہمارے بجٹ میں مستحکم نمو حاصل کرنے پر توجہ دی جا رہی ہے جو کہ کامیابی کے ساتھ عملدرامد ہو رہی ہے۔ انضمام (مرجر) سے دستبردار ہونے کے بعد بورڈ رائٹ ایشو کے ساتھ ساتھ دوسرے طریقے کار پر بھی غور کر رہا ہے تا کہ فنڈز کو کمپنی کے لیے مہیا کیا جائے۔ نئے فنڈز کا آنا درج ذیل عوامل میں کارگر ہوگا۔

- یہ کمپنی استعمال شدہ پرسنل کمپیوٹرز، لیپ ٹاپ اور نوٹ بک کی تجارت میں مصروف ہے، اور اس تک رسائی کے بڑی مارکیٹ دستیاب ہے لیکن، مالی رکاوٹوں اور محدود فنڈز کی وجہ سے اس نے اپنا کاروبار محدود مارکیٹوں تک ہی رکھا ہے۔ سرمائے کے توسط سے فنڈز کمپنی کو ان منافع بخش مارکیٹوں پر توجہ دینے کے قابل بنائے گا تا کہ اس کے منافع کا حجم بڑھا سکے۔
- فروخت کے حجم میں اضافے کے ذریعے، کمپنی اپنی فی یونٹ طے شدہ لاگت کو کم کرنے کے قابل ہوگی جو کہ مارکیٹ میں مجموعی منافع کا مارجن حاصل کرنے کا باعث ہوگا۔
- ہمارا مقصد انفارمیشن ٹکنالوجی کے علاوہ دوسرے شعبوں میں بھی سرمایہ کاری کرنا ہے، تا کہ وہاں سے منافع حاصل کیا جا سکے اور کسی ایک شعبے پر کمپنی کا انحصار کم کر سکیں۔
  - ممکنہ سرمایہ محفوظ سرمایہ کاری اسکیم میں ڈالا جائے گا جو کہ خاص طور پر فکسڈ منافع اسکیم ہوئی۔
  - I.T. میں موجودہ شرح نمو اور منافع کے مارجن کی بنیاد پر ہمیں توقع ہے کہ کاروباری سرگرمیوں سے منافع میں مزید اضافہ ہوگا۔
- زیرجائزہ مدت کے دوران، بورڈ کو جناب عظیم بلوانی سے ٹاپ لائن سیکیورٹیز (ان کے حصول کے منیجر) کے ذریعہ، کمپنی کا کنٹرول حاصل کرنے کے ارادے کی اطلاع موصول ہوئی ہے، اور وہ کمپنی اور اس کے کنٹرول کے لیے شیئرز خریدنے کا ارادہ رکھتے ہیں۔ لسٹڈ کمپنیز (سبسٹینشیل اکوئیزیشن آف ووٹنگ شیئرز اینڈ ٹیک اورز) ریگولیشنز، 2017 کے ضابطوں کی تعمیل کرتے ہوئے، ہم نے پاکستان اسٹاک ایکسچینج اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کو مقررہ وقت کے اندر انکشاف کیا ہے۔ ہماری خواہش ہے کہ جو بھی ہوتا ہے اس کا فائدہ ان تمام حصص داروں کو ہو، جو کمپنی کے لئے ان تمام مشکل وقتوں میں کمپنی ساتھ رہے اور اس کے انتظامیہ اور بورڈ کی حمایت کرتے رہے۔

اعتراف

آپ کی کمپنی کے ڈائریکٹرز اس موقع کی مناسبت سے تمام اسٹیک ہولڈرز کی حوصلہ افزائی اور مستقل تعاون کے لئے انضباطی اداروں سمیت ان کے دل کی گہرائیوں سے اظہار تشکر کرتے ہیں۔ ہم ہر اسٹاف کی طرف سے پیش کردہ وابستگی، لگن اور محنت کے لئے اپنی خلوص تعریف کو ریکارڈ کرنا چاہتے ہیں اور اپنے حصص یافتگان کے بھی شکر گزار ہیں جنہوں نے ہمیشہ کمپنی پر اپنا اعتماد اور اعتماد ظاہر کیا ہے۔

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نوید حامد	محمد عمران
چیف ایگزیکٹو	چیئر مین

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of *Hallmark Company Limited*
Report on review of Condensed Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Hallmark Company Limited ("the Company") as at December 31, 2019, and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity,condensed interim statement of cash flows, and notes to the financial information for the six month period then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other Matters

The figures of the condensed interim financial information for the quarter ended December 31, 2019, have not been reviewed and we do not express a conclusion thereon.

The engagement partner on this engagement resulting in this independent auditors' review report is S.M. Suhail, FCA .

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

Our Ref: SMS-A-0692020
Date: February 27, 2020

HALLMARK COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT DECEMBER 31, 2019

ASSETS	*Note*	**31-Dec-19** **Rupees** **(Unaudited)**	30-Jun-19 *Rupees* (Audited)
Non Current Assets			
Furniture, fixtures and office equipment	*7*	**905,958**	907,597
Intangibles	*8*	**1,695,000**	1,785,000
Advances for office premises		**1,500,000**	1,500,000
		4,100,958	4,192,597
Current Assets			
Stock in trade		**1,945,540**	2,044,149
Trade debts - considered good		**1,508,500**	1,296,906
Loan to employees		**255,273**	153,097
Cash and bank balance	*9*	**220,865**	587,269
		3,930,178	4,081,421
TOTAL ASSETS		**8,031,136**	8,274,018
EQUITY AND LIABILITIES			
Share Capital And Reserves			
Authorized Share Capital			
1,000,000 Ordinary Shares of Rs. 10/- each		**10,000,000**	10,000,000
Issued, subscribed and paid-up capital	*10*	**5,000,000**	5,000,000
Accumulated profits		**1,888,793**	1,329,810
Capital contribution from directors		**-**	300,000
		6,888,793	6,629,810
Non Current Liabilities			
Deferred tax liability		**62,004**	65,852
Current Liabilities			
Trade creditors		**239,605**	314,504
Contract liability		**275,500**	411,174
Accrued and other payables		**476,197**	470,351
Unclaimed dividends		**23,150**	23,150
Provision for taxation - net		**65,886**	359,177
		1,080,339	1,578,356
Contingencies and commitments	*11*	**-**	-
TOTAL EQUITY AND LIABILITIES		**8,031,136**	8,274,018

The annexed notes from 1 to 22 form an integral part of these financial information.

Chief Executive **Director** **Chief Financial Officer**

HALLMARK COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	Note	**Half Year Ended**		**Quarter Ended**	
		31-Dec-19	31-Dec-18	**31-Dec-19**	31-Dec-18
		(Amounts in Rupees)		***(Amounts in Rupees)***	
Turnover					
Sale of goods		**10,526,743**	*8,785,508*	**5,988,943**	*4,771,258*
Advisory		**-**	*312,544*	**-**	*312,544*
		10,526,743	*9,098,052*	**5,988,943**	*5,083,802*
Cost of sales	*12*	**(7,194,187)**	*(6,393,927)*	**(4,116,668)**	*(3,736,945)*
Gross profit		**3,332,556**	2,704,125	**1,872,275**	1,346,857
Administrative expenses	*13*	**(829,981)**	(656,396)	**(544,353)**	(351,871)
Selling expenses	*14*	**(1,278,551)**	(985,175)	**(765,971)**	(523,496)
Operating profit		***1,224,023***	*1,062,554*	***561,950***	*471,490*
Other expenses	*15*	**(453,002)**	(152,500)	**(225,167)**	(35,000)
Profit before taxation		**771,021**	910,054	**336,783**	436,490
Taxation - net		**(212,038)**	(144,465)	**(140,643)**	(14,294)
Profit after taxation		**558,983**	765,589	**196,140**	422,196
Earning per share	*16*	**1.12**	1.53	**0.39**	0.84

The annexed notes from 1 to 22 form an integral part of these financial information.

Chief Executive | **Director** | **Chief Financial Officer**

HALLMARK COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	Half Year Ended		Quarter Ended	
	31-Dec-19	31-Dec-18	**31-Dec-19**	31-Dec-18
	(Amounts in Rupees)		*(Amounts in Rupees)*	
Profit after taxation	**558,983**	765,589	**196,140**	422,196
Other comprehensive income	**-**	-	**-**	**-**
Total comprehensive income for the period	**558,983**	765,589	**196,140**	422,196

The annexed notes from 1 to 22 form an integral part of these financial information.

Chief Executive	Director	Chief Financial Officer

HALLMARK COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	Issued, subscribed and paid-up capital	Accumulated loss	Capital Contribution from Directors	Total
	---------- *(Rupees)* ----------			
Balance as at July 1, 2018	**5,000,000**	**15,361**	**1,800,000**	**6,815,361**
Total comprehensive income for the six months period	-	765,589	-	765,589
Capital contribution returned to directors	-	-	(1,500,000)	(1,500,000)
Balance as at December 31, 2018	**5,000,000**	**780,950**	**300,000**	**6,080,950**
Total comprehensive income for the six months period	-	548,860	-	548,860
Balance as at June 30, 2019	**5,000,000**	**1,329,810**	**300,000**	**6,629,810**
Total comprehensive income for the six months period	-	558,983	-	558,983
Capital contribution returned to directors	-	-	(300,000)	(300,000)
Balance as at December 31, 2019	**5,000,000**	**1,888,793**	**-**	**6,888,793**

The annexed notes from 1 to 22 form an integral part of these financial information.

Chief Executive	**Director**	**Chief Financial Officer**

HALLMARK COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	01-Jul-19 to 31-Dec-19 *Rupees* (Unaudited)	01-Jul-18 31-Dec-18 *Rupees* (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**771,021**	910,054
Adjustments for:		
Depreciation	**62,339**	40,325
Amortization	**90,000**	213,000
Operating Profit Before Working Capital Changes	**923,360**	1,163,379
Changes in working capital		
(Increase)/ decrease in current assets:		
Stock in trade	**98,609**	691,520
Trade receivables	**(211,594)**	(7,983)
Other receivables	**(102,176)**	(58,497)
Increase/ (decrease) in current liabilities:		
Trade creditors	**(74,899)**	72,857
Advance from customers	**(135,674)**	(260,000)
Accrued expenses	**5,846**	28,867
Total Changes In Working Capital	**503,473**	1,630,143
Taxes paid	**(509,177)**	(85,470)
Net Cash (Outflow)/ Inflow From Operating Activities	**(5,704)**	1,544,673
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(60,700)	
Net Cash (Outflow) From Investing Activities	**(60,700)**	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution repaid to directors	**(300,000)**	(1,500,000)
Net Cash (Outflow) From Financing Activities	**(300,000)**	(1,500,000)
Net (Decrease)/ Increase in cash and cash equivalents	**(366,404)**	44,673
Cash and cash equivalents at the beginning of the period	**587,269**	280,954
Cash and cash equivalents at the end of the period	**220,865**	**325,627**

The annexed notes from 1 to 22 form an integral part of these financial information.

Chief Executive **Director** **Chief Financial Officer**

1 LEGAL STATUS AND BUSINESS ACTIVITIES OF THE COMPANY

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 thereafter obtained registration under repealed Insurance Act, 1938, (now the Insurance Ordinance, 2000) as an insurer. Further, in the year 2016, on application of the Company to surrender the insurance license, the SECP has revoked its insurance license vide the S.R.O.1079(I)/2016 dated 22 November, 2016, in pursuant to sub section (1) of Section 10 of the Insurance Ordinance, 2000 (XXXIX of 2000). Consequently the principal activity of the company was changed and it engaged in trading of computer and allied I.T. equipment and allied products. It is listed on Pakistan Stock Exchange Limited. The registered office which is also the head office of the Company is situated at Suite 1001, Uni Centre, I.I. Chundrigar Road, Karachi.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These condensed interim financial information are unaudited and are being circulated to the shareholders in accordance with the listing regulations of Pakistan Stock Exchange and section 237 of Companies Act, 2017 and being prepared in condensed form in accordance with the requirements of accounting and reporting standards as applicable in Pakistan for interim financial reporting which is International Accounting Standard 34 "Interim Financial Reporting".

These financial information do not include all of the information required for the complete set of annual financial statements, and should be read in conjunction with the annual financial statements of the Company for the year ended on June 30, 2019 except for the effects of the changes in accounting policies adopted during the period.

3 SIGNIFICANT EVENTS

During the period under review, on October 3, 2019, the Company has received an intimation from an acquirer for acquiring control of the Company and major shareholding into the Company. For detail, refer the directors report.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 The accounting policies applied in these condensed interim financial information are same as those applied by the company in its annual financial statements for the year ended on June 30, 2019 except for the adoption of new standards effective as of July 01, 2019 as stated below:

4.2 Changes in significant accounting policies

During the period, 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:

4.2.1 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 during the period

4.2.2 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) Classification and measurement of financial assets and financial liabilities

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**		
Current Financial Assets	**Under IAS 39 (Original adoption)**	**Under IFRS 9 (New adoption)**	**Under IAS 39 (Original adoption)**	**Under IFRS 9 (New adoption)**	**Difference**
Trade debts	Loans and receivable	Amortized Cost	1,296,906	1,296,906	-
Loan to employees	Loans and receivable	Amortized Cost	153,097	153,097	-
Cash and bank balance	Loans and receivable	Amortized Cost	587,269	587,269	-
Current Financial Liabilities					
Trade creditors	Amortized cost	Amortized cost	314,504	314,504	-
Accrued and other payables	Amortized cost	Amortized cost	470,351	470,351	-

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.

4.2.3 Financial Instruments

All financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the Company losses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on de-recognition of the financial assets and financial liabilities are taken to the statement of profit or loss.

Financial assets

Classification

Effective July 1, 2019, the Company classifies its financial assets in the following measurement categories:

a) Amortized cost where the effective interest rate method will apply;

b) fair value through profit or loss;

c) fair value through other comprehensive income.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in statement of profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this depends on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVTOCI). The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in statement of profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

a) Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other operating gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

b) Fair value through other comprehensive income (FVTOCI)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to statement of profit or loss and recognized in other income/charges. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/charges and impairment expenses are presented as separate line item in the statement of profit or loss.

c) Fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in the statement of profit or loss and presented net within other operating gains/(losses) in the period in which it arises.

De-recognition of financial assets

A financial asset (or, where applicable part of a financial asset or part of a group of similar financial assets) is derecognized when:

The rights to receive cash flows from the asset have expired

The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

Effective July 1, 2019, the Company assesses on a forward looking basis the Expected Credit Losses (ECL) associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.
Following are financial instruments that are subject to the ECL model:

Trade debts

Loans, advances, deposits, prepayments and other receivables

Cash and bank balances

Simplified approach for trade debts

The Company recognizes lifetime ECL on trade debts, using the simplified approach. The measurement of ECL reflects:

an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Trade debts are separately assessed for ECL measurement. The lifetime expected credit losses are estimated using the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Recognition of loss allowance

The Company recognizes an impairment gain or loss in the statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment.

Write-off

The Company write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.

ii) Financial liabilities

Classification, initial recognition and subsequent measurement

The Company classifies its financial liabilities in the following categories:

at fair value through profit or loss; and

other financial liabilities

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, also include directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as follows:

a) Fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss. The Company has not designated any financial liability upon recognition as being at fair value through profit or loss.

b) Amortized cost

After initial recognition, other financial liabilities which are interest bearing are subsequently measured at amortized cost, using the effective interest rate method. Gain and losses are recognized in the statement of profit or loss, when the liabilities are derecognized as well as through effective interest rate amortization process.

De-recognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

iii) Off-setting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position, if the Company has a legally enforceable right to set off the recognized amounts, and the Company either intends to settle on a net basis, or realize the asset and settle the liability simultaneously. Legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counter party.

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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after July 1, 2020 but are considered not to be relevant or will not have any significant effect on the Company's operations and are, therefore, not detailed in these condensed interim financial statements.

5 ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these condensed interim financial statements are in conformity with approved accounting standards which requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed interim financial statement, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended on June 30, 2019.

6 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the audited annual financial statements as at and for the year ended June 30, 2019.

6.1 FUNCTIONAL AND PRESENTATION CURRENCY

These financial information are presented in Pakistani Rupees, which is the Company's functional currency.

		2019 *Rupees* (Unaudited)	30-Jun-19 *Rupees* (Audited)
7	**FURNITURE, FIXTURES AND OFFICE EQUIPMENT**		
	Furniture and fixture	**483,396**	462,336
	Office equipments	**262,127**	275,923
	Generator	**28,485**	29,984
	Computer and allied equipments	**131,951**	139,354
		905,958	907,597

		HALF YEAR ENDED		QUARTER ENDED	
		31-Dec-19	31-Dec-18	**31-Dec-19**	31-Dec-18
		(Amounts in Rupees)		*(Amounts in Rupees)*	
	Additions				
	Computer and allied equipments	***15,000***	-	-	-
	Furniture and fixture	***45,700***	-	-	-
		60,700	-	-	-
	Depreciation expense charged	***62,339***	*40,325*	***31,670***	*20,162*
8	**INTANGIBLES**				
	Net book value at end of period			**1,695,000**	1,785,000
	Amortisation expense charged @ 10% on straight line basis	***90,000***	*213,000*	***45,000***	*106,500*

		2019	30-Jun-19
9	**CURRENT AND OTHER ACCOUNTS**		
	Cash in hand	**56,480**	95,430
	Cash at bank - Current	**164,385**	491,839
		220,865	587,269
10	**ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**		
	500,000 Ordinary Shares of Rs. 10/- each fully paid in cash	**5,000,000**	5,000,000

11 CONTINGENCIES AND COMMITMENT

11.1 Commitment

There were no commitment as at end of period and its comparative period.

		31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
12	**COST OF SALES**				
	Opening stock	***2,044,149***	1,516,842	**1,756,630**	1,356,292
	Purchase of goods	**6,751,745**	5,286,278	**4,145,859**	2,994,410
	Transportation	**191,019**	149,648	**119,689**	81,964
	Packaging/ inspection and handling	**152,815**	266,481	**40,030**	129,601
		9,139,727	*7,219,249*	**6,062,208**	*4,562,267*
	Less: Closing Stock	**(1,945,540)**	(825,322)	**(1,945,540)**	(825,322)
		7,194,187	**6,393,927**	**4,116,668**	**3,736,945**
13	**ADMINISTRATIVE EXPENSES**				
	Salaries	**263,388**	175,641	**180,888**	98,543
	Printing and stationary	**95,720**	89,984	**30,804**	40,968
	Advertisement	**63,427**	26,905	**33,235**	3,981
	Travelling and conveyance	**70,320**	21,121	**57,336**	9,898
	Entertainment	**43,781**	28,816	**24,414**	11,215
	Office expenses	**48,781**	24,661	**48,781**	24,661
	Legal and professional charges	**59,716**	18,000	**59,716**	18,000
	Depreciation expense	**62,339**	40,325	**31,670**	20,162
	Amortization	**90,000**	213,000	**45,000**	106,500
	Miscellaneous expenses	**32,510**	17,943	**32,510**	17,943
		829,981	656,396	**544,353**	351,871

HALLMARK COMPANY LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019

		HALF YEAR ENDED		QUARTER ENDED	
		31-Dec-19	31-Dec-18	**31-Dec-19**	31-Dec-18
		(Amounts in Rupees)		*(Amounts in Rupees)*	
14	**SELLING EXPENSES**				
	Salaries	**992,558**	808,871	**612,624**	453,814
	Printing and stationary	**72,961**	68,982	**23,196**	31,407
	Advertisement	**70,307**	29,823	**36,840**	4,413
	Travelling and conveyance	**95,763**	46,589	**67,123**	21,832
	Entertainment	**46,961**	30,910	**26,187**	12,030
		1,278,551	985,175	**765,971**	523,496
15	**OTHER EXPENSES**				
	Fee and subscription	**303,002**	117,500	**75,167**	-
	Auditors remuneration	**150,000**	35,000	**150,000**	35,000
		453,002	152,500	**225,167**	35,000
16	**BASIC AND DILUTED EARNING PER SHARE**				
	Profit after taxation	**558,983**	765,589	**196,140**	422,196
	Weighted average number of Ordinary shares	**500,000**	500,000	**500,000**	500,000
	Earning per share	**1.12**	1.53	**0.39**	0.84

There is no dilutive impact on earning per share.

17 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS & EXECUTIVES

The commercial activity has been commenced but remuneration of Directors and Chief Executive have not yet been decided therefore, arrears of remuneration shall be paid and charged in the period in which the decision is made.

18 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings and key management personnel. The transactions between the Company and the related parties are carried out at arms length. Amounts due from and to related parties and key management personnel, if any, are shown under receivables and payables. Details of transactions made with related parties during the year are as follows:

Directors				
Capital contribution repaid	**(300,000)**	(1,500,000)	**(300,000)**	(1,500,000)

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management objectives and policies are consistent with those disclosed in annual financial statements of the Company for the year ended June 30, 2018.

31-Dec-18 (Unaudited)	**Maturity upto 1 year**	**Maturity after 1 year**	**TOTAL**
Financial Assets			
Trade debts	1,508,500	-	1,508,500
Loan to employees	255,273	-	255,273
Cash and Bank balance	220,865	-	220,865
Total financial assets	1,984,638	-	1,984,638
Financial Liabilities			
Non Interest Bearing			
Trade creditors	239,605	-	239,605
Accrued and there payable	476,197	-	476,197
Total financial liabilities	715,803	-	715,803
Net financial assets	**1,268,835**	**-**	**1,268,835**

30-Jun-19 (Audited)	**Maturity upto 1 year**	**Maturity after 1 year**	**TOTAL**
Financial Assets			
Trade debts	1,296,906	-	1,296,906
Loan to employees	153,097	-	153,097
Cash and Bank balance	587,269	-	587,269
Total financial assets	2,037,272	-	2,037,272
Financial Liabilities			
Non Interest Bearing			
Trade creditors	314,504	-	314,504
Accrued and there payable	470,351	-	470,351
Total financial liabilities	784,855	-	784,855
Net financial assets	**1,252,417**	**-**	**1,252,417**

As all the financial assets and liabilities of the Company are current in nature therefore, their carrying values are reasonable approximates of their fair values and fair values of these financial assets and liabilities have not been disclosed.

20 NUMBER OF EMPLOYEES

Number of employee as at December 31, 2019 was 6 (December 31, 2018: 6).
Average number of employees during the period was 6 (December, 2018: 4)

21 AUTHORIZATION FOR ISSUE

These condensed interim financial information were authorized for issue in accordance with a resolution of the Board of Directors on 27 February 2019.

22 GENERAL

Figures in the financial statement has been rounded off to the nearest of Rupee.

Chief Executive	**Director**	**Chief Financial Officer**

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