

KARACHI TOOLS, DIES & MOULDS CENTRE

ANNUAL REPORT

2019-20

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LEGAL STATUS AND NATURE OF OPERATIONS

Karachi Tools, Dies and Moulds Centre (the Company) was incorporated in 2006 as a company limited by guarantee having share capital under section 42 of the Companies Ordinance, 1984 repealed by the Companies Act, 2017, under the license issued by the Securities and Exchange Commission of Pakistan.

The registered office of the Company is situated at Sector Number 38, Deh Dih, NC Number 24, Korangi Creek Industrial Park, Karachi, Pakistan.

The primary objective of the Company is to establish and run an Information Technology (IT) based common facility centre, primarily for improving the skills of engineers and designers, enhancing the quality of designing, engineering and manufacturing of local tools, dies and moulds. The Company is a wholly owned subsidiary of Pakistan Industrial Development Corporation (Private) Limited (PIDC) – the holding company.

COMPOSITION OF THE BOARD OF DIRECTORS

S.No.	Name of Director
Independent Directors :	
1.	Engr. M. A. Jabbar, CEO, Qaim Automotive
2.	Syed Muhammad Irfan Aqueel ,CEO, Millat Tractor Limited
Executive Director :	
3.	Mr. Mansoor Ahmed
Non-Executive Directors :	
4.	Dr. Muzzaffar Mahmood, NED University, Karachi
5.	Syed Javaid Ashraf
6.	Chief Executive Officer, TUSDEC
7.	Chief Executive Officer, PIDC
8.	Joint Secretary (PSD), Ministry of Industries & Production
9.	Secretary, Ministry of Science & Technology or his nominee not below BS-20
10.	Secretary, Finance Division or his nominee not below BS-20

DIRECTORS' REPORT TO THE SHAREHOLDERS



Karachi Tools, Dies & Moulds Centre
ISO – 9001:2015 & ISO – 14001:2015 Certified Company
A subsidiary of Pakistan Industrial Development Corporation (PIDC)
Ministry of Industries & Production, Government of Pakistan



DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of Karachi Tools, Dies and Moulds Centre (the Company) are pleased to present their fourteenth Report on the audited financial statements for the year ended June 30, 2020.

Objectives

Management of your company has focused its attention on its core objectives i.e designing, development and manufacturing of tools, dies and moulds (TDM) and to provide training, consultancy relating to TDM to public and private sectors.

Compliance statement: (The Public Sector Companies (Corporate Governance) Rules, 2013 (PSR))

The Board gives prime importance to conducting its business in accordance with the rules stated in PSR.

The Directors are pleased to state that:

- The Board has complied with the principles of corporate governance. However, due to resignation of two independent directors during the preceding years, presently the Company does not have the requisite percentage of independent directors, for which the Board has sent its recommendations to the ministry of industries and production, while their response is still awaited. The meeting for the first quarter scheduled to held on September 30, 2019 was postponed and held on October 12, 2019, accordingly three meeting of the Board of Directors were held during the year ended June 30, 2020.
- The financial statements, prepared by the management of the Company fairly present its state of affairs, result of its operations, cash flows and changes in equity.
- The Company has maintained proper books of account.
- Appropriate accounting policies have been applied in preparation of financial statements and any changes in accounting policies (if any) have been disclosed in the financial statements. The accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.
- The system of internal control is sound in design and has been effectively implemented, regularly reviewed and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- Reasons for significant deviations from last year's operating results have been explained in the relevant sections of the Directors Report.
- Key operating and financial data for the last six years has been given in the relevant section of the Directors Report.

Sector No. 38, NC No.24, Korangi Creek Industrial Park, adjacent to Pakistan Refinery Limited,
Korangi Industrial Area, Korangi Creek Road, Karachi, Pakistan
Ph: (+92-21) 35121888 & 35120500 Fax: (+92-21) 35121890
(A Company set up under section 42 of Companies Ordinance, 1984 and approved as a
Non-Profit Organization under section 2(36)(c) of Income Tax Ordinance, 2001)



- Information about outstanding taxes, duties, levies and charges is given in Notes to the Accounts. Significant plans and decisions regarding corporate restructuring, business expansion and discontinuance of operations have been outlined (if any). Future prospects, risks and uncertainties have been disclosed in relevant sections of the Directors' Report.
- The appointment of the Chairman and other Members of the Board and the terms of their appointment adopted are in the best interest of the Company as well as in line with best practices.
- Key performance indicators of the Company relating to its social objectives and outcomes have been disclosed in relevant sections of the Directors' Report.
- Number of Board and Committee(s)' meetings held during the year and attendance by each Director has been disclosed in relevant section of Directors' Report. Leave of absence was granted to Directors who were unable to attend meetings.
- A statement of the pattern of shareholding in the Company as at 30 June, 2020 of certain classes of shareholders whose disclosure is required under the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules is shown in the relevant section of the Directors' Report.

Corporate Social Responsibilities

KTDMC has a rich culture of Corporate Social Responsibility (CSR) since its inception, one of the primary objective of the KTDMC is to provide long term and short term trainings to the engineers, designers and particularly to the students of under-privileged class of Pakistan, under Teaching Factory concept, so they can become productive citizens of the country;

KTDMC ensured that students when complete their courses are well equipped with the required knowledge of the course.

KTDMC made efforts for the employment of students in local industry, who pass out after 3 years diploma in Dies & Moulds in 2020, and it is worth noting that more than 72% of the students are employed and rest of the students are pursuing further education.

KTDMC also arranged Sponsorships for very poor and deserving students.

KTDMC is continuously striving to support Dies & Moulds and other related industries, and decreasing unemployment by producing skill work force.

Overview

Your Company was incorporated as a Company limited by guarantee having share capital on March 28, 2006 as a wholly owned subsidiary of Pakistan Industrial Development Corporation (Private) Limited. During this year, the company has completed its twelfth full year of operations.



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The Company recorded decreases in the profitability as net surplus for the year ended June 30, 2020 decreased from Rs. 30,165,561/- to Rs. 16,747,076/-

Operational revenue of the Company has decreased by 19%, as analyzed below:

Description	PKR			Variance %
	2020	2019	Variance amount	
Manufacturing	147,916,860	171,324,418	(23,407,558)	-14%
Toll Manufacturing	880,500	5,917,162	(5,036,662)	-85%
Heat treatment	2,758,139	4,212,550	(1,454,411)	-35%
Reverse engineering	641,000	2,276,900	(1,635,900)	-72%
Training	11,144,455	16,943,629	(5,799,174)	-34%
Total	163,340,954	200,674,659	(37,333,705)	-19%

Following is the main reason for decrease in the operational revenue:

In March 2020, the World Health Organization (“WHO”) declared the outbreak of the novel corona virus (known as COVID-19) as a global pandemic. The rapid spread of the virus has caused governments around the world to implement stringent measures to help control its spread, including, without limitation, quarantines, “stay-at-home” or “shelter-in-place” orders, social distancing mandates, travel restrictions, and closures or reduced operations for businesses, governmental agencies, schools and other institutions. The industry, along with global economic conditions generally, has been significantly disrupted by the pandemic.

The COVID-19 pandemic and associated impacts on economic activity had certain effect on the operational and financial condition of the Company for the year ended June 30, 2020 due to overall slowdown in economic activity and continuity of business operations. However, to reduce the impact on the performance of the Company, government has introduced a host of measures on both fiscal and economic fronts by issuing certain circulars and notifications from time to time.

Consequently, the Company’s operational activities remained suspended for the limited period of time resulting in overall decrease of approximately 19% in the income of the Company. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company resumed its operation and has taken all the necessary steps to ensure smooth and adequate continuation of its operations.

However, despite the lockdown, the Company reported a net surplus of Rs. 16.7 million, which shows the potential of the Company to continue its operations in a self-sustainable manner.

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Financial Results:

Financial results for last six years

	2020 Rupees	2019 Rupees	2018 Rupees	2017 Rupees	2016 Rupees	2015 Rupees
INCOME						
Revenue from:						
Manufacturing	147,916,860	171,324,418	155,845,534	125,658,730	125,161,136	98,815,424
Toll Manufacturing	880,500	5,917,162	2,284,210	1,742,000	886,000	2,146,350
Heat treatment	2,758,139	4,212,550	4,856,672	3,848,790	3,739,930	3,545,726
Reverse engineering	641,000	2,276,900	1,280,456	620,500	1,374,000	1,198,000
Training	11,144,455	16,943,629	10,853,719	7,602,175	7,375,310	6,566,460
	163,340,954	200,674,659	175,120,591	139,472,195	138,536,376	112,271,960
Other income	16,099,435	8,928,027	5,899,566	6,745,080	6,479,803	8,814,797
	179,440,389	209,602,686	181,020,157	146,217,275	145,016,179	121,086,757
EXPENDITURE						
Direct costs	132,354,652	149,144,770	123,937,896	100,949,452	117,986,702	97,704,650
Administrative expenses	30,338,661	30,292,355	24,344,582	22,680,861	19,741,004	18,836,840
	162,693,313	179,437,125	148,282,478	123,630,313	137,727,706	116,541,490
Surplus for the year	16,747,076	30,165,561	32,737,679	22,586,962	7,288,473	4,545,267

Activity Growth							
Description	2020	2019	2018	2017	2016	2015	Growth
Students	278	534	490	465	460	452	-10.1%
Courses	35	52	47	41	38	38	-1.6%
Dies & Moulds	45	56	52	48	48	47	-6.3%
Heat treatment cycles	48	79	75	68	67	73	-8.0%
Reverse Engineering Hours	1546	2597	2503	1905	2050	2014	-5.2%
Cumulative number of clients	128	118	102	94	83	80	9.9%

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The key financial results have been tabulated below:

Comparison with last year:

Particulars	2020 Rs.	2019 Rs.
Income from operational activities	163,340,954	200,674,659
Income from non operational activities	16,099,435	8,928,027
Taxation	-	-
Surplus/ (Deficit) for the year:		
-After depreciation and amortization	16,747,076	30,165,561
-Before depreciation and amortization	29,924,292	43,407,708

Comparison with budget:

Particulars	2020 Rs.	Budgeted Rs.
Income from operational activities	163,340,954	223,000,000
Income from non operational activities	16,099,435	11,453,737
Taxation	-	-
Surplus/ (Deficit) for the year:		
-After depreciation and amortization	16,747,076	23,823,788
-Before depreciation and amortization	29,924,292	39,958,167

Profit per share

Basic and diluted income per share is Rs.0.33 (2019: Rs. 0.60)

Dividend

The Securities and Exchange Commission of Pakistan has granted your company license of non-profit organization under section 42 of Companies Ordinance 1984 repealed by the Companies Act, 2017. Accordingly, any surplus, if any earned during the year, would be utilized to meet its objectives and no payment would be made to members; therefore, your company is not required to declare any dividend.

Taxation

The Company is allowed tax credit equal to 100% of the tax payable including minimum tax and final taxed, under section 100C of the Income Tax Ordinance, 2001, consequently no provision for taxation is made during the year.



Outstanding Statutory Payments

There are no outstanding payments due on account of taxes, duties, levies and charges except amounts of normal and routine nature.

Future Outlook

The company has planned to establish Sheet Metal Dies Manufacturing as a joint venture with Korean Industry.

The projected operational revenue of the Company for the year 2020-21 is Rs. 231.76 Million compared to current level of Rs. 163.34 million.

During the year, three meetings of the Board of Directors were held. Attendance by each director at the board meeting is as under:

Name	Eligibility	Attended
Engr. M. A. Jabbar	3	3
Syed Javaid Ashraf	3	3
Dr. Muzaffar Mahmood	3	3
Mansoor Ahmed, CEO	3	3
Syed Muhammad Irfan Aqueel	3	2
Joint Secretary (PSD), Ministry of Industries & Production	3	2
Chief Executive Officer, PIDC	3	2
Secretary, Ministry of Science & Technology or his nominee not below BS-20	3	2
Chief Executive Officer, TUSDEC	3	2
Secretary, Finance Division or his nominee not below BS-20	3	0

The directors who could not attend Board Meeting(s) were granted leave of absence in accordance with the law.

Attendance of various meeting of Board is given below:

Attendance of HR Committees meeting

Name	Eligibility	Attended
Engr. M. A. Jabbar	1	1
Chief Executive Officer, PIDC	1	0
Dr. Muzaffar Mahmood	1	1
Syed Javaid Ashraf	1	1
Syed Muhammad Irfan Aqueel	1	1
Mansoor Ahmed, CEO	1	1
Joint Secretary (PSD), Ministry of Industries & Production	1	1
Secretary, Ministry of Science & Technology or his nominee not below BS-20	1	1



Attendance of Audit Committees meeting:

Name	Eligibility	Attended
Syed Muhammad Irfan Aqueel	3	3
Syed Javaid Ashraf	3	3
Chief Executive Officer, PIDC	3	2
Secretary, Ministry of Science & Technology or his nominee not below BS-20	3	2

The directors who could not attend Committees Meeting(s) were granted leave of absence in accordance with the law.

Risk & Threats

The Company's business activities are subject to following risks and threats that may affect the Company's operations, earnings, cash flows and other financial performance.

- Cost of services is increasing because of high inflationary increase
- Tough competition from China, their cost is much lower than ours, as heavy custom and regulatory duty has been levied on the import of raw material, while there is very low duty on completed / finished moulds from China or other countries.
- Electricity shortages
- Voltage fluctuation causing damages to electrical equipment
- Shortage of proper maintenance facility of machines in Pakistan

Pattern of Shareholding

The pattern of shareholding as at 30 June 2020 is as follow:

Name of share holder	Numbers of shares
Pakistan Industrial Development Corporation (Pvt.) Ltd. (Parent Company and Public Sector Company)	49,999,998
TUSDEC (Associate Company as well as Public Sector Company)	1
Director	1

Parent Company

Pakistan Industrial Development Corporation (Private) Limited has 100% holding of the Company as of the date of this report.



Auditors

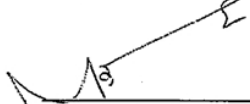
The present auditors M/s BDO Ebrahim & Co. Chartered Accountants retire and being eligible offer themselves for re-appointment.

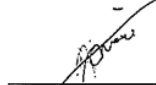
Acknowledgement

The Board of Directors places on record its appreciation for the support of the shareholder, Government agencies and other concerned parties.

The Board also expresses its appreciation for the services and efforts being rendered by the executives and staff members of your Company.

For and on behalf of the Board


Mansoor Ahmed
CEO


Eng. M-A. Jabbar
Chairman

Karachi
October 31, 2020

FINANCIAL HIGHLIGHTS

	2020	2019	2018	2017	2016	2015
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
INCOME						
Revenue from:						
Manufacturing	147,916,860	171,324,418	155,845,534	125,658,730	125,161,136	98,815,424
Toll						
Manufacturing	880,500	5,917,162	2,284,210	1,742,000	886,000	2,146,350
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EXPENDITURE						
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Surplus for the year	16,747,076	30,165,561	32,737,679	22,586,962	7,288,473	4,545,267

AUDITORS' REPORT TO THE MEMBERS



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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KARACHI TOOLS, DIES AND MOULDS CENTRE

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of KARACHI TOOLS, DIES AND MOULDS CENTRE ("the Company"), which comprise the statement of financial position as at June 30, 2020, and the related income and expenditure statement, statement of comprehensive income, the statement of changes in equity and 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, income and expenditure statement, 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 surplus and other comprehensive income, the changes in equity and 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 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.

Emphasis of Matter

We draw attention to the matter disclosed in note 13 to the financial statements, which states that a case has been filed against the Company to regularize its employees which is pending in the High Court of Sindh, the outcome of which could not presently be determined with certainty.

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

Management is responsible for the 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 we 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 a 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 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.

Boards of Directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



- 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 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.

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, income and expenditure statement, 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 Zulfikar Ali Causer.

KARACHI

DATED: 31 OCT 2020


BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

FINANCIAL STATEMENTS

KARACHI TOOLS, DIES AND MOULDS CENTRE
(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	273,853,597	273,797,734
Long term security deposits		1,379,729	1,529,729
		<u>275,233,326</u>	<u>275,327,463</u>
CURRENT ASSETS			
Stores, spares and loose tools	6	27,593,425	26,729,257
Stock-in-trade	7	32,917,464	38,829,783
Trade debts	8	56,043,327	55,223,711
Advances		2,072,426	1,417,606
Short term prepayments		766,102	601,944
Interest accrued		675,036	1,131,238
Tax refund due from Government	9	69,308,224	59,755,908
Cash and bank balances	10	119,576,563	110,610,794
		<u>308,952,567</u>	<u>294,300,240</u>
		<u>584,185,893</u>	<u>569,627,703</u>
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
50,000,000 (2019: 50,000,000) ordinary		500,000,000	500,000,000
shares of Rs. 10/-each		<u>494,250,000</u>	<u>494,250,000</u>
Issued, subscribed and paid-up share capital		63,786,220	47,039,144
Unappropriated profit		<u>558,036,220</u>	<u>541,289,144</u>
NON-CURRENT LIABILITIES			
Deferred grant	11	67,963	4,022,598
CURRENT LIABILITIES			
Trade and other payables	12	26,081,710	24,315,961
		<u>584,185,893</u>	<u>569,627,703</u>
TOTAL EQUITY AND LIABILITIES			
CONTINGENCIES AND COMMITMENTS			
	13		

The annexed notes from 1 to 28 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

KARACHI TOOLS, DIES AND MOULDS CENTRE
(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)
INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
INCOME			
Revenue from:			
Manufacturing	14	147,916,860	171,324,418
Toll Manufacturing	15	880,500	5,917,162
Heat treatment	16	2,758,139	4,212,550
Reverse engineering		641,000	2,276,900
Training		11,144,455	16,943,629
		<u>163,340,954</u>	<u>200,674,659</u>
EXPENDITURE			
Direct costs	18	132,354,652	149,144,770
Administrative expenses	19	30,338,661	30,292,355
		<u>162,693,313</u>	<u>179,437,125</u>
Surplus before other income		647,641	21,237,534
Other income	17	16,099,435	8,928,027
Surplus for the year		<u>16,747,076</u>	<u>30,165,561</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

KARACHI TOOLS, DIES AND MOULDS CENTRE
(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

	2020 Rupees	2019 Rupees
Surplus for the year	16,747,076	30,165,561
Other comprehensive income	-	-
Total comprehensive income for the year	<u>16,747,076</u>	<u>30,165,561</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

KARACHI TOOLS, DIES AND MOULDS CENTRE
(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	20	19,027,172	22,015,118
Income tax paid		(9,552,316)	(11,696,240)
Net cash generated from operating activities		9,474,856	10,318,878
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(13,565,430)	(12,173,983)
Long term deposits received / (paid)		150,000	(175,730)
Proceeds from sale of property, plant and equipment		785,776	-
Profit received on bank deposits and saving accounts		12,120,567	7,327,078
Net cash used in investing activities		(509,087)	(5,022,635)
CASH FLOWS FROM FINANCING ACTIVITIES			
Grant received		-	3,209,608
Net cash generated from financing activities		-	3,209,608
Net increase in cash and cash equivalents		8,965,769	8,505,851
Cash and cash equivalent at beginning of the year		110,610,794	102,104,943
Cash and cash equivalent at end of the year	10	119,576,563	110,610,794

The annexed notes from 1 to 28 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

KARACHI TOOLS, DIES AND MOULDS CENTRE
(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020

	Share capital	Unappropriated profit	Total
	Rupees		
Balance at July 01, 2018	494,250,000	16,873,583	511,123,583
Surplus for the year	-	30,165,561	30,165,561
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	30,165,561	30,165,561
Balance at June 30, 2019	494,250,000	47,039,144	541,289,144
Balance at July 01, 2019	494,250,000	47,039,144	541,289,144
Surplus for the period	-	16,747,076	16,747,076
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	16,747,076	16,747,076
Balance at June 30, 2020	494,250,000	63,786,220	558,036,220

The annexed notes from 1 to 28 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

**KARACHI TOOLS, DIES AND MOULDS CENTRE
(A COMPANY SETUP UNDER SECTION 42 OF THE COMPANIES ACT, 2017)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

1. LEGAL STATUS AND NATURE OF OPERATIONS

Karachi Tools, Dies and Moulds Centre (the Company) was incorporated in 2006 as a company limited by guarantee having share capital under section 42 of the Companies Ordinance, 1984 repealed by the Companies Act, 2017 under the license issued by the Securities and Exchange Commission of Pakistan. The primary objective of the Company is to establish and run an Information Technology (IT) based common facility centre, primarily for improving the skills of engineers and designers, enhancing the quality of designing, engineering and manufacturing of local tools, dies and moulds. The Company is a wholly owned subsidiary of Pakistan Industrial Development Corporation (Private) Limited (PIDC) – the holding company.

1.1 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office of the Company is situated at Sector Number 38, Deh Dih, NC Number 24, Korangi Creek Industrial Park, Karachi, Pakistan.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of :

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Accounting Standard for Not for Profit Organizations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards or the Accounting Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.”

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention and other financial instruments which are carried at amortized cost.

These financial statements have been prepared following accrual basis of accounting except for cash flow information.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

2.4 Critical accounting estimates and judgments

The preparation of financial statements is in conformity with accounting and reporting standards as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if revision affects the period of revision only and future periods if the revision affects both current and future periods.

Useful lives and depreciation rates of property, plant and equipment and intangibles

The areas where various assumptions and estimates are significant to the company's financial statement or where judgements were exercised in application of approved accounting standards as applicable in Pakistan are as follows-

- a) Residual values and useful lives of property, plant and equipment (note 4.1)
- b) Useful life of intangible assets (note 4.2)
- c) Impairment of assets (note 4.3)
- d) Provision against slow moving stores, spares and loose tools (note 4.4)
- e) Provision against slow moving stock (note 4.5)
- f) Provision against doubtful debts (note 4.7)

Other areas, if any, where estimates and judgments involved are disclosed in respective notes to the financial statements.

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED

3.1 Standards / amendments that are effective in current year and not relevant to the Company

The Company has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard which are not relevant to the Company:

	Effective date (annual periods beginning on or after)
IFRS 16 Leases - Original issue	January 1, 2019
IFRS 8 Operating Segments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 1, 2019
IFRS 9 Financial Instruments - amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 1, 2019
IFRS 14 Regulatory Deferral Accounts - Original issue	July 1, 2019
IFRIC Uncertainty over Income Tax Treatments	January 1, 2019

3.2 Standards / amendments not yet effective

The following amendments with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.	January 01, 2020
IFRS 3 Business Combinations - amendments to clarify the definition of a business	January 01, 2020
IFRS 3 Business Combinations - amendments updating a reference to the Conceptual Framework	January 1, 2022
IFRS 4 Insurance Contracts - Amendments regarding the expiry date of the deferral approach	January 1, 2023
IFRS 7 Financial Instruments: Disclosures - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020
IFRS 9 Financial Instruments - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020

		Effective date (annual periods beginning on or after)
IFRS 9	Financial Instruments - Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2023
IFRS 16	Leases - Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification	January 01, 2020
IFRS 17	Insurance Contracts - Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published	January 01, 2023
IAS 1	Presentation of Financial Statements - amendments regarding the definition of materiality	January 01, 2020
IAS 1	Presentation of Financial Statements - Amendments regarding the classification of liabilities	January 01, 2022
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of materiality	January 01, 2020
IAS 16	Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	January 01, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous	January 01, 2022
IAS 39	Financial Instruments: Recognition and Measurement - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020

The annual improvements to IFRSs that are effective from the dates mentioned below against respective standards:

Annual improvements to IFRSs (2018 – 2020) Cycle:

IFRS 1	First-time Adoption of International Financial Reporting Standards	January 1, 2022
IFRS 9	Financial Instruments	January 1, 2022
IFRS 41	Agriculture	January 1, 2020

3.3 Standards or interpretations not yet effective

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1 First Time Adoption of International Financial Reporting Standards
IFRS 17 Insurance Contracts

The Company expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Company's financial statements in the period of initial application.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Property, plant and equipment

4.1.1 Operating fixed assets

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost comprises acquisition and other directly attributable costs.

Depreciation on property, plant and equipment is charged to the income and expenditure statement applying the reducing balance method except for furniture and fittings, and computer and data processing equipment on which depreciation is charged applying straight line method. Full month's depreciation is charged in the month of addition while no depreciation is charged in the month of disposal.

The asset's residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each financial year end, if impact of depreciation is significant.

Maintenance and normal repairs are charged to income and expenditure statement as and when incurred, while major renewals and improvements are capitalized. Gain or loss on disposal of property, plant and equipment is included in the income and expenditure statement currently.

4.1.2 Capital work-in-progress

Capital work-in-progress are stated at cost less any identified impairment loss and consist of all expenditure incurred and advances made in the course of construction and installation. These are transferred to specific assets as and when these assets are available for use.

4.2 Intangibles

An intangible asset is recognized as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

These are stated at cost less accumulated amortization and impairment loss, if any.

Amortization is charged on intangibles using straight line method reflecting the pattern in which economic benefits are consumed by the Company. Full month's amortization is charged in the month of addition while no amortization is charged in the month of disposal.

The asset's residual values, useful lives and amortization methods are reviewed and adjusted, if appropriate, at each financial year end, if impact of amortization is significant.

4.3 Financial instruments

4.3.1 Financial assets

i. Classification and measurement of financial assets and financial liabilities

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets of the Company classified as measured at amortised cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in income and expenditure statement.

4.3.2 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

4.4 Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

4.5 Impairment of non-financial assets

The carrying amount of the Company's non-financial assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indications exist, the assets' recoverable amounts are estimated in order to determine the extent of impairment loss, if any.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that is largely independent from other assets and group. Impairment losses are recognized as expense in income and expenditure statement. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Impaired assets are reviewed for possible reversal of the impairment at each statement of financial position date. Reversal of the impairment losses are restricted to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment losses had been recognized. A reversal of impairment loss is recognized in the income and expenditure statement.

4.6 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liability simultaneously.

4.7 Stores , spares and loose tools.

These are valued at weighted average cost, except for items in transit, which are stated at invoice plus other charges incurred thereon upto the reporting date. Provision is made for slow moving items and obsolete items where considered necessary.

4.8 Stock in trade

These are valued at the lower of cost or net realizable value except for items in transit which are valued at invoice price and related expenses incurred upto the reporting date. Cost of inventory is determined as follows:

Raw material is valued at weighted average cost basis.

Finished goods and work-in-process consist of cost of direct materials and labour and a proportion of manufacturing overheads based on normal capacity.

Net realizable value (NRV) signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

4.9 Trade debts and other receivables

Trade debts and other receivables are recognized and carried at original invoiced amount which is the fair value of the consideration to be received in future for goods sold less provision for expected credit loss. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

4.10 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect current best estimate.

4.11 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, cash with banks on current, saving and deposit accounts, and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

4.12 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at cost using the effective interest method.

4.13 Taxation

The Company has been approved as a non-profit organization under section 2(36)(c) of the Income Tax Ordinance, 2001. The Company is allowed tax credit equal to 100% of the tax payable including minimum tax and final taxes, under section 100C of the income Tax Ordinance, 2001. The management intends to avail a tax credit equal to 100% of the tax payable. Accordingly, no tax charge has been recorded in the financial statements.

4.14 Revenue recognition

Sale of goods

Sale of goods is recognized when the Company has transferred control of the products to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Revenue from training services is recognized on monthly accrual basis.

Other income including profit on bank accounts and on term deposit receipts is recognized on accrual basis.

4.15 Deferred grant

Grants are recognised in income and expenditure statement on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate.

4.16 Foreign currency transactions and translations

Transactions in foreign currencies are translated in Pak Rupee (functional currency) at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated in Pak Rupees (reporting currency) at the rates of exchange ruling at the reporting date.

	Note	Rupees						
5. PROPERTY, PLANT AND EQUIPMENT	3.1	271,164,997	273,743,734					
Operating fixed assets		688,600	54,000					
Capital work in progress		271,853,597	273,797,734					
8.1 Operating fixed assets								
	Buildings*	Plant and machinery	Furniture and fittings	Vehicles	Office equipment	Computer and data processing equipment	Electronic and electrical equipment	Total
	Rupees							
Year ended June 30, 2020								
Opening net book amount	88,114,790	169,228,637	1,687,590	6,430,245	1,683,166	480,893	6,118,303	273,743,734
Additions	-	11,134,000	289,874	-	129,030	19,585	1,337,921	13,930,830
Disposals	-	-	105,634	1,395,841.00	287,315.00	-	171,243	1,980,033
Cost	-	-	(159,662)	(1,191,492)	(207,407)	-	(90,071)	(1,649,632)
Accumulated Depreciation	-	-	8,922	164,349	79,908	-	81,172	332,351
Depreciation charge	1,762,269	8,522,402	418,521	1,258,732	177,021	342,149	760,082	33,177,216
Closing net book amount	86,352,621	171,880,235	1,732,021	5,307,154	1,559,287	158,689	6,675,060	273,164,997
At June 30, 2020								
Cost	108,961,832	278,302,669	9,138,698	12,526,977	2,373,574	6,389,213	14,145,934	431,729,947
Accumulated depreciation	(22,609,361)	(106,323,414)	(7,186,877)	(7,198,813)	(814,287)	(6,070,524)	(7,470,874)	(138,564,930)
Net book amount	86,352,621	171,880,235	1,951,821	5,328,164	1,559,287	158,689	6,675,060	273,164,997
Year ended June 30, 2019								
Opening net book amount	89,313,022	170,891,847	1,643,330	4,539,765	1,188,090	876,023	5,007,147	274,945,374
Additions	-	7,000,000	448,182	2,967,500	840,452	141,485	976,354	12,173,983
Disposals	-	-	153,964	-	-	-	230,948	384,909
Cost	-	-	(153,964)	-	-	-	(87,470)	(251,434)
Accumulated Depreciation	-	-	-	-	-	-	134,475	134,475
Depreciation charge	1,798,233	8,663,290	403,982	1,067,020	143,376	526,615	622,638	13,242,148
Closing net book amount	88,114,790	169,228,637	1,687,590	6,430,245	1,683,166	480,893	6,118,303	273,743,734
At June 30, 2019								
Cost	108,961,832	267,239,669	9,014,438	13,832,818	2,531,830	6,169,218	12,979,256	420,779,130
Accumulated depreciation	(20,847,092)	(98,011,032)	(7,226,848)	(7,432,172)	(843,679)	(5,688,135)	(6,865,863)	(147,035,390)
Net book amount	88,114,790	169,228,637	1,787,590	6,400,646	1,688,151	480,893	6,113,393	273,743,734
* Building is constructed on land owned by the Pakistan Industrial Development Corporation (Private) Limited (PIDC) - the holding company.								
5.2 Depreciation for the year has been allocated as under:-	Note	Rupees						
		Rupees	Rupees					
Manufacturing cost	18.1	5,019,859	7,109,330					
Toll manufacturing cost	18.2	72,161	82,306					
Toll treatment cost	18.3	1,308,115	927,035					
Reverse engineering cost	18.4	405,089	425,588					
Training cost	18.5	2,096,991	783,464					
Other overhead	18.6	3,299,134	2,328,675					
Administrative expenses	19	1,835,861	1,683,389					
		13,177,216	13,545,147					

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	Note	2020 Rupees	2019 Rupees
6 STORES, SPARES AND LOOSE TOOLS			
Stores		5,739,835	5,550,790
Loose tools		21,853,590	21,178,467
		<u>27,593,425</u>	<u>26,729,257</u>
7 STOCK-IN-TRADE			
Raw material		9,480,547	12,445,599
Work in process		23,436,917	26,384,183
		<u>32,917,464</u>	<u>38,829,782</u>
8 TRADE DEBTS			
Unsecured			
Considered good		54,586,237	52,465,323
Considered doubtful		1,855,628	1,436,563
Fee receivable			
Considered good		1,457,090	2,758,388
Considered doubtful		2,344,083	889,546
		<u>60,243,038</u>	<u>57,549,820</u>
Allowance for expected credit loss	8.1	<u>(4,199,711)</u>	<u>(2,326,109)</u>
		<u>56,043,327</u>	<u>55,223,711</u>
8.1 Allowance for expected credit loss			
Balance at July 1		2,326,109	1,861,121
Add: Charge for the year		1,873,602	464,988
Balance at June 30		<u>4,199,711</u>	<u>2,326,109</u>
8.2 Aging of trade debts			
Not past due		54,239,833	51,652,500
Past due 31 -90 days		-	3,124,108
Past due 91 -180 days		560,401	5,864
Past due 181 -360 days		968,000	134,527
More than one year		4,474,804	2,632,821
		<u>60,243,038</u>	<u>57,549,820</u>
9 TAX REFUND DUE FROM GOVERNMENT			

These balances are based on returns of income filed with tax authorities except for tax year 2020 for which return of income will be filed on or before December 31, 2020. The Company has applied for the tax refunds in respect of years (2007 to 2019) prior to 2020.

	Note	2020 Rupees	2019 Rupees
10 CASH AND BANK BALANCES			
Cash at bank:			
Term deposit receipts	10.1	84,400,000	84,400,000
PLS saving accounts	10.2	35,025,563	26,059,794
Current account		1,000	1,000
		<u>119,426,563</u>	<u>110,460,794</u>
Cash in hand		150,000	150,000
		<u>119,576,563</u>	<u>110,610,794</u>
10.1	These carry profit at rates ranging from 7% to 12.90% (2019: 4.50% to 10.75%) per annum have maturity of not more than three months.		
10.2	These carry profit at rates ranging from 2.69% to 9.10% (2019: 2.40% to 6.72%) per annum.		
11 DEFERRED GRANT			
The amount represents the balance of income based grant received from GIZ against project agreement (Contract No. 81221050) entered between the Company and GIZ, a German based development aid organization for promoting workplace - based training in Sindh which is in line with the National Vocational Qualification Framework. Work on the project will complete subsequent to the reporting date.			
12 TRADE AND OTHER PAYABLES			
Creditors		7,604,044	7,119,763
Accrued liabilities		3,831,799	6,704,712
Advances from customers		7,771,983	3,659,087
Sales tax		6,604,155	6,568,322
Withholding tax		269,729	264,077
		<u>26,081,710</u>	<u>24,315,961</u>
13 CONTINGENCIES AND COMMITMENTS			
13.1 CONTINGENCIES			
(a)	In prior years, certain employees of the Company filed the Constitutional Petitions in the Honorable High Court of Sindh, vide C.P. No. D-8209 of 2018, C.P. No. D-9012 of 2018 and C.P. No. D-3553 of 2019 dated November 03, 2018, January 09, 2019 and May 31, 2019 respectively, against the Federation of Pakistan, Pakistan Industrial Development Corporation (PIDC) and the Company.		

Those employees have claimed that, considering their length of services, they should be regularized as currently they are on a contract basis. They have further stated that without regularization of their service they would be deprived of their legitimate rights of benefits of retirement such as gratuity or provident fund. Based on the actuarial valuation after taking impact of increment in salaries subsequent to the year end, the estimated exposure involved to the Company would be Rs. 34.80 million as at June 30, 2020.

However, after seeking opinion of the legal advisor, management is of the view that the said employees are not entitled for regularization and are only entitled for the benefits which have specifically been agreed upon through service agreements or appointment letter and not otherwise. Hence, no provision in this respect has been made in these financial statements.

- (b) During the year, the Company filed a Constitutional Petition in the Honorable High Court of Sindh Karachi vide C. P. No. D-4074 of 2019 against the demand created by the Cantonment Board Korangi Creek in respect of property house tax, conservancy tax and 5% surcharge, amounting Rs. 5,874,428.

However, after seeking legal advice, management believes that after 18th Amendment, the Federal Government or the Cantonment Board has no authority to collect such taxes in respect of properties. Accordingly, the matter is pending before the Honorable High Court of Sindh Karachi. Hence, no provision in this respect has been made in these financial statements.

13.2 COMMITMENTS

The Company does not have any commitment as at June 30, 2020 and June 30, 2019.

	2020 Rupees	2019 Rupees
14 REVENUE FROM MANUFACTURING		
Sales	173,062,726	200,449,569
Less : Sales tax	(25,145,866)	(29,125,151)
	<u>147,916,860</u>	<u>171,324,418</u>
15 REVENUE FROM TOLL MANUFACTURING		
Sales	1,030,185	6,923,080
Less : Sales tax	(149,685)	(1,005,918)
	<u>880,500</u>	<u>5,917,162</u>
16 REVENUE FROM HEAT TREATMENT		
Sales	3,227,023	4,928,684
Less : Sales tax	(468,884)	(716,134)
	<u>2,758,139</u>	<u>4,212,550</u>

	Note	2020 Rupees	2019 Rupees
17 OTHER INCOME			
Income from financial assets			
Profit on bank deposits		11,664,365	7,987,629
Income from non-financial assets			
Gain / (loss) on sale of property , plant and equipment		453,425	(133,475)
Others	17.1	3,981,645	1,073,873
		<u>16,099,435</u>	<u>8,928,027</u>
17.1 Others include welding services, transportation and penalties from students.			
18 DIRECT COSTS			
Manufacturing cost	18.1	67,674,683	82,414,564
Toll manufacturing cost	18.2	562,978	1,011,027
Heat treatment cost	18.3	5,556,589	3,828,014
Reverse engineering cost	18.4	4,586,717	4,622,312
Training cost	18.5	13,896,142	16,901,242
Other overheads	18.6	40,077,543	40,367,611
		<u>132,354,652</u>	<u>149,144,770</u>
18.1 Manufacturing cost			
Salaries and allowances		16,027,278	17,710,524
Raw material consumed	18.1.1	26,218,510	47,875,493
Depreciation	5.2	5,019,859	7,109,330
Utilities		3,038,778	3,730,311
Outsourced manufacturing		3,512,143	5,556,650
Tooling		3,883,592	4,508,693
Repairs and maintenance		3,742,554	3,501,044
Insurance		112,542	178,472
Heat treatment		3,172,162	5,230,302
Total manufacturing cost		64,727,418	95,400,819
Add : Opening stock - work-in-process		26,384,182	13,397,928
Less: Closing stock - work-in-process	7	(23,436,917)	(26,384,183)
Cost of goods manufactured		<u>67,674,683</u>	<u>82,414,564</u>
18.1.1 Raw material consumed			
Opening stock		12,445,599	12,981,821
Purchases during the year		23,253,458	47,339,271
		<u>35,699,057</u>	<u>60,321,092</u>
Less: closing stock	7	9,480,547	12,445,599
Raw materials consumed during the year		<u>26,218,510</u>	<u>47,875,493</u>

	Note	2020 Rupees	2019 Rupees
18.2 Toll manufacturing cost			
Salaries and allowances		194,943	174,771
Raw material		4,747	8,114
Depreciation	5.2	72,161	82,306
Utilities		48,791	59,547
Repairs and maintenance		122,096	88,228
Outsourced manufacturing		20,500	508,300
Insurance		1,957	2,510
Tooling		97,783	87,251
		<u>562,978</u>	<u>1,011,027</u>
18.3 Heat treatment cost			
Salaries and allowances		2,152,503	1,489,384
Depreciation	5.2	1,508,115	927,055
Stores and spares consumables		624,357	769,440
Repairs and maintenance		285,441	11,391
Utilities		534,309	276,880
Travelling and conveyance		1,300	31,925
Rental charges		122,566	73,229
Insurance		151,546	83,532
Vehicles running		34,258	28,977
Office expenses		122,115	116,563
Water tanker		16,424	13,503
Printing and stationery		21	1,665
Postage and courier		3,634	4,470
		<u>5,556,589</u>	<u>3,828,014</u>
18.4 Reverse engineering cost			
Amortization		-	11,198
Consumables		1,009	101,123
Depreciation	5.2	405,095	425,988
Insurance		77,793	71,021
Office expense		122,530	113,555
Postage and courier		3,634	3,970
Printing and stationery		4,455	24,324
Repairs and maintenance		232,007	474,919
Salaries and allowances		3,072,093	2,819,598
Travelling		185,420	94,494
Utilities		366,811	383,073
Vehicles running expense		99,446	85,546
Water tanker		16,424	13,503
		<u>4,586,717</u>	<u>4,622,312</u>

	Note	2020 Rupees	2019 Rupees
18.5 Training cost			
Salaries and allowances		8,020,381	7,331,436
Depreciation	5.2	1,036,991	785,404
Amortization		-	56,001
Material and tooling		248,690	809,876
Utilities		733,620	766,147
Repairs and maintenance		633,532	554,049
Vehicles running		254,290	273,597
Advertisement		326,615	480,233
Printing and stationery		154,796	84,144
Entertainment		93,231	382,126
Transport facility for students		487,960	1,357,703
Visiting faculty charges		283,750	1,265,400
Fees and subscription		241,870	753,831
Travelling		344,998	82,801
Insurance		258,972	230,978
Research & development		56,000	1,273,741
Postage and courier		22,201	25,621
Water tanker		32,842	27,007
Office expense		665,403	361,147
		<u>13,896,142</u>	<u>16,901,242</u>
18.6 Other overheads			
Salaries and allowances		24,262,737	22,231,404
Repairs and maintenance		3,645,290	7,291,324
Consultancy charges		195,383	-
Depreciation	5.2	3,299,134	2,228,675
Consumables		1,011,716	2,102,612
Utilities		2,217,964	1,189,487
Amortization		-	33,596
Travelling		1,173,014	1,028,002
Vehicles running		767,238	836,976
Office expenses		1,268,052	1,175,062
Insurance		1,560,540	1,348,699
Water tanker		131,378	108,026
Printing and stationery		69,097	56,573
Advertisement		290,294	211,948
Postage and courier		67,694	93,096
Entertainment		101,762	126,732
Other overheads		16,250	305,399
		<u>40,077,543</u>	<u>40,367,611</u>

	Note	2020 Rupees	2019 Rupees
19 ADMINISTRATIVE EXPENSES			
Salaries and allowances		14,973,782	13,623,459
Depreciation	5.2	1,835,861	1,683,389
Repairs and maintenance		1,330,314	2,040,471
Vehicles running expense		936,041	834,127
Utilities		1,231,808	1,257,244
Janitorial services		2,055,420	1,836,929
Security		1,317,844	1,014,113
Office expense		1,167,031	1,137,931
Fees and subscription		281,458	1,255,776
Legal and professional		505,200	1,851,600
Traveling and conveyance		1,067,886	1,491,478
Training Expense		-	22,000
Postage and courier		214,278	210,055
Printing and stationery		151,404	199,517
Insurance		638,811	583,130
Auditors' remuneration	19.1	335,864	491,424
Entertainment		134,634	152,355
Advertisement		154,160	76,694
Amortization		-	11,199
Books and periodicals		21,180	22,619
Bad debt		1,873,602	464,988
Others		112,083	31,857
		<u>30,338,661</u>	<u>30,292,355</u>
19.1 Auditors' remuneration			
Audit fee		239,000	228,000
Fee for review of compliance with the requirements of the Code of Corporate Governance		50,000	50,000
Out-of-pocket expenses		46,864	37,464
Audit fees for 2018		-	175,960
		<u>335,864</u>	<u>491,424</u>
20 CASH USED IN OPERATIONS			
Surplus for the year		16,747,076	30,165,561
Adjustments for:			
Depreciation on property, plant and equipment	5.1	13,177,216	13,242,148
Allowance for expected credit loss	8.1	1,873,602	464,988
Amortization		-	111,994
(Gain) / loss on sale of property, plant and equipment		(453,425)	133,475

	2020 Rupees	2019 Rupees
Grant income charged to income and expenditure statement	(3,954,635)	(5,707,186)
Profit on bank deposits	(11,664,365)	(7,987,629)
	(1,021,607)	257,790
	15,725,469	30,423,351
Changes in working capital		
Decrease / (increase) in current assets		
Stores, spares and loose tools	(864,168)	(1,804,776)
Stock in trade	5,912,319	(12,450,032)
Trade debts	(2,693,218)	3,665,478
Advances	(654,820)	135,830
Short term prepayments	(164,159)	(116,296)
	1,535,954	(10,569,796)
Increase in current liabilities		
Trade and other payables	1,765,749	2,161,563
Cash generated from operations	19,027,172	22,015,118

21 REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive	Executives	Chief Executive	Executives
	2020		2019	
Remuneration	2,904,000	1,982,792	2,590,667	1,804,400
House rent allowance	1,161,600	793,117	1,036,266	721,760
Utilities	290,400	198,279	259,067	180,440
	4,356,000	2,974,188	3,886,000	2,706,600
Number of persons	1	1	1	1

21.1 Chief Executive is provided with free use of the company's maintained car.

22 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

At amortised cost		
Security deposits	1,379,729	1,529,729
Trade debts	56,043,327	55,223,711
Interest accrued	675,036	1,131,238
Cash and bank balances	119,576,563	110,610,794
	177,674,655	168,495,472

Financial liabilities

At amortised cost		
Trade and other payable	19,207,826	17,483,562
	19,207,826	17,483,562

23 FINANCIAL RISK MANAGEMENT

The Company's financial assets comprises of cash and bank balances, short term investments, trade debts, security deposit and interest accrued. The Company's financial liabilities are trade and other payables.

The Board through its Finance Committee oversees risk management function of the Company. The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, currency risk and price risk).

23.1 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur financial loss. Total financial assets of Rs. 177,674,655 (2019: Rs.168,495,472) are subject to credit risk, The Company is exposed to credit risk mainly on short term investments, trade debts and bank balances.

The aging of trade debts at the reporting date was as follows:

	2020		2019	
	Gross	Impairment	Gross	Impairment
	(Rupees)			
Not past due	54,239,833	23,813	51,652,500	3,078
Past due 30-90 days	-	-	3,124,108	18,446
Past due 91-180 days	560,401	169,607	5,864	1,000
Past due 181-360 days	968,000	433,189	134,527	82,780
More than one year	4,474,804	3,573,102	2,595,218	2,220,804
	<u>60,243,038</u>	<u>4,199,711</u>	<u>57,512,217</u>	<u>2,326,108</u>

The Company limits its exposure to credit risk by deposits with banks and financial institutions having minimum 'A' rating. The credit quality of Company's bank balances and investments can be assessed with reference to external credit rating as follows:

Name of Bank	Rating	Short term	Long-term
National Bank of Pakistan	JCR-VIS	A-1+	AAA
Bank Alfalah Limited	JCR-VIS	A-1+	AA+
Meezan Bank Limited (Active)	JCR-VIS	A-1+	AA+
Summit Bank Limited	JCR-VIS	A-1	A-
Sindh Bank Limited	JCR-VIS	A-1+	AA
MCB Islamic Bank Limited	PACRA	A-1	A
Habib Metropolitan Bank Limited	PACRA	A-1+	AA+

23.2 Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management implies maintaining sufficient cash. The Company aims at maintaining flexibility in funding by keeping appropriate liquidity position available. The Company has adequate liquid reserves at present and as such there are no long term obligations.

2020					
Carrying values	Contractual cash flows	less than 3 months	3 months - 1 year	1-5 years	More than 5 years
Financial liabilities					
Statement of financial position					
Trade and other payables- non interest bearing	11,435,841	11,435,841	11,435,841	-	-
	11,435,841	11,435,841	11,435,841	-	-
2019					
Carrying values	Contractual cash flows	less than 3 months	3 months - 1 year	1-5 years	More than 5 years
Financial liabilities					
Statement of financial position					
Trade and other payables- non interest bearing	13,532,515	13,532,515	13,532,515	-	-
	13,532,515	13,532,515	13,532,515	-	-

- 23.3 Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity risk.

23.3.1 Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's term deposit receipts and PLS saving accounts Rs.119,576,563 (2019: Rs.110,459,794).

If interest rates would have been higher / lower by 50 basis points and all other variables remain constant, the Company's surplus for the year ended June 30, 2020 would increase / decrease by Rs. 1,149,427 (2019: Rs. 1,062,069).

23.3.2 Foreign exchange risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has no foreign currency financial instruments therefore is not exposed to the risk of changes in foreign exchange rates.

23.3.3 Equity Price Risk Management

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks. The Company is not exposed to equity price risks arising from equity investments, as the Company does not hold any equity security as at reporting date.

23.4 Determination of fair values

Fair value of financial instruments

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 Company classifies financial instruments measured at fair value using fair value hierarchy that reflects significance of the inputs used in measuring of the fair value of financial instruments. The three different levels have been defined as follows:

Level 1: quoted price (unadjusted) in active markets for identical assets or liabilities

Level 2 : inputs other than quoted price included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3 : input for the asset or liability that are not based on observable market data (unobservable inputs)

The carrying amounts of all financial assets and financial liabilities approximate their fair values.

23.5 Capital risk management

The management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The management closely monitors the return on capital along with the level of distributions to ordinary share holders.

The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Company is not required to maintain any regulatory capital.

24 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated undertakings, directors of the company and key management personnel. Amounts due from and to other related parties, directors and key management personnel are shown under respective notes of receivable. The Company carries out transactions with various related parties in the normal course of business. Remuneration of key management personnel is disclosed in note 21 to the financial statements. Other significant transactions with related parties are as follows: -

Name of related party and relationship with the Company	Nature of transaction	2020 Rupees	2019 Rupees
Directors fee	Fee paid for attending meetings of the Company	-	735,000

25 NUMBER OF EMPLOYEES

	2020		2019	
	At June 30	Average during	At June 30	Average during the
Head Office	24	23	21	20
Training	11	10	11	10
Factory	71	67	70	67
Total	106	100	102	97

26 IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS

In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. The rapid spread of the virus has caused governments around the world to implement stringent measures to help control its spread, including, without limitation, quarantines, "stay-at-home" or "shelter-in-place" orders, social distancing mandates, travel restrictions, and closures or reduced operations for businesses, governmental agencies, schools and other institutions. The industry, along with global economic conditions generally, has been significantly disrupted by the pandemic.

The COVID-19 pandemic and associated impacts on economic activity had certain effect on the operational and financial condition of the Company for the year ended June 30, 2020 due to overall slowdown in economic activity and continuity of business operations. However, to reduce the impact on the performance of the Company, government have introduced a host of measures on both the fiscal and economic fronts by issuing certain circulars and notifications from time to time.

Consequently, the Company's operational activities remained suspended for the limited period of time resulting in overall decrease of approximately 19% in the income of the Company. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company resumed its operation and has taken all the necessary steps to ensure smooth and adequate continuation of its operations.

27 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 31 OCT 2020 by the Board of Directors of the Company.

28 GENERAL

Figures in these financial statements have been rounded off to the nearest Rupee, unless otherwise stated.


CHIEF EXECUTIVE OFFICER


DIRECTOR

STATEMENT OF COMPLIANCE



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Pakistan

REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in Public Sector Companies (Corporate Governance) Rules 2013 (the Rules) for the year ended June 30, 2020 prepared by the Board of Directors of Karachi Tools, Dies and Moulds Centre to comply with the provisions of the Rules.

The responsibility for compliance with the Rules is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Rules and report if it does not and to highlight any non-compliance with the requirements of the Rules. 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 Rules.

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 Rules requires 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. 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. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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 best practices contained in the Rules 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 Codes as reflected in the paragraph 2 and 18 (a) where these are stated in the Statement of Compliance.

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BDO Ebrahim & Co. Chartered Accountants

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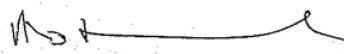


S.No.	Reference	Clause description
1.	Rule 3(2)	The Board does not have one third of its total members as independent directors due to casual vacancy which arose on the Board of Directors of the Company which was not filled up within 90 days from the date of vacancy occurred.
2.	Rule 6(1)	No meeting of the Board of Directors was conducted in first quarter.

Without modifying our conclusion, we draw attention to paragraph 1 of the Statement of Compliance which states that independent directors meet the criteria of independence as defined under the Rules. As per Rule 2(d), the Independent Director of the Company shall not be independent if he has served for more than two consecutive terms from the date of his first appointment. Independent directors have been considered independent in line with the clarification obtained from SECP along legal opinion sought in respect of this matter as per which term of independent director shall continue during the pleasure of nominating body and after expiry of two consecutive terms, independent directors nominated by Federal Government shall not be considered as independent.

KARACHI

DATED: 31 OCT 2020


CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer

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BDO Ebrahim & Co. Chartered Accountants

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**Statement of Compliance with the
Public Sector Companies (Corporate Governance) Rules, 2013**

Name of Company : Karachi Tools, Dies and Moulds Centre
Name of the line ministry: Ministry of Industries & Production
For the year ended : June 30, 2020

- I. This statement is being presented to comply with the Public sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance.

- II. The company has complied with the provisions of the Rules in the following manner:

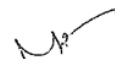
S. No.	Provision of the Rules	Rule No:	Y	N	N/A*																																															
1	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	✓																																																	
2	<p>The board has at least one-third of its total members as independent directors. At present the board includes:</p> <table><tr><th>S.</th><th>Name of Director</th><th>Date</th><th>of</th></tr><tr><td colspan="4">Independent Directors :</td></tr><tr><td>1.</td><td>Engr. M. A. Jabbar</td><td>August,7th 2014</td><td></td></tr><tr><td>2.</td><td>Syed Muhammad Irfan Aqueel</td><td>August,7th 2014</td><td></td></tr><tr><td colspan="4">Executive Director :</td></tr><tr><td>3.</td><td>Mr. Mansoor Ahmed</td><td>September 15, 2017</td><td></td></tr><tr><td colspan="4">Non-Executive Directors :</td></tr><tr><td>4.</td><td>Dr. Muzaffar Mehmood</td><td>August,7th 2014</td><td></td></tr><tr><td>5.</td><td>Syed Javaid Ashraf</td><td>August,7th 2014</td><td></td></tr><tr><td>6.</td><td>Chief Executive Officer, TUSDEC</td><td>June,1st 2017</td><td></td></tr><tr><td>7.</td><td>Chief Executive Officer, PIDC</td><td>August,8th 2016</td><td></td></tr><tr><td>8.</td><td>Joint Secretary PSD Ministry of Industries & Production</td><td>August,7th 2014</td><td></td></tr></table>	S.	Name of Director	Date	of	Independent Directors :				1.	Engr. M. A. Jabbar	August,7 th 2014		2.	Syed Muhammad Irfan Aqueel	August,7 th 2014		Executive Director :				3.	Mr. Mansoor Ahmed	September 15, 2017		Non-Executive Directors :				4.	Dr. Muzaffar Mehmood	August,7 th 2014		5.	Syed Javaid Ashraf	August,7 th 2014		6.	Chief Executive Officer, TUSDEC	June,1st 2017		7.	Chief Executive Officer, PIDC	August,8 th 2016		8.	Joint Secretary PSD Ministry of Industries & Production	August,7 th 2014		3(2)	✓	
S.	Name of Director	Date	of																																																	
Independent Directors :																																																				
1.	Engr. M. A. Jabbar	August,7 th 2014																																																		
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8.	Joint Secretary PSD Ministry of Industries & Production	August,7 th 2014																																																		

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S. No.	Provision of the Rules			Rule No:	Y	N	N/A*
	9.	Secretary, Ministry of Science & Technology or his nominee not below BS-20	August, 7 th 2014				
	10	Secretary, Finance Division or his nominee not below BS-20	August, 7 th 2014				
3	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.			3(4)	✓		
4	The appointing authorities have applied the fit and proper criteria given in the Annexure to the Rules in making nominations of the persons for election as board members under the provisions of the Act.			3(6)	✓		The appointment of the BOD was approved by the Prime Minister of Pakistan vide notification No. 2(4)/2014-A-V-KTDMC dated August 07, 2014.
5	The chairman of the board is working separately from the chief executive of the company.			4(1)	✓		
6	The chairman has been elected by the Board of the Directors, except where Chairman of the Board has been appointed by the Government.			4(4)	✓		
7	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission.			5(2)	✓		
8	(a) The company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place. (b) The Board has insured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company's website: http://ktdmc.com/ (c) The board has set in place adequate systems			5(4)	✓		

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S. No.	Provision of the Rules	Rule No:	Y	N	N/A*
	and controls for the identification and redressal of grievances arising from unethical practices.				
9	The board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	✓		
10	The board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b)(ii)	✓		
11	The board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5)(b)(vi)	✓		
12	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5)(c)(ii)	✓		
13	The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5)(c)(iii)	✓		
14	The board has developed a vision or mission statement and corporate strategy of the company.	5(6)	✓		
15	The Board has developed significant policies of the company. A complete record of particulars of significant policies along with the dates on which they are approved or amended, has been maintained	5(7)	✓		



S. No.	Provision of the Rules	Rule No:	Y	N	N/A*
16	The board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)			✓
17	The board has ensured compliance with policy directions requirements received from the Government.	5(11)	✓		
18	a) The board has met at least four times during the year.	6(1)		✓	Three Board of directors meeting held for the year ended June 30, 2020
	b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.	6(2)	✓		
	c) The minutes of the meetings were appropriately recorded and circulated.	6(3)	✓		
19	The Board monitored and assessed the performance of senior management on annual basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8(2)	✓		
20	The board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	✓		
21	a) The board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end.	10	✓		
	b) The board has placed the annual				

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S. No.	Provision of the Rules	Rule No:	Y	N	N/A*															
	financial statements on the company's website.																			
22	All the board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.	11	✓																	
23	<p>(a) The board has formed the requisite committees, as specified in the Rules.</p> <p>(b) The committees were provided with written terms of reference defining their duties, authority and composition.</p> <p>(c) The minute of the meetings of the committees were circulated to all the board members.</p> <p>(d) The committees were chaired by the following non-executive directors:</p> <table><tr><th>Committee</th><th>Number of members</th><th>Name of chair</th></tr><tr><td>Audit Committee</td><td>4</td><td>Mr.Syed Muhammad Irfan Aqueel</td></tr><tr><td>Human Resource</td><td>7</td><td>Engr. M. A. Jabbar</td></tr><tr><td>Procurement Committee</td><td>3</td><td>Dr. Muzzaffar Mahmood</td></tr><tr><td>Nomination Committee</td><td>2</td><td>Chief Executive Officer, PIDC</td></tr></table>	Committee	Number of members	Name of chair	Audit Committee	4	Mr.Syed Muhammad Irfan Aqueel	Human Resource	7	Engr. M. A. Jabbar	Procurement Committee	3	Dr. Muzzaffar Mahmood	Nomination Committee	2	Chief Executive Officer, PIDC	12	✓		Formation of Risk Management Committee is not applicable.
Committee	Number of members	Name of chair																		
Audit Committee	4	Mr.Syed Muhammad Irfan Aqueel																		
Human Resource	7	Engr. M. A. Jabbar																		
Procurement Committee	3	Dr. Muzzaffar Mahmood																		
Nomination Committee	2	Chief Executive Officer, PIDC																		
24	The board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called with their remuneration and terms and conditions of employment.	13	✓																	
25	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	✓																	

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S. No.	Provision of the Rules	Rule No:	Y	N	N/A*
26	The company has adopted International Financial Reporting Standards notified by the commission in terms of sub-section (1) of section 225 of the Act.	16	✓		
27	The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.	17	✓		
28	The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the company except those disclosed to the company.	18	✓		
29	a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration. b) The annual report of the company contains criteria and details of remuneration of each director.	19	✓		
30	The financial statements of the Company were duly endorsed by the chief executive and chief financial officer, before consideration and approval of the audit committee and the board.	20	✓		
31	The board has formed an audit committee, with defined and written terms of reference, and having the following members: The chief executive and chairman of the Board are not members of the audit committee	21(1) and 21(2)	✓		

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S. No.	Provision of the Rules			Rule No:	Y	N	N/A*
	Name of member	Category	Professional background				
	Syed Muhammad Irfan Aqueel	Independent	<ul style="list-style-type: none"> • Bachelor Degree in Chemical Engineering • Member, American Institute of Chemical Engineers. • Member, Pakistan Engineering Council. • Member, Institute of Engineers Pakistan 				
	Secretary, Ministry of Science & Technology or his nominee not below BS-20	Non-Executive	Ex-Officio, Ministry of Science & Technology				



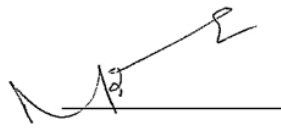
S. No.	Provision of the Rules			Rule No:	Y	N	N/A*
	Syed Javaid Ashraf	Non-Executive	<ul style="list-style-type: none"> • Member, Institute of Cast Metal Engineers (ICME) UK. • Member, Pakistan Institute of Engineers. • Member, Pakistan Institute of Metallurgical Engineers. • Post Graduate Foundry Practices Training Sandewell College of Engineering and Technology London, UK • Bachelors of Science (Engineering – Metallurgy) • Bachelors of Science (Physics and Chemistry) 				
	CEO - PIDC	Non-Executive	Ex-Officio, CEO, PIDC				
	The Chief Executive and Chairman of the Board are not members of the audit committee.						

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S. No.	Provision of the Rules	Rule No:	Y	N	N/A*
32	<p>a) The Chief Financial Officer, the Chief Internal Auditor, and a representative of the external auditors attended all the meetings of the audit committee at which issues relating to accounts and audit were discussed.</p> <p>b) The audit committee met the external auditors, at least once a year without the presence of Chief Financial Officer, Chief Internal Auditor and other executives.</p> <p>c) The audit committee met the Chief Internal Auditor and other members of the internal audit function, at least once a year, without the presence of Chief Financial Officer and external auditors.</p>	21(3)	✓		
33	<p>a) The board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee,</p> <p>b) The Chief Internal Auditor has requisite qualification and experience prescribed in the Rules.</p> <p>c) The internal audit reports have been provided to external auditors for their review.</p>	22	✓		
34	The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)	✓		

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S. No.	Provision of the Rules	Rule No:	Y	N	N/A*
35	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23(5)	✓		



C.E.O
Karachi Tools, Dies & Moulds Centre

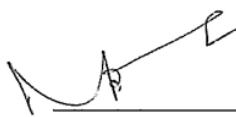


Chairman
Karachi Tools, Dies & Moulds Centre


**Explanation for Non-Compliance with the
Public Sector Companies (Corporate Governance) Rules, 2013**

We confirm that all other material requirements envisaged in the Rules have been complied with except for the following, toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

S. No.	Rule/sub-rule no.	Reasons for non-compliance	Future course of action
1	3(2)	Resignation of two independent directors from the board of KTDMC.	Nomination Committee has made recommendation which has been approved by the board, and sent to the Ministry of Industries & Production, their response and confirmation is still awaited. (Letter sent to the Ministry is attached for reference)
2	6(1)	Due to unavoidable reason, the meeting for the first quarter scheduled to held on September 30, 2019 was postponed and held on October 12, 2019.	The Company shall hold at least four meetings in each financial year.



C.E.O
KTDMC



Chairman
KTDMC