212-Cotton Exch. Building
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UAN: +92 21 111-000-100 Fax: +92 21 32416705

7-A/K, Main Boulevard, Gulberg-II,
Lahore (Pakistan)
UAN: +92 42 111-000-100 Fax: +92 42 3581753

Sapphire

Sapphire Textile Mills Limited

The General Manager,
Pakistan Stock Exchange Ltd.,
Stock Exchange Building,
Stock Exchange Road,
Karachi

Dated: 26th September, 2019

Sub: Financial Results for the Year Ended June 30, 2019

Dear Sir,

We have to inform you that the Board of Directors of our company in its Meeting held at 12:00 noon on Thursday 26th day of September 2019, at 7-A/K, Main Boulevard Gulberg II, Lahore, recommended the following:

CASH DIVIDEND
A final Cash dividend for the year ended 30th June, 2019 @ Rs. 26 /- per share i.e. 260%.

RIGHT SHARES
The Board has recommended to issue 8% Right Shares at a premium of Rs. 390 per share in proportion of 8 share(s) for every 100 share(s).

A- The standalone financial results of the Company are as follows:

	2019	2018
	Rupees	
Net Turnover	34,252,752,057	28,896,327,034
Cost of Sales	(28,847,019,067)	(25,360,086,618)
Gross Profit	**5,405,732,990**	**3,536,240,416**
Distribution cost	(1,084,077,934)	(1,011,944,024)
Administrative expenses	(428,051,718)	(413,537,884)
Other Operating expenses	(347,188,591)	(118,970,100)
Other income	1,485,021,046	1,348,444,070
	(374,297,197)	(196,007,938)
Profit from operations	5,031,435,793	3,340,232,478
Finance cost	(2,085,427,251)	(1,391,490,732)
Profit before taxation	**2,946,008,542**	**1,948,741,746**
Taxation	(386,568,597)	(353,682,726)
	(386,568,597)	(353,682,726)
Profit after taxation for the year	**2,559,439,945**	**1,595,059,020**
Earning per share- basic and diluted	**127.44**	**79.42**

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Sapphire Textile Mills Limited

B- The Consolidated financial results of the Company and its subsidiaries are as follows:

	2019	(Restated) 2018
	Rupees	
Net turnover	49,641,617,037	35,380,562,771
Cost of sales	(35,792,532,087)	(28,856,546,011)
Gross Profit	13,849,084,950	6,524,016,760
Distribution cost	(2,857,822,555)	(2,779,104,842)
Administrative expenses	(795,739,879)	(815,612,092)
Other operating expenses	(515,724,842)	(123,487,888)
Other income	585,048,426	586,376,355
	(3,584,238,850)	(3,131,828,467)
Profit from operations	10,264,846,100	3,392,188,293
Finance cost	(4,970,115,365)	(2,029,864,129)
Share of profit of Associated Companies	175,894,211	70,330,585
Profit before taxation	5,470,624,946	1,432,654,749
Taxation	(431,316,256)	(391,294,716)
Profit after taxation for the year	5,039,308,690	1,041,360,033
Attributable to:		
Equity holders of the parent	3,760,432,789	789,801,433
Non-Controlling Interest	1,278,875,901	251,558,600
	5,039,308,690	1,041,360,033
Earning Per Share - basic and diluted	187.24	39.33

The Annual General Meeting of the Company will be held at 3:45 p.m. on 25th October, 2019 at Trading Hall, Cotton Exchange Building I.I Chandigarh Road, Karachi.

The above entitlement will be paid to the shareholders, whose names appear in the Register of the Members on 18th October, 2019.

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The Share Transfer Books of the Company will be closed from 19th October, 2019 to 25th October, 2019 (both days inclusive). Transfer received at Hameed Majeed Associates (Private) Limited, 4th Floor Karachi Chambers, Hasrat Mohani Road, Karachi at the close of business on 18th October, 2019 will be treated in time for the purpose of above entitlement to the transferees.

The Annual Report of the Company will be transmitted through PUCARS at least 21 days before holding of Annual General Meeting.

Yours truly,
For Sapphire Textile Mills Limited

Zeeshan
Company Secretary

CC:
The Director/HOD
Surveillance, Supervision and Enforcement Department
The Securities and Exchange Commission of Pakistan
NIC Building 63- Jinnah Avenue, Blue Area
Islamabad.

Enclosed herewith the following information / documents:

i) Certified true copy of Board Resolution dated September 26, 2019 **(Annexure A)**
ii) A statement containing purpose of right issue, benefit to the company, use of funds and financial projections for five (5) years duly signed by Directors present at the meeting is attached herewith **(Annexure B)**
iii) Certificate of "Free Reserves" from auditors under regulation 3 (2) of Companies (further issue of shares) Regulations 2018 **(Annexure – C)**

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Annexure - A

Sapphire Textile Mills Limited

Extracts of Resolution Passed by the Board of Directors of M/s. Sapphire Textile Mills Ltd in their Meeting Held on 26th September, 2019 at 12.00 Noon at its office at 7-A/K, Main Boulevard Gulberg II, Lahore.

"**RESOLVED THAT** pursuant to the requirement of provision of section 83 of Companies Act. 2017 (the "Act"), the Company be and is hereby authorized to increase its paid-up capital from Rs. 200,831,400 to Rs.216,897,910 by issue of further 1,606,651 ordinary shares of Rs. 10/- each as Right shares to be offered to the existing shareholders of the Company at Rs. 400/- per share, including premium of Rs. 390/- per share in the proportion of 8 shares for every 100 shares held (@8%), which shall rank pari passu in all respect with the existing ordinary shares of the Company;

FURTHER RESOLVED that the size of Rights Issue, issue price, purpose of the Rights Issue, benefits to the Company, use of the proceeds of the Rights Issue, the risks factor associated with the Rights Issue, justification for issue of shares at premium and financial projections as mentioned in the statement therein, be and are hereby approved;

FURTHER RESOLVED that the Chief Executive Officer, Chief Financial Officer and/or the Company Secretary, be and are hereby authorized to appoint any consultants / advisor for right issue, announce book closure dates or any change therein, prepare Rights issue plan, make any amendments therein, and get formal approval of the same from the Pakistan Stock Exchange Limited ("PSX");

FURTHER RESOLVED that the Chief Executive Officer and any of the Director be and are hereby singly or jointly authorized to appoint the bankers to the Right issue in order to collect the Right subscription money against Right shares and to open an account in the name of "Sapphire Textile Mills Ltd - Rights Shares Subscription Account' with above bank so appointed and that the Chief Executive Mr. Nadeem Abdullah, Director Mr. Mohammad Abdullah and Director Mr. Nabeel Abdullah be and are hereby authorized to maintain and operate the bank accounts and give instructions for transfer of proceeds from right subscription to the Company's other bank accounts;

FURTHER RESOLVED that the Chief Executive Officer, Directors and / or the Company Secretary be and are hereby authorized singly / jointly to take all necessary actions as required by the Central Depository Company of Pakistan Limited (the "CDC") including but not limited to induction of the offer for Right shares and Right shares in Central Depository System of the CDC and in this connection to sign all requisite application forms, documents, undertakings and other papers on behalf of the company.

FURTHER RESOLVED that the Chief Executive Officer, Directors and/or the Company Secretary be and are hereby authorized to take any and all necessary steps for issuance of letters of offer under section 83 of the Companies Act, 2017 (the "Act") and related Circulars along with terms and conditions stipulated therein, obtain signatures under the Act and file the requisite returns / notices in the Company Registration Office, the Securities and Exchange Commission of Pakistan ("SECP") and the PSX as the case may be and to do all such actions as are required under law or otherwise deemed necessary for issuance of aforementioned right shares;

CERTIFIED TO BE TRUE COPY

Company Secretary

Annexure B

ISSUE OF RIGHT SHARES
STATEMENT OF PURPOSE, BENEFITS, USE OF FUNDS AND FINANCIAL PROJECTIONS

Quantum and Size of the Issue	The issue size is 8% (1,606,651 shares) of existing share capital (20,083,140 ordinary shares) i.e. 8 shares for every 100 shares held.
Issue Price	The Right shares will be offered at an issue price of Rs. 400 per share including premium of Rs. 390 per share.
Purpose of Right Issue	The purpose of the right issue at premium is to strengthen the working capital of the company, obtain reduction in debts and reduce the financial cost of the company.
Benefits to the Company	The funds received from the Right Issue will help Company: i. Improve the debt equity ratio ii. Improve Financial health iii. Improve liquidity iv. Growth in business
Use of funds	The funds generated from the right issue will be utilized for working capital requirements of the Company as the raw material and Financial cost have been increased.
Risk factors associated with the Right Issue; if any	Right issue of Company is being made at a price which is far less than current share price in the market and hence there is no major investment risk associated with the right issue. Normal risks associated with the business will remain, however, the Company is well placed in the market with proven track record which will help to mitigate such risk factors.
Justification for Issue of Shares at Premium	The current market price of shares of STML is above Rs. 1,200. The premium is charged to justify with the market price per share of shares. The break-up value per share for the year 2018 was Rs. 797.80 and for the year 2019 is Rs. 815.71, which is higher than the right issue price.
Financial Projections	

	2020 (Rs. in Million)	**2021 (Rs. in Million)**	**2022 (Rs. in Million)**	**2023 (Rs. in Million)**	**2024 (Rs. in Million)**
Turnover	35,966	37,764	39,652	41,635	43,716
Profit after Tax	2,170	2,338	2,515	2,703	2,901
EPS (Rs.)	100.04	107.78	115.97	124.62	133.75
Share Capital	216.898	216.898	216.898	216.898	216.898

Note:
The financial projections provided herein are based on the bonafide perception of the Directors regarding the performance of business in current business environment. The Company or its Directors do not accept any liability for any investment decisions by any person on the basis of above financial projections.

The Board hereby testifies that the requirements of Act and regulations have been considered by board and shall be duly complied by company.

Approved by Directors:

1. ______________________
(Mohammad Abdullah)

5. ______________________
(Shahid Abdullah)

2. ______________________
(Nadeem Abdullah)

6. ______________________
(Amer Abdullah)

3. ______________________
(Yousuf Abdullah)

7. Absent
(Nabeel Abdullah)

4. ______________________
(Shayan Abdullah)

8. ______________________
(Nadeem Karamat)

SAPPHIRE TEXTILE MILLS LIMITED

Annexure - C

EY
Building a better working world

EY Ford Rhodes
Chartered Accountants
96-B-I, 4th Floor, Pace Mall Building
M. M. Alam Road, Gulberg-II
P.O. Box 104, Lahore-54660

Tel: +9242 3577 8402-11
Fax: +9242 3577 8412-13
ey.lhr@pk.ey.com
ey.com/pk

LA/1163/19
26 September 2019

Company Secretary
Sapphire Textile Mills Limited
212, Cotton Exchange Building
I. I. Chundrigar Road
Karachi

Dear Sir

CERTIFICATE ON STATEMENT OF FREE RESERVES AS AT 30 JUNE 2019

We have been requested to provide you with a certificate on the "Free Reserves" (in terms of meaning given in the Companies (Further Issue of Shares) Regulations 2018) of the Company as at 30 June 2018 as required under Rule 3 (2) of the Regulations.

Scope of Certificate

This certificate is issued in accordance with the requirement of Rule 3(2) of the Companies (Further Issue of Shares) Regulations 2018.

Management Responsibility

It is the management's responsibility to ensure compliance with Rule 3(2) of the Companies (Further Issue of Shares) Regulations 2018. The responsibility for preparation and fair presentation of Statement of Free Reserves is primarily that of the management of the Company. The management's responsibilities include causing the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, safeguarding of the assets of the Company, compliance with laws and regulations and prevention and detection of frauds and irregularities. This certification does not relieve the management of its responsibilities.

Auditors' Responsibility

Our responsibility is to certify the amount of free reserves per share in accordance with the '*Guidelines for issue of Certificates for Special Purposes by Practicing Chartered Accountant Firms*' issued by the Institute of Chartered Accountants of Pakistan. Our verification was limited to tracing the amounts reported in the Statement of Free Reserves to the audited financial statements of the Company for the year ended 30 June 2019 and reporting whether Free Reserves are computed in accordance with the requirement of Rule 3(2) of the Companies (Further Issue of Shares) Regulations 2018.

Certificate

Based on the procedures mentioned above, we certify that the Company's Free Reserves per share amount to Rs. 643 in terms of meaning given in the Companies (Further Issue of Shares) regulations 2018.

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Restriction on use and distribution

This certificate is being issued in accordance with requirements of Rule 3(2) of the Companies (Further Issue of Shares) Regulations 2018 and on the specific request of the management of the Company and is not to be used for any other purpose. This certificate may be submitted to Securities and Exchange Commission of Pakistan and Pakistan Stock Exchange only. Accordingly, this should not be distributed to any other party without prior written consent from us. This certificate is restricted to the facts stated herein.

Yours faithfully

EY Ford Rhodes

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Sapphire Textile Mills Limited

Statement of Free Reserves

Based on Audited Financial Statements for the year ended 30 June 2019

	Rupees
Reserves	
Share premium	156,202,200
General Reserves	1,330,000,000
Fixed Assets Replacement	65,000,000
Unrealized loss on investments	(1,264,743,649)
Unappropriated Profit	15,894,790,391
	16,181,248,942
Less:	
Share premium	156,202,200
Fixed Assets Replacement	65,000,000
Intangible Assets	627,039
Proposed Cash Dividend	522,161,640
Contingent liabilities and commitments	2,522,206,450
	3,266,197,329
Free Reserves	**12,915,051,613**

Issued Share Capital as on 30 June 2019	200,831,400
Face Value of each share	10
Total Shares	20,083,140
Free Reserve Per Share	643

Chief Financial Officer

Director

Date: September 26, 2019

EY Ford Rhodes
Chartered Accountants
EY
LAHORE