

3.1 DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Owners of Summit Power Limited,

It is our pleasure and a privilege to present the Directors' Report along with the Auditor's Report and audited financial statements of Summit Power Limited (SPL) for the year ended 30th June 2021.

Quest for Admirable Leadership

As the industry pioneer, Summit considers good governance and leadership as a pivotal part of our corporate culture. Our efficiency, integrity and transparency translates to this profitable and responsible business. We have formalised governance through our adoption of policies and operating procedures. Though it is not mandatory by regulations, we have taken on Corporate Social Responsibility (CSR) activities with increased focus. We have accepted diversity of culture, gender and nationalities with open arms at all levels of management and leadership. We are also pleased to have distinguished professionals as our Independent Directors and respected Advisors.

SPL - The largest IPP in Bangladesh

Summit Power Limited (SPL) is the leading independent power producer (IPP) of Bangladesh and a publicly listed 'AAA' rated Company (trade code SUMITPOWER). SPL's associated companies within Summit Group have approximately 3 GW of electricity in operation or development within the Indian subcontinent, and operate a 500 mmcf Floating Storage and Regasification Unit (FSRU) and LNG terminal under Summit LNG Terminal Co. (Pvt.) Ltd. ("SLNG") in Moheshkhali, Cox's Bazar, Bangladesh. Summit Power Limited has been consistent in issuing dividends since its enlistment in both the Dhaka and Chittagong Stock Exchanges in 2005. Summit has received five consecutive best power plant awards from the government of Bangladesh since 2013.

Presently SPL has 976 MW installed capacity. Your Company, SPL along with its group Company is the largest

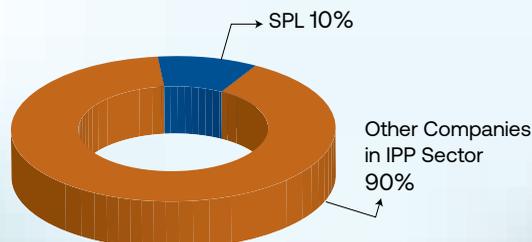
private sector power generation company in Bangladesh. In the Independent Power Producer (IPP) sector, SPL owns 10% market share equivalent to 976 MW through 15 power plants. The remaining 90% market share is owned by the 66 power plants of different companies. The sections on 'Performance Review of Our Plants by Various Segmentation' delves into the matter.

Industry Scenario and Future Outlook of Power Sector in Bangladesh

The World Bank Group has projected economic growth at 5.6% in 2021 according to its 'Global Economic Prospect, June 2021' and projects global growth to decline to 4.3% in 2022 and 3.1% in 2023. The world is experiencing the beginning of an energy crisis. Meanwhile, Bangladesh has achieved 6.1% growth rate for the FY 2020-21 and estimated 7.2% in the coming year.

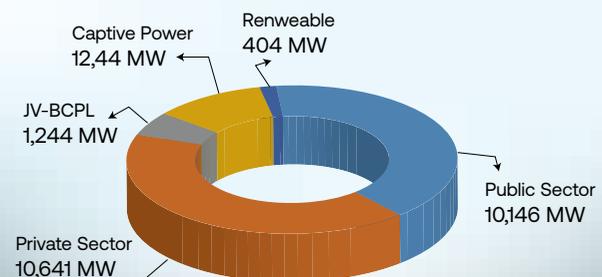
The drivers behind power demand in Bangladesh especially after the on-set of the pandemic are based on digitization of government services, proliferation of digital financial services, mechanizing agriculture, growth of the non-farm sector in rural areas and online education. Bangladesh has now highest per capita income in the Indian subcontinent and government is heavily investing on primary infrastructure development such as Padma Bridge, Dhaka Metro Rail, Terminal-3 of Hazrat Shahjalal International Airport, about one hundred economic zones, Matarbari-Moheshkhali Integrated Development Initiative (MIDI) in preparation for further industrialization. Also the demographic is transitioning into a changed lifestyle. Last year 1,687 MW capacity was added to the national grid, raising the total national generation capacity to about 25 GW.

Market Share in Private Sector



* Total Capacity in Private Sector 10,641 MW

Breakdown of the Capacity Generated by Public and Private Sectors in Bangladesh



Pie chart: Breakdown of the capacity generation by public sector, private sector, joint venture, captive power and renewable power.

The Ministry of Power, Energy and Mineral Resources has received BDT 27,484 crore allocation in the budget for the fiscal year 2021-22, which is BDT 726 crore more than the allocation in the past fiscal year. The government, keeping in mind the energy demand of 60 GW by 2041, has been working to implement adopted plans aimed at appropriate 'energy mix', distribution grids and transmission lines. This year, the government of Bangladesh approved the extension of the Quick Enhancement of Electricity and Energy Supply (Special Provision) Act 2010 for another five years till 2026 and retracted from all the coal-based power projects. For reducing the cost of generation and reduction of subsidies at various levels a new model "No electricity, No payment" has been implemented for extension of power plants after expiring of initial Power Purchase Agreement (PPA) term. Due to the strict measures taken by the government, the system loss in electricity has almost halved from 14.33% to 8.73%. SPL is an active member of Bangladesh Independent Power Producers' Association (BIPPA), the only recognized trade body with fifty-one member IPP enabling a single point of discussion with the government.

SPL has submitted a proposal to Bangladesh Power Development Board (BPDB) for a 200 MW solar power project to be developed in Chattogram. The proposal is under consideration and if approved, it would be Summit's first solar power project. The Company is also actively considering cross border import of electricity from clean sources.

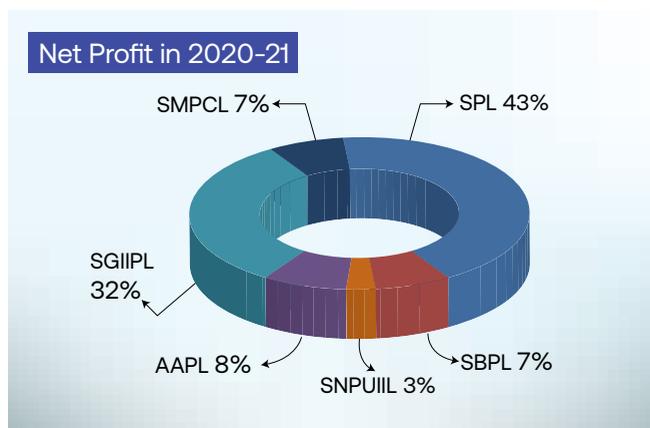
Highlights of Financial Performance

The consolidated revenue of SPL has increased by 65% over the last year due to higher power need during pandemic, while consolidated gross profit increased by BDT 98 million after meeting operating and fuel cost (HFO).

Particulars	For the year ended		Change	
	30 June 2021 (in million BDT)	30 June 2020 (in million BDT)	In Million BDT	In %
Revenue	39,661	24,031	15,630	65.04
Cost of sales	(30,087)	(14,555)	(15,532)	106.71
Gross profit	9,574	9,476	98	1.03
Other income, net	254	293	(39)	(13.31)
General and admin expenses	(478)	(507)	29	(5.72)
Operating profit	9,350	9,262	88	0.95
Finance costs, net	(1,424)	(1,032)	(392)	37.98
Share of profit of equity-accounted investee	563	328	235	71.65

Net profit before income tax	8,489	8,558	(69)	(0.81)
Income tax	(60)	(73)	13	(17.81)
Net profit after income tax	8,429	8,485	(56)	(0.66)

Table: A summary of the current and corresponding year's consolidated financial performance in million BDT.



Pie Chart: The contribution of SPL along with its subsidiaries and associate companies to its net profit after tax has been shown in the pie chart.

The brief of the financial statements and Directors' reports of all subsidiaries have been presented in the "Brief Disclosures of Subsidiaries" of the Annual Report.

The net profit attributable to the owners of the Company, however, has amounted to BDT 25,199 million over the last five years from where it has declared an accumulated cash dividend worth BDT 17,620 million up-to and for the year ended on 30th June 2021 i.e. 70% of the profit earned through operation has been declared as cash dividend. Additional operating and financial data, and analytical reviews have been presented in the "Financial Highlights 2020-21", "Business Review 2020-21" and "Financial Review 2020-21" sections of the Annual Report. Also, a discussion on Cost of Goods Sold, Gross Profit Margin and Net Profit Margin has been elaborated in the "Financial Review 2020-21" section.

SPL and its subsidiaries companies operate fifteen power plants of its own, another three plants with co-ownership (17.64%) of Khulna Power Company Limited (KPCL) and 30% of Summit Meghnaghat Power Company Limited (SMPCL). The Company has earned a dividend worth BDT 1,945.24 million from KPCL and also recorded profit sharing from SMPCL of BDT 3,731.55 million since their acquisition.

Foreign Investment

SPL and its subsidiaries are financed by renowned institutional investors and financiers such as Clifford Capital Pte. Ltd, Sumitomo Mitsui Banking Corporation (SMBC), Infrastructure Development Company Limited (IDCOL), Islamic Corporation for the Development of the Private Sector (ICD) and The OPEC Fund for International Development (OFID).

Declaration of Dividend and Profit Appropriation

Dividend

The Board of Directors of the Company recommended a cash dividend amounting to BDT 3,737,570,337 being 35% of the paid-up capital i.e. BDT 3.50 per share for the year ended 30th June 2021 at its board meeting held on 26th September 2021. The dividend is subject to approval of the shareholders in the Annual General Meeting (AGM) scheduled to be held on 5th December 2021.

During the FY 2020-21, the net profit attributable to owners of the Company amounted to BDT 5,605 million. Company's financial situation for the year ended 30th June 2021 for appropriation is as follows:

Particulars of Profit Appropriation	Amount in Million BDT	
Net profit for the year	5,605	
Profit brought forward	12,803	
Profit available for appropriation		18,408
Appropriations:		
Proposed final cash dividend	3,738	
Total appropriation for the year		(3,738)
Transferred to retained earnings		14,670

Unclaimed Dividend

According to BSEC Directive No BSEC/CMRRCD/2021-386/03 dated 14th January 2021, SPL has transferred BDT 1,58,13,458 to the Capital Market Stabilization Fund (CMSF) for and up-to the financial year ended on 30th June 2017 and the rest of the amounts payable to shareholders has been published through the 'Investor Relations' section of the Company website. A summary of the unclaimed dividend has also been presented in the Annual Report under section 'Other Disclosures'.

Our Concerns

High and complex Corporate Tax structure

The Company is hopeful that in the upcoming National

Budget, the government may consider a more investment-friendly and simpler corporate taxation policy that will ensure sustainability of the industry and its stakeholders.

Digitize Service from Regulators

Digitalized services necessary for smooth and speedy delivery for service support by concerned regulators will enhance further efficiency in the sector.

Corporate Governance

The Company has adopted the 'Code of Conduct and Ethics' and 'Corporate Governance Code (CGC)' in 2011 and Code of Conduct of Chairperson, Board of Director and Chief Executive Officer/Managing Director in 2021 as disclosed in the website. The formation of the Audit Committee, Nomination and Remuneration Committee (NRC) and other committees have been made available in the "Various Committees and their Major Activities" section of the Annual Report. The formation and activities of the Audit Committee, Nomination and Remuneration Committee are also disclosed in the "Report of Audit Committee 2020-21" and "Report of NRC 2020-21" sections of the Annual Report. The practice of good corporate governance of the Company has been presented in the "Statement of Corporate Governance" section of the Annual Report in detail.

Directors' Election & Re-Appointment

As per Article 23(a) of the Articles of Association, Mrs. Anjuman Aziz Khan, Ms. Ayesha Aziz Khan, Mr. Faisal Karim Khan and Ms. Azeeza Aziz Khan ACCA shall retire in the 24th Annual General Meeting (AGM) by rotation. Being eligible they offer themselves for re-election.

Your Board in its Board Meeting held on 28th January 2021 appointed Mr. Anisuddin Ahmed Khan as an Independent Director of the Board. He will also retire in the 24th Annual General Meeting and, being eligible, offer himself for re-election. During the financial year ended on 30 June 2021, the Board of Directors held six meetings. A summary of the Board attendance and their activities are disclosed in the "Statement of Corporate Governance" section of the Annual Report.

Directors' Remuneration and other benefits

Remuneration, performance and other related perquisites/benefits of Executive Directors are reviewed annually and approved by the Board after having recommendation of NRC as disclosed in Notes - 35.1 of the financial statements. Non-Executive Directors including Independent Directors are paid only attendance fee per meeting. The Board meeting attendance fees in-total for all directors have also been disclosed in the same note.

Human Resource Management

During COVID-19 pandemic, all benefits, wages and salaries were disbursed regularly. At head office employees worked from home while at plant level movement was restricted to a minimum. SPL signed an employee healthcare service agreement with Bangladesh Specialized Hospital (BSH). Anyone with symptoms has been granted paid leave and received health insurance benefits. The top management had formed a COVID Management Response Team (CMRT) with representatives of all the entities for efficient management of COVID patients of the Company.

From external sources, over 1,300 man hours of training were provided by leading organisations such as Napier Turbochargers, Bureau Veritas, ABB's Digital Solutions as well as Fire Service & Civil Defense. Internally nearly 3,500 man hours of refresher training were given on operational safety, best-practices in procurements and other related topics. Some other particulars relating to Human Resource Management has been elaborated under 'Human Resource Accounting 2020-21' and 'Various Systems, Policies, Manuals and Charters' sections of the Annual Report.

Corporate Social Responsibility (CSR) and Sustainability Reporting:

The three sections on the 'Corporate Social Responsibility (CSR)', 'Environment and Sustainability Report 2020-21', and 'Integrated Reporting' elaborates on these topics.

Corporate and Financial Reporting

As per the rule, your Company has followed the International Financial Reporting Standards (IFRS)/International Accounting Standards (IAS). This has been complied with, to fairly present the financial position and performance. While preparing the financial statements, the following points were considered:

- Selection of suitable accounting policies and then applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Ensuring that the financial statements have been prepared in accordance with IFRS/IAS;
- Preparing the financial statements on a going concern basis unless it is appropriate to presume that the Company will not continue in business.

Proper accounting records have been kept so that at any given point, the financial position of the Company can be reflected with reasonable accuracy, ensuring its financial statements comply with Companies Act 1994, Securities & Exchange Rules 1987 and other required regulatory authorities. In compliance with the requirements of the BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 and BSEC's Notification dated 20th

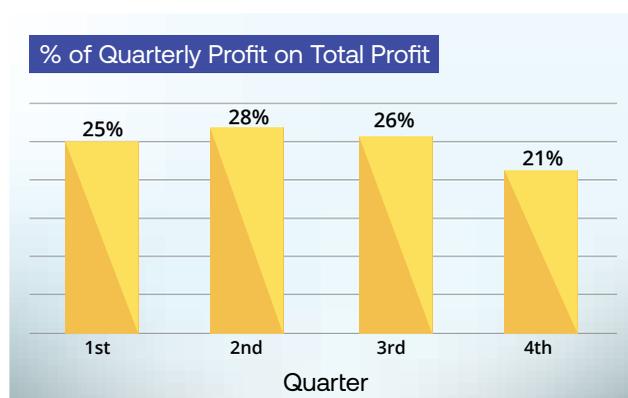
June 2018, the Directors are also pleased to make the following declarations in their report:

- Financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- Proper books of account of the Company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment;
- International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), have been followed in preparation of the financial statements and any departure therefrom has been adequately disclosed;
- The system of internal control is sound in design and has been effectively implemented and monitored as described in the 'Statement of Corporate Governance';
- Minority shareholders have been protected from abusive actions in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress;
- From inception, the financial performance of the Company has been continuing to grow as seen in the 'Financial Highlights 2020-21' section;
- Significant deviations from the last year's operating results of the Company has been highlighted and the reasons thereof have been well explained in the 'Financial Review 2020-21';
- Key operating and financial data of at least preceding 5 (five) years have been summarized;
- No bonus or stock dividend has been declared as interim dividend during the year;
- Significant plans and decisions, such as corporate restructuring, business expansion and discontinuation of operations as appropriate, future prospects, risks and uncertainties surrounding the Company has been outlined under the related titles of the Annual Report.
- A statement of 'Management Discussion and Analysis' has been presented in this Report;
- Directors' profiles have been included in the Annual Report as per BSEC Guidelines;
- 'Declaration by MD and Director Finance' to the Board has been disclosed in the Annual Report;
- The present shareholding structure of the Company is shown in the 'Pattern of Shareholding' section.

Other Disclosures

A. Significant Variance Between Quarterly and Annual Financial Statements

No significant variations have occurred between quarterly and final financial results of the Company during the year under report, except for the 4th quarter. In the 4th quarter, profit decreased due to expiry of the contractual term of Summit Narayanganj Power Plant Unit I with off-taker since 1st April 2021. However, an application for renewal of the contract is under active consideration of the government.



Quarter	Consolidated Net Profit in Million BDT
1st	2,110
2nd	2,365
3rd	2,177
4th	1,777
Total	8,429

Bar chart: Percentage of profit in each quarter.

B. Risk Assessment and System of Internal Control

The Board is committed and acknowledges its responsibility to oversee the system of risk management and internal controls within the Company including reviewing its adequacy, integrity and effectiveness in conjunction with the establishment of an appropriate control environment and framework to safeguard shareholders' investments and the Company's assets. The Company has exposures to credit, liquidity and market risks from its use of the financial instruments along with other operational risks. All of these risks and their mitigations are disclosed in the **Notes - 43** to the financial statements and in the 'Statement of Risk Management and Internal Control' section.

C. Related Party Transaction

The related party transactions were carried out by the Company on a commercial basis in the normal course of business including making advances to Summit Oil & Shipping Co. Ltd. (SOSCL) against supply of fuel (HFO) to power plants of SPL's subsidiaries during the year which have been disclosed in the **Notes - 48** to the financial statements. While detailed disclosures have been made in financial statements, the management is in the process of formalizing arrangements/approvals required from shareholders to comply with prevailing laws/regulations of the country in allowing loan/advance to related parties. The Board of Directors has taken a resolution on the related party transaction with SOSCL that is to be presented in the 24th AGM for shareholders' approval.

D. Extra-Ordinary Gain or Loss

As per IAS 1, no extra-ordinary gain or loss has been recognized in the financial statements.

E. Utilization of Proceeds from Public Issues, Rights Issues and/or Through any Other Instrument

Initial Public Offering (IPO) of SPL was made in 2005 and the fund raised thereby has already been utilized as reported to the regulators. Fund raised through issuance of Rights Shares in 2008 has also been utilized and reported accordingly to the regulators. No further issue of any instrument was made during the year.

F. Going Concern

While approving the financial statements, the Directors have made appropriate enquiries and analysed significant operating and indicative financials and non-financials which enabled them to understand the ability of the Company to continue its operations for a foreseeable future. The Directors are convinced and have a reasonable expectation that the Company has adequate resources and legal instruments to continue its operations without interruptions. Therefore, the Company adopted the going concern basis in preparing these financial statements. Operational status of all of the power plants, however, have been stated in the **Notes - 1.2 and 1.3** of the financial statement section of the Annual Report.

G. Management Declaration

Trade receivables with Bangladesh Rural Electrification Board (BREB)

Trade receivables amounting to BDT 6,314,245,819 as of 30th June 2021 pertaining to the three Expansion Power Plants have yet not been settled by BREB. In order to resolve the above matter, the Company

went for arbitration in Bangladesh Energy Regulatory Commission (BERC) and a verdict was given in favour of the Company. After this, BREB submitted a writ petition in the High Court Division of the Supreme Court of Bangladesh on 8th September 2016. On 17th August 2017 the Honourable High Court Division of Supreme Court of Bangladesh was pleased to pass a judgment discharging the rule issued in the writ petitions. BREB then submitted civil petitions to the Appellate Division of the Supreme Court of Bangladesh against the judgement of the High Court Division. The case is awaiting for hearing. The detailed disclosure in this regard has also been stated in the **Notes - 12.1** of the financial statements.

Trade receivables with Bangladesh Power Development Board (BPDB)

A writ petition was submitted to the honourable High Court Division of the Supreme Court of Bangladesh relating to non-deduction on excess fuel outage on account of Summit Narayanganj Power Plant Unit I. The honourable High Court Division has granted a stay-order in favour of non-deduction up to physical functioning of the court. However, The Company has made a provision for doubtful debt on said amount of BDT 164.67 million. The detailed disclosure in this regard has also been stated in **Notes - 12.2** of the audited financial statements.

Status of Compliance

In accordance with the requirement stipulated in condition no-7.00 of the Bangladesh Securities and Exchange Commission (BSEC) notification no-BSEC/CMRRCD/2006-158/207/Admin/80 dated 3rd June 2018 issued under section 2CC of the Ordinance 1969, the Corporate Governance Compliance Report is shown in the '**Status of Compliance with the Corporate Governance Code (CGC)**' section of the Annual Report. While preparing its financial statements, SPL complied all the applicable standards of IFRS/IAS as disclosed in the '**Compliance Report on IFRS/IAS**' section of the Annual Report.

Minority Interest

The Company thinks that good Corporate Governance encompasses open and credulous collaboration between all stakeholders involved in the Company, including the shareholders of the Company. The Board of Directors is committed to ensuring the highest standards of governance designed to protect the interests of all stakeholders, including the rights of its minority shareholders while promoting integrity, transparency and accountability. The Board of Directors shall always act in a manner that will be in the best interest of the Company.

Appointment of Compliance Audit

A Certificate from MAK & Co., Chartered Accountants, confirming compliance of conditions of Corporate Governance Code as stipulated under condition 7(i) is also available in the '**Certificate on Corporate Governance**' section.

Pursuant to code 9.2 of the Codes of Corporate Governance issued by BSEC, shareholders at the 23rd Annual General Meeting (AGM) had appointed MAK & Co., Chartered Accountants, as the Compliance Auditor of the Company for the year ended on 30 June 2021. The Compliance Auditor is eligible for re-appointment. As recommended by the Board of Directors, the matter of appointment of MAK & Co., Chartered Accountants, as Compliance Auditor of the Company for the year ending on 30 June 2022 would be placed before the shareholders at the 24th AGM of the Company for approval.

Statutory Auditor

Pursuant to BSEC Order No. BSEC/CMRRCD/2006-158/208/Admin 81/dated 20th June 2018, the present auditors A. Qasem & Co., Chartered Accountants, will retire after completing three consecutive years of service as Statutory Auditors of the Company. Hence, they will not be eligible for re-appointment in the ensuing 24th AGM. Your Board therefore, in its meeting held on 26th September 2021, resolved to recommend Rahman Rahman Huq, Chartered Accountants, for appointment as new Statutory Auditors of the Company for the year 2021-22 subject to approval of the Shareholders in the Annual General Meeting.

Contribution to The National Exchequer and The Economy

The total contribution to the national exchequer by summit power limited in this financial year was BDT 375,619,890. The breakdown is available in the '**Contribution to The National Exchequer and The Economy 2020-21**' section.

Our Gratitude

We would like to record our sincere thanks to all shareholders for their continued confidence in us, and our employees for a devoted contribution to Summit's success over the years. We gratefully recognise the lenders from home and abroad for the trust and honor vested in our company and express our special thanks for a sustainable better future.

Best regards to all the shareholders. May you all have a healthy, peaceful and progressive life.

On behalf of the Board,



Muhammed Aziz Khan

Founder Chairman

Dhaka, 26th September 2021