

3.1 DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Owners of Summit Power Limited,

It is our pleasure and 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 2022.

EXPLORING NEW HORIZONS

Energy, thus electricity has emerged as a major concern in today's world, owing to the Russia-Ukraine war and the global COVID-19 pandemic. Countries are forced to rethinking their strategy regarding energy consumption and its uninterrupted supply chain network. This realisation has ushered in the advent of energy as a 'geopolitical pivot' in both bilateral and multilateral realms. The energy crisis in different ways is leading the global and regional economies to newer forms of economic downturns.

As the war continues, people in Europe have witnessed 700% increase in their electricity bills forcing them to consider restarting its coal and nuclear power plants. Developed countries are providing hundreds of billions of Dollars as subsidy to its private sector energy and power companies to avoid a catastrophic breakdown of their electricity sector.

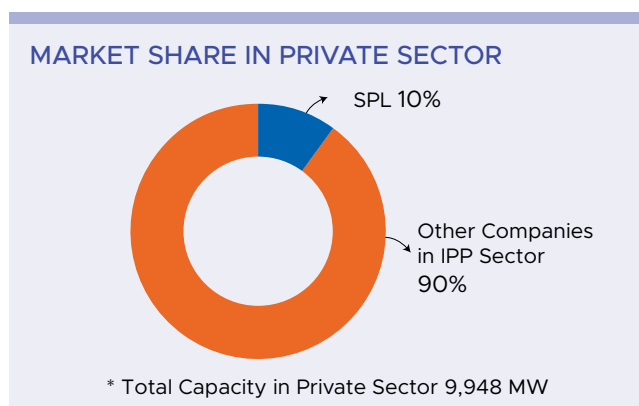
The Government of Bangladesh has prudently decided to take austerity measures to reduce the consumption of electricity during these turbulent times. We, at Summit, think about long-term sustainability, both in terms of Bangladesh and the world by exploring commercial viability of establishing renewable power plants. We are carefully assessing the techno-commercial viability of renewables in Bangladesh.

In April 2022, a MOU relating to a Carbon Neutral Roadmap was signed between Summit Power International and JERA Asia, in the presence of senior officials of the Government of Japan at the Asian Green Growth Partnership Ministerial (AGGPM) Meeting in Tokyo.

SUMMIT POWER - THE LARGEST IPP IN BANGLADESH

Summit Power Limited (SPL) along with its subsidiaries is the leading independent power producer (IPP) of Bangladesh and a publicly listed 'AAA' rated Company (DSE/CSE: SUMITPOWER). SPL's associated companies within Summit Group have approximately 3 GW of electricity in operation and under construction within the Indian subcontinent and operates a 500 mmcf Floating Storage and Regasification Unit (FSRU) 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, your Company, SPL, has an installed capacity of 976 MW. SPL, along with its associate companies is the largest private sector power generation company in Bangladesh. In the Independent Power Producer (IPP) sector, SPL serves 10% of the market through 15 power plants.

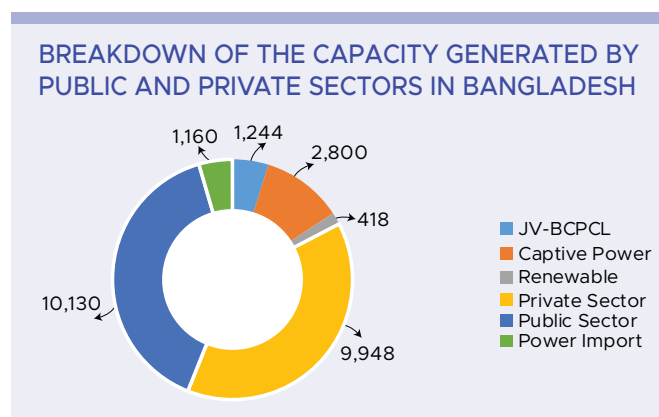
INDUSTRY SCENARIO AND FUTURE OUTLOOK OF POWER SECTOR IN BANGLADESH

Due to the global energy crisis, Bangladesh is experiencing rising prices of imported primary fuel. With extraordinarily high spot price of LNG, liquid fuel power plants are playing a critical role in Bangladesh, operating at high utilization as the cost to generate electricity from a liquid fuel plant is cheaper than the marginal cost of electricity generated from LNG.

The high price of HFO and the additional Customs Duty has burdened Bangladesh Power Development Board to make timely payment of invoices for generation of electricity. The Company is experiencing cashflow mismatch due to these delays and is also suffering losses while converting Taka to US Dollars for loan repayment and imports due to the mismatch between Bangladesh Bank and Commercial Bank rates.

Electrical generation capacity has increased from about 5 gigawatts in 2009 to around 25.7 gigawatts in 2022, and the government announced in March 2022 that 100% of the population had access to electricity. The fuel mix of Bangladesh's power plants is primarily based on natural gas and HFO. The Government of Bangladesh took the prudent decision to reduce dependence on depleting domestic natural gas reserves and commence the use of imported LNG. Until 2021 the Ministry of Power, Energy, and Mineral Resources was reportedly considering plans to shift Bangladesh's fuel mix towards coal – including by generating as much as 50% of total electricity using coal-based power plants by 2030. However, in a major development, the Government of Bangladesh scrapped

plans to build 10 coal-fired power plants in June 2021. In June 2022, Japan cancelled funding for the second phase of a coal-fired power plant in Matarbari. In addition, the government is framing a new Power System Master Plan (PSMP) where the use of coal will likely get a lesser priority because of environmental concerns.



Source: BPDB Website

Graph: The total installed capacity of the country is 25,700 MW, distributed in various sectors as shown in the graph above.

The Government of Bangladesh is considering measures to decrease reliance on imported energy. There are also opportunities for offshore gas exploration in the 26 offshore blocks in the Bay of Bengal, including 11 shallow and 15 deep sea blocks.

Summit being the pioneering power company in Bangladesh is also developing the following projects:

For cross-border transmission with India and Nepal, a MoU was signed between Summit Power International (SPI), the parent Company of SPL, and ReNew India in 2021 for developing hybrid renewable power in India and they also submitted a possible Hydro-Power Project as per invitations of Nepal's Ministry of Energy, Water Resources and Irrigation.

In Bangladesh, Summit has also submitted EOI to the Power Division & Energy Division to develop a 40-50 MW floating solar plant in the Barapukuria Coal Mine Lakes. A MoU was also signed between Summit Corporation Limited and COP Frontier this year to jointly conduct a pre-feasibility study to develop a near-shore or an offshore Wind Power Project with capacity 500 MW in the coastal area of Bangladesh. Friendship, an NGO in Bangladesh and Summit is jointly developing a solar village micro-grid project of 54KW in the hard-to-reach Kabilpur char in Uria union under Fulchari Upazilla of Gaibandha district under the CSR program.

Taking advantage of the group's reputation and its management expertise, an Investment Committee has been formed in this FY with Anisuddin Ahmed Khan (Independent Director) as the Chair while Faisal

Karim Khan, Director of Summit Group, SPL, Nicholas Padgalskas, CFO of Summit Power International, Director of SPL, Lt Gen Engr Abdul Wadud (Rtd), Managing Director of SPL, Engineer Mozammel Hossain, Managing Director of AAPL & SGIPL and Syed A K Rahat Jaman Sohel, Executive Director (Finance), SCL as the members of the committee. The objective is to assess new business opportunities and investment utilising the internal cash resources along with banking credit facilities, management expertise and goodwill for taking forward businesses of the Company to a greater height.

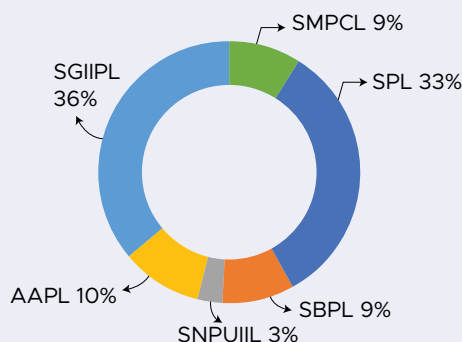
HIGHLIGHTS OF FINANCIAL PERFORMANCE

The consolidated revenue of SPL has increased by 34.1% over the last year due to higher fuel (HFO) component revenue, a fully pass-through item, while consolidated gross profit decreased by 12.5%. A consolidated net profit after income tax stood at BDT 6,730 million with a reduction of 20.2% from last year. Several reasons behind the reduction are: three power plants were in shutdown conditions during most of the financial year due to the completion of previous Power Purchase Agreements (PPAs) and major pre-scheduled maintenance works. Also, the tariff in new PPAs has decreased under the 'No Electricity, No Payment' model. In addition, current global scenarios have resulted in higher prices of fuel, lubricants, spare parts, delay in receiving payment and USD-BDT exchange rate. Especially for securing fuel supply, SPL requires a much larger working capital.

Particulars	For the year ended		Change	
	30 June 2022 (in million BDT)	30 June 2021 (in million BDT)	In million BDT	In %
Revenue	53,185	39,661	13,524	34.10
Cost of sales	(44,811)	(30,087)	(14,724)	48.94
Gross profit	8,374	9,574	(1,200)	(12.53)
Other income	28	254	(226)	(88.98)
General and administrative expenses	(674)	(478)	(196)	41.00
Operating profit	7,728	9,350	(1,622)	(17.35)
Finance costs, net	(1,547)	(1,424)	(123)	8.64
Share of profit of equity-accounted investee	634	563	71	12.61
Net profit before income tax	6,815	8,489	(1,674)	(19.72)
Income tax	(85)	(60)	(25)	41.67
Net profit after income tax	6,730	8,429	(1,699)	(20.16)

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

NET PROFIT IN 2021-22



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 29,328 million over the last six years from where it has declared an accumulated cash dividend worth BDT 19,756 million up-to and for the year ended on 30th June 2022 i.e. 67.4% 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", "Business Review" and "Financial Review" 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" section.

SPL and its subsidiaries operate fifteen power plants of its own, another two 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 4,365.3 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 2,135,754,478 being 20% of the paid-up capital i.e. BDT 2.00 per share for the year ended 30th June 2022 at its board meeting held on 14th September 2022. The dividend is subject to approval of the shareholders in the 25th Annual General Meeting (AGM) scheduled to be held on 31st October 2022.

During the FY 2021-22, the net profit attributable to owners of the Company amounted to BDT 4,129 million. Company's financial situation for the year ended 30th June 2022 for appropriation is as follows:

Particulars of Profit Appropriation	Amounts in Million BDT	
Net profit attributable to owners of Company for the year	4,129	
Profit brought forward	14,670	
Profit available for appropriation		18,799
Appropriations:		
Proposed final cash dividend	2,136	
Total appropriation for the year		(2,136)
Transferred to retained earnings		16,663

Unclaimed Dividend

According to BSEC Directive No BSEC/CMRRCD/2021-386/03 dated 14th January 2021, SPL has transferred BDT 23,382,925 to the Capital Market Stabilization Fund (CMSF) for and up-to the financial year ended on 30th June 2018 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

Payment for HFO in USD

For a substantial period of time the exchange rate between USD and BDT had remained within an expected range. The Russia-Ukraine war created a double jeopardy with unprecedented energy price hike and the exchange rate whooping out so-much-so that Bangladesh Bank had to roll out new policy to stabilise the market.

Formation of Energy Shock Package

The delay in payment from off-taker of IPPs means we all require a much larger working capital and increased financial cost. In Europe to combat the energy shock

they have created packages both for households and businesses. Similarly, Bangladesh may consider formation of such a fund.

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 Directors 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" and "Report of NRC" 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, Jafer Ummeed Khan, Syed Fazlul Haque FCA, Helal Uddin Ahmed and Md Arif Al Islam shall retire in the 25th Annual General Meeting (AGM) by rotation. Being eligible they offer themselves for re-election.

Your board in its meeting held on 27th April 2022 appointed CFO of Summit Power International Nicholas Padgalskas as a Director of the Board. He will also retire in the 25th Annual General Meeting and, being eligible, offer himself for re-election.

Junayed Ahmed Chowdhury, Independent Director, shall also retire in the 25th Annual General Meeting. He has completed his first term of three years tenure and will be eligible for continuing his service for another term of 3 years as per Clause no 1.2(e) of BSEC notification no BSEC/CMRRCD/2006-158/207/Admin/80. Hence, your Board in its Meeting held on 14th September 2022 re-appointed Junayed Ahmed Chowdhury as an Independent Director of the Board. He will also retire in the 25th Annual General Meeting and, being eligible, offer himself for re-election.

During the financial year ended on 30th June 2022, the Board of Directors held five 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 Note 34.1 to 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

SPL considers a strategic approach to the effective and efficient management of employees such that they help its business gain a competitive advantage. SPL exerts effort to maximize employee performance in service to achieve ultimate business objectives. At Summit, the employment is garnished with various benefits, i.e. annual leave allowance, bonus, insurance, provident fund, gratuity etc. A Remuneration Committee under the board awards yearly increments and other remuneration related matters.

SPL adopts a prudent recruitment policy to ensure quality human resources and invest in them to bring the best out of them. Some internship and factory visit opportunities are also offered by the Company. A detailed succession planning is considered every year to ensure a good working environment and enhancement of knowledge and skill of the employees. A yearly performance appraisal is carried out for rewarding or Training Needs Analysis (TNA). After various internal and external training, the employees are honoured with job enrichment as per revised job description. Being an international Company, SPL thrives to maintain a corporate culture, which facilitates employee rights, gender equality, safety, self-management, good-leadership, knowledge-based-work and diversity.

CORPORATE SOCIAL RESPONSIBILITY (CSR) AND SUSTAINABILITY REPORTING

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

CORPORATE AND FINANCIAL REPORTING

As per the rule, your Company has followed the International Financial Reporting Standards (IFRSs)/ International Accounting Standards (IASs). 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

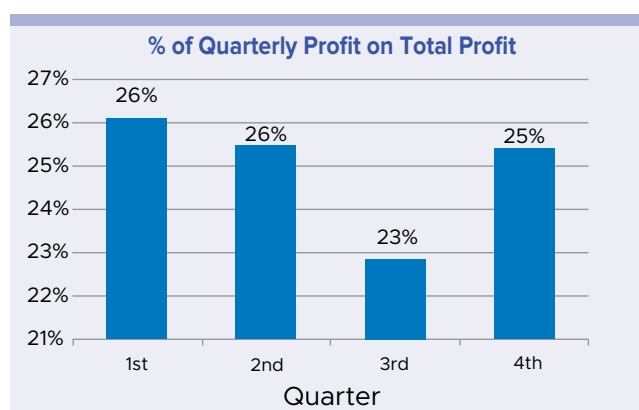
statements comply with Companies Act 1994, Securities & Exchange Rules 2020 and other required regulatory authorities. In compliance with the requirements of the BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 and BSEC's Notification dated 20th June 2018, the Directors are also 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 judgement;
- 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' 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';
- Key operating and financial data of at least preceding 5 (five) years have been summarised;
- 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 3rd quarter. In the 3rd quarter, profit decreased due to the shutdown of Madhabdi Power Plant (Unit II) and Chandina Power Plant (Unit II), because of expiry of the Power Purchase Agreements (PPA) with off-taker from 16th December 2021 and 15th November 2021 respectively and carrying out major maintenances in different plants. However, the said Power Plants have resumed its operations as disclosed in Note 1.4 to the financial statements.



Quarter	Consolidated Net Profit in Million BDT
1st	1,760
2nd	1,717
3rd	1,541
4th	1,712
Total	6,730

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 Note 40 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 Note 45 to the financial statements. While detailed disclosures have been made in financial statements, the management is in the process of formalising 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 25th AGM for shareholders' approval.

D. Extra-Ordinary Gain or Loss

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

E. Utilisation 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 utilised as reported to the regulators. Fund raised through issuance of Rights Shares in 2008 has also been utilised 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 to 1.4 to the financial statement section of the Annual Report.

G. Management Declaration

Trade Receivables with Bangladesh Rural Electrification Board (BREB)

The trade receivables amounting to BDT 6,829,985,331 as of 30th June 2022 pertaining to the three Expansion Power Plants have yet not been settled by BREB. In order to resolve the 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 judgement 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 was partly heard on 10 August 2022. The next date for hearing has been fixed on 25 October 2022. The detailed disclosure in this regard has also been stated in the Note 11.1 to the 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/CMRCD/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 has 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 24th Annual General Meeting (AGM) had appointed MAK & Co., Chartered Accountants, as the Compliance Auditor of the Company for the year ended on 30 June 2022. 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 30th June 2023 would be placed before the shareholders at the 25th 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, Rahman Rahman Huq, Chartered Accountants, has completed its first year of appointment for audit and therefore, they will be eligible for re-appointment in the ensuing 25th AGM. Your Board therefore, in its meeting held on 14th September 2022, resolved to recommend Rahman Rahman Huq, Chartered Accountants, for appointment as the Statutory Auditors of the Company for the year 2022-23 subject to approval of the shareholders in the forthcoming 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 462,856,993. The breakdown is available in the 'Contribution to The National Exchequer and The Economy' 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 SPL'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.



Muhammed Aziz Khan
Founder Chairman
Dhaka, 14th September 2022