

Directors' Report to the Shareholders

THE ENVIRONMENT WE OPERATE IN

Global Socio-economic Environment

The FY 2019 was generally a slightly subdued world economic year with a growth of 3.1%. The significant economic events in the year were United States-China trade issue, United Kingdom and the European Union – Brexit and free trade area encompassing Canada, Mexico & United States. This sluggish growth is likely to motivate resolution of trade policy differences, development of accommodative monetary and multidimensional fiscal policy. All these may eventually end up with a reduced geopolitical tension, contributing to relatively stabilized world economic growth, which is projected to be 3.5% for FY 2020.

Bangladesh Socio-economic Environment

Bangladesh has undergone major socio-economic development in last few years, especially in rapid expansion of information technology, construction and manufacturing sector. These transformations have boosted Bangladesh from a low-income country to a lower-middle income country. The country has achieved the fastest growth in the Asia-Pacific economics comprised of 45 countries with a growth rate of 7.9% in FY 2019. The drivers of this growth have been identified as higher public investment, stronger consumption demand, revival in export, improved power supply and higher growth in private sector credit. The prediction of the economic growth for FY 2020 is 8%, which is still higher than all other countries in the Asia-Pacific region.

THE SECTOR WE OPERATE IN

The power sector has experienced an outstanding progress in last few years. In last year, 2,849 MW capacity has been added to the national grid, raising the total generation capacity to 22,051 MW. The table below provides a breakdown of the capacity generated by public and private sectors.

Public Sector	Installed Generation			
	2018-19		2017-18	
	Capacity (MW)		Capacity (MW)	
BPDB	5,498	25%	5,266	27%
APSCL	1,444	7%	1,444	8%
EGCB	839	4%	839	4%
NWPGCL	1,395	6%	1,070	6%
RPCL	182	1%	77	0%
BPDB-RPCL JV	149	1%	149	1%
Subtotal	9,507	43%	8,845	46%
Private Sector				
IPPs	6,404	29%	4,802	25%
SIPPs (BPDB)	99	0%	99	1%
SIPPs (REB)	251	1%	251	1%
15 Yr. Rental	169	1%	169	1%

3/5 Yr. Rental	1,371	6%	1,576	8%
Power Import	1160	5%	660	3%
Subtotal	9,454	43%	7,557	39%
Captive Power	2,800	13%	2,800	15%
Renewable	280	1%	-	-
TOTAL	22,051	100%	19,202	100%

Figure: Installed Generation Capacity (MW) as on 30 June, 2019
(Source: www.bpdb.gov.bd)

About 90 percent of the population has now access to electricity. However, per capita energy consumption of 464 kWh is quite low compared to other Asia-Pacific countries. The Government's vision is to generate 2.4 GW by 2021, 4.00 GW by 2030 and 6.00 GW by 2041.

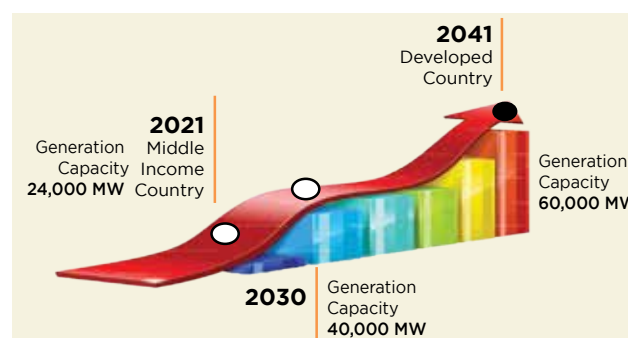
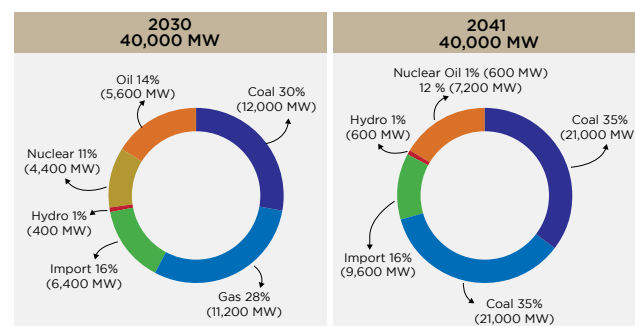


Figure: Page – 12, Energy & Power, September 1, 2019

To achieve this vision, generation from various energy sources has been planned as depicted below:

Figure: Page – 13, Energy & Power, September 1, 2019



Accordingly the Government has already undertaken nuclear project, which is likely to come into operation by 2023. A few large sized coal based power plants are also under implementation. Increase in the import of certain amount of electricity from abroad is in active consideration. For hydro based electricity, Memorandum of Understanding (MoU) has already been signed with Nepal. LNG based large scale power projects are also under implementation and is likely to increase in coming years.

The FY 2018-19 has been a good year for Summit Power Limited (SPL). We are grateful that the Honorable Prime Minister Sheikh Hasina inaugurated Summit Gazipur II Power Limited (300 MW) and later in another ceremony inaugurated Ace Alliance Power Limited (149 MW).

Due to outstanding performance, this year one of your subsidiary companies achieved Best Private Power Generation Company Award by the Government of Bangladesh. The Company also received Silver Award at Asian Power Awards 2018 for Fast-Track Power Plant of the year.

All of your power plants undergo rigorous process of continual improvement and implementation of global best practices for operation, maintenance and accountability. An Integrated Management System (IMS), consisting of three standards, i.e. - ISO 9001: 2015 - Quality Management System (QMS), ISO 14001: 2015 - Environmental Management System (EMS) and BS 18001: 2007 Occupational Health and Safety Assessment System (OHSAS) is in place to ensure the motto of continual improvement.

Now SPL operates fifteen power plants of its own and another three plants with co-ownership. SPL holds **17.64%** of ownership of Khulna Power Company Limited (KPCL) and **30%** of Summit Meghnaghat Power Company Limited.

Due to goodwill of the Company, your company along with its subsidiaries are being financed by renowned local and foreign banks and financial institutions. International Finance Corporation (IFC), The Islamic Corporation for the Development of the Private Sector (ICD), The OPEC Fund for International Development (OFID), Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG), Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO) and Infrastructure Development Company Limited (IDCOL) are few Investors and Financiers of our group companies. The Company has also entered into Interest Rate Swap (IRS) deals with Brac Bank Limited and Eastern Bank Limited to protect interest rate volatility for loan of USD 145.72 million. World industry giants like GE of USA, Mitsubishi and JERA of Japan are interested for partnership with Summit Group.



Most of your power plants are operated on Build, Own and Operate (BOO) basis for an initial agreement term of 15 years. The tenure of Power Purchase Agreement (PPA) has been extended for additional 5 years on expiry of initial contract period of Summit Narayanganj Power Plant. Renewal process of 03 initial 11 MW power plants is still ongoing. Meanwhile, BREB has requested to continue operation till the renewal process is completed.

BUSINESS ACTIVITIES INCLUDING ITS OPERATING PERFORMANCE

Your Company, SPL along with its group Company is the largest private sector power generation company in Bangladesh. In 2000, SPL started its operation with 33 MW power plants and now after 19 years the Company contributes 976 MW to the national grid.

In the last few years, the plants which started operation before Commercial Operation Date (COD) are Summit Narayanganj

Power Plant I & II, Summit Barisal Power Plant, Ace Alliance Power Limited and Summit Gazipur II Power Plant. All the plants are consistently serving the national grid days and nights. This year SPL added 3,251 million Kwh to the national grid compared to 2,759 million Kwh in last year.

Although the overall revenue of SPL standalone is slightly lower, however due to the addition of operation of two power plants (Summit Gazipur II Power Limited and Ace Alliance Power Limited) the consolidated revenue has increased by 65% with an increase of 72% in cost of sales. Finance costs (net) has also increased by 64% due to addition of loan for implementing of the above stated two power projects. Provision for income tax has been made for renewed power plants after expiry of 15 years operation. A summary of financial performance of the Company is presented below:

Particulars (consolidated)	For the year ended 30 June 2019 (In Million Taka)	For the year ended 30 June 2018 (In Million Taka)
Revenue	30,472	18,468
Cost of sales	(22,478)	(13,063)
Gross profit	7,994	5,405
Other income, net	236	340
General and admin. expenses	(568)	(461)
Operating profit	7,662	5,284
Finance costs, net	(702)	(428)
Share of profit of equity-accounted investee	402	451
Net profit before income tax	7,362	5,307
Income tax	(79)	(33)
Net profit after income tax	7,283	5,274

Additional operating and financial data and review have been presented in the Financial Highlights and Business Review sections of the Annual Report.

PROFIT APPROPRIATION

During the year 2018-19, the Company's net profit attributable to owners amounted to Tk. 5,105 million. Company's financial situation for the year ended 30 June 2019 for appropriation is as follows:

Particulars	Amount in Million Taka
Net profit for the year	5,105
Profit brought forward	9,649
Profit available for appropriation	14,754
Appropriations:	
Proposed cash dividend of 35%	(3,738)

Total appropriation for the year	(3,738)
Transferred to retained earnings	11,016

OTHER DISCLOSURES

Extra-ordinary gain or loss: As per IAS 1: No extra-ordinary gain or loss has been recognized in the financial statements.

Related Party Transaction: The related party transactions carried out by the Company on commercial basis during the year have been disclosed in the **Notes - 43** to the financial statements.

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.

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 first quarter when operation from two new power plants started with minimum operating costs.

Dividend: The Board recommends 35% cash dividend for the year ended on 30 June 2019. The cash dividend of 35% implies Tk. 3.50/- for each share held on the record date, subject to approval by the shareholders at the 22nd Annual General Meeting.

Interim Dividend: There was no declaration of Bonus Share/ Stock Dividend/ Cash Dividend for the year as interim Dividend.

RISK LANDSCAPE AND REMEDIAL MEASURES

Financial Risk Management

The Group has exposures to the following risks from its use of financial instruments:

- i) Credit risk
- ii) Liquidity risk
- iii) Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's/Group's risk management framework. The Board oversees how management monitors compliance with risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to risks faced by the Company/Group. The Board is assisted in its oversight role by Audit Committee. Internal Audit, under the purview of Audit Committee, undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

i) Credit risk

Credit risk is the risk of financial loss to the Company/ Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company/Group's receivable from customers and investment securities. The Group's sales are made to Government entity, viz. Bangladesh

Rural Electrification Board (BREB) and Bangladesh Power Development Board (BPDB) under the conditions of the fixed term Power Purchase Agreement (PPA).

ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Typically, the Group ensures that it has sufficient cash and cash equivalent to meet expected operational expenses, including the servicing of financial obligation through preparation of the cash forecast, prepared based on time line of payment of the financial obligation and accordingly arrange for sufficient liquidity/fund to make the expected payment within due date. Moreover, the Group seeks to maintain short term lines of credit with scheduled commercial banks to ensure payment of obligations in the event that there is insufficient cash to make the required payment. The requirement is determined in advance through cash flow projections and credit lines facilities with banks are negotiated accordingly.

It may be noted that the Group repaid its liabilities in financial year 2019 on due dates. Rest of the financial liabilities are expected to be repaid in due time which are expected to be financed from operational cash flow.

iii) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

a) Currency risk

The Group, except AAPL and SGIPL, is exposed to currency risk on purchases of spare parts and capital machinery that are denominated in a currency other than the functional currency, primarily the USD and EURO. For AAPL and SGIPL, foreign currency transactions are denominated mainly in Bangladesh Taka (BDT) and EURO. The Company/Group has not entered into any type of derivatives instrument in order to hedge foreign currency risk as at 30 June 2019.

b) Interest rate risk

Interest rate risk is the risk that arises due to changes in interest rates on borrowings. Local loans are not significantly affected by fluctuations in interest rates, as they are secured in fixed rates. Foreign loans and borrowings are affected by fluctuations in floating interest rates. The Group has entered into of derivative instruments in order to hedge interest rate risk as at the reporting date.

The further details of financial risk management has been covered at section 38(B) of Audited Financials.

Capital Risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

Business Risk Management

It has been observed, especially in FY 2018-19 that Bangladesh has sufficient supply of electricity compared to the demand and distribution capability, particularly in lean/ winter season. Hence, the Government might be less willing to extend Power Purchase Agreements (PPA) on expiry of agreement period. One of the PPAs of HFO based power plants, which will be expiring in 2021 may be under the risk of non-extension for further period. PPAs may be extended at reduced tariff under "No electricity, No payment" model, which should enable the Company to keep on operating as the plants will be less expensive for the boards and thus the risk might be mitigated.

DIRECTORS' ELECTION & RE-APPOINTMENT

As per Article 23(a) of the Articles of Association, Mrs. Anjuman Aziz Khan, Ms. Azeeza Aziz Khan, Mr. Helal Uddin Ahmed, Mr. Md. Arif Al Islam shall retire in the 22nd Annual General Meeting by rotation and being eligible, offer themselves for re-election.

Your Board in its Board Meeting held on 22 April 2019 appointed Mr. Junayed Ahmed Chowdhury as an Independent Director of the Board. His short bio-data has been presented in the "Profile of Our Directors" section. He will also retire in the 22nd Annual General Meeting and being eligible, offer himself for re-election.

DIRECTORS' MEETING & ATTENDANCE

During the Twelve months ended 30 June 2019, the Board of Directors held 4 (four) meetings. Directors who attended the Board meetings during their respective tenure are shown below:

Sl.#	Name of Directors	Attendance
1	Mr. Muhammed Aziz Khan	2
2	Mr. Md. Latif Khan	4
3	Mrs. Anjuman Aziz Khan	1
4	Mr. Md. Farid Khan	4
5	Ms. Ayesha Aziz Khan	1
6	Mr. Jafer Ummeed Khan	4
7	Mr. Faisal Karim Khan	4
8	Lt. Gen. (Retd.) Engr. Abdul Wadud	4
9	Mr. Syed Fazlul Haque FCA	4
10	Mr. Helal Uddin Ahmed	4
11	Ms. Azeeza Aziz Khan	3
12	Mr. Mustafizur Rahman Khan	4
13	Mr. Faruq Ahmad Siddiqi	4
14	Mr. Md. Arif Al Islam	3

The Directors, who could not attend the meetings, were granted leave of absence.

DIRECTORS' RESPONSIBILITIES /REPORTING FRAMEWORK

The law requires that the financial statements of your Company would follow International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by ICAB. This has been completely followed to fairly present the financial position and performance of the Company. While preparing the financial statements, the following points were considered:

- I. Selection of suitable accounting policies and then applying them consistently,
- II. Making judgments and estimates that are reasonable and prudent,
- III. Ensuring that the financial statements have been prepared in accordance with IFRS and IAS,
- IV. Preparing the financial statements in an ongoing 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 is reflected with reasonable accuracy, which will enable them to ensure that its financial statements comply with Companies Act 1994 and other required regulatory authorities.

In compliance with the requirements of the BSEC's Notification dated 03rd June 2018 "Corporate Governance Code (CGC)", the Directors are also pleased to make the following declarations in their report:

- a. The financial statement prepared by the management of your Company fairly presents its state of affairs, the result of its operations, cash flows and changes in equity;
- b. Proper books of accounts of your Company have been maintained;
- c. 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;
- d. International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements and any discrepancies have been adequately disclosed;
- e. The system of internal control is well structured and has been effectively implemented and monitored;
- f. There are no significant doubts upon your Company's ability to continue as an ongoing concern basis;
- g. Significant deviations from last year in operating results of the Company are highlighted and the reasons have been explained in financial results & profit appropriation;
- h. Key operating and financial data has been summarized for the preceding five years;
- i. 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 captions of this report;

- j. The number of Board meetings held during the year and attendance of each director has been disclosed;
- k. The pattern of shareholding has been reported in the sub section- **Pattern of Shareholding** of chapter 2 to disclose the aggregate number of shares.

REMUNERATION OF DIRECTORS

Remuneration, performance and other related perquisites/benefits of Executive Directors are reviewed annually and approved by the Chairman as disclosed in **Notes - 43 (b)** of the financial statements. Non-Executive Directors including Independent Directors are paid only attendance fee per meeting.

AUDIT COMMITTEE

The Company has an audit committee with an established charter. The audit committee has met 04 (four) times within this twelve months period and the committee members' attendance (as per their tenure) record is disclosed below:

Name	Status	Attended
Mr. Faruq Ahmad Siddiqi	Chair	4
Lt. Gen. (Retd.) Engr. Abdul Wadud	Member	4
Mr. Faisal Karim Khan	Member	2
Ms. Azeeza Aziz Khan	Member	3
Mr. Syed Fazlul Haque FCA	Member	4
Mr. Mustafizur Rahman Khan	Member	4

AUDITORS

Pursuant to SEC Order No. SEC/CMRRC/2009-193/104/Admin dated 27th July 2011 present auditor A. Qasem & Co. Chartered Accountants has completed its first year of appointment and audit and therefore, they will be eligible for re-appointment in the ensuing 22nd AGM. Your Board therefore, in its meeting held on 22 September 2019, resolved to recommend A. Qasem & Co. Chartered Accountants for appointment as Statutory Auditors of the Company for the year 2019-20 subject to approval of the Shareholders in the forthcoming Annual General Meeting.

CORPORATE GOVERNANCE

Corporate Governance is the system through which companies are directed, guided and controlled by the Board, while keeping in view its accountability to the shareholders. Your Company strives to maintain full compliance with the laws, rules and regulations that govern our business and to uphold the highest standards. The company has adopted **"Code of Conduct & Ethics"** and **"Code of Corporate Governance"** in 2011. Since corporate governance is not a static process, we shall always continue to improve our practices. The formation of an Audit Committee, Executive Committee, Technical Committee, Purchase Committee, Operation & Maintenance Committee and Remuneration Committee, which may be seen in the sub section- **Various Committees** of the Annual Report, are steps in this process.

GOING CONCERN / SUSTAINABILITY

While approving the financial statements, the Directors have made appropriate enquiries and analyzed significant operating and indicative financials which enabled them to understand the ability of the Company to continue its operations for a

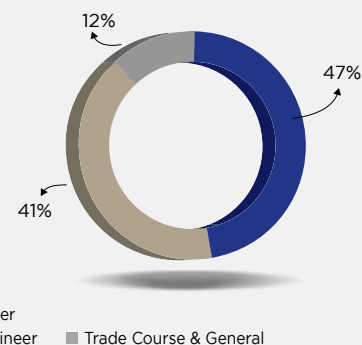
foreseeable future. The Directors are convinced and have a reasonable expectation that the company has adequate resources and legal instruments to continue its operations without interruptions. Therefore, the Company adopted the going concern basis in preparing these financial statements.

HUMAN RESOURCES MANAGEMENT

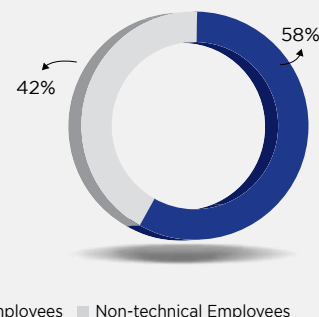
One of the most important resources and key to a successful company is its people. Summit places great emphasis on the development of its employees and therefore the Company undertakes appropriate training and workshops to develop and equip the employees with essential skills, and update their knowledge in respective functional areas. SPL has implemented Training Needs Analysis (TNA) as part of its training system. The aspects of TNA includes determining what is required, to complete the work against existing competency level of employees and mitigating the gap (if any).

We have an enriched Employment Policy/Employee Hand Book with proper job descriptions and responsibilities. A detailed succession planning is considered every year to ensure good working environment and enhancement of knowledge of the employees. A yearly performance appraisal is carried out to reward and encourage diligent employees and assess their training requirements. The Remuneration Committee also awards yearly increments and other remuneration related matters.

TECHNICAL EMPLOYEES BY CATEGORY



EMPLOYEES BY CATEGORY





Since 2017, Summit Power Limited organised the Annual Recruitment Program. This year around 1,500 B.Sc. and Diploma Engineers from the Department of Electrical and Electronics Engineering and Mechanical Engineering appeared for the written test. The test was held at the Government Science School and College at Farmgate, Dhaka.

STATUS OF COMPLIANCE

In accordance with the requirement stipulated in condition no-7.00 of the BSEC notification no-BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 issued under section 2CC of the Ordinance 1969, the Corporate Governance Code Compliance Report is shown in the sub section-'**Certificate on Corporate Governance' of chapter 3**. A Certificate from MAK & Co. Chartered Accountants confirming compliance of conditions of Corporate Governance Code as stipulated under condition 7(i) is also annexed to this report as in the sub section-'**Status of Compliance with the Corporate Governance Code (CGC) of chapter 3**.

As the sole authority for adoption of relevant framework and standards for financial reporting in Bangladesh, The Institute of Chartered Accountants of Bangladesh (ICAB) has adopted International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board in its original version. While preparing its financial statements, SPL complies all the applicable standards of IFRS in the sub section-'**Compliance Report on IFRS' of chapter 3** as adopted by ICAB.

CONTRIBUTION TO THE NATIONAL EXCHEQUER & THE ECONOMY

Electricity is one of the main driving forces of the economy, which has diversified use and multiplier effect on the economy. This year your Company has added 3,251 million kWh of electricity to the national grid. This addition has contributed significantly in enhancing industrial productions and providing more job opportunities throughout the country. As a shareholder, you can be proud of your Company's contribution to Bangladesh. In addition, the Company has contributed Tk. 469,627,409 to the national exchequer. The detail is available at Contribution to the National Exchequer & Economy section.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Our community involvement focuses on the following key areas are described in '**Corporate Social Responsibility (CSR) Report' of chapter 3**.

Education – empowering people of all ages with knowledge and skills

Social and Community Services – promoting well-being of humanity

Sports – bringing communities together and encouraging healthy living

Arts and Culture – supporting cultural projects for social development

ACKNOWLEDGEMENT

The Directors would like to extend special thanks to the members of the public, who have placed their confidence on the Company by purchasing shares and supporting the activities of the Company. Without the support of its shareholders, the Company could not have attained what it has achieved today.

Your Directors would like to put on record its deep appreciation of the efforts made by the employees of the Company. Their commitment and passion, both individually and collectively has helped SPL achieve the success that it has today. The Board also recognizes and appreciates the critical support provided by the families of the employees, which enables them to focus on their work in SPL.

The trust and confidence that our valued customers, BPDB, BREB and its members in Palli Bidyut Samitees (PBSs) have placed upon SPL are our main driving force. We accept this trust in all humility and shall continue to strive to live up to the expectations. The Board also expresses its heartfelt appreciation and gratitude to the Power Division, MPEMR, Government of Bangladesh as well as Bangladesh Petroleum Corporation, Jamuna Oil Company Limited, Padma Oil Company Limited, Chittagong Port Authority, National Board of Revenue, Bangladesh Investment Development Authority, Department of Environment, the Deputy Commissioners, the Superintendents of Police, the local administration and the people of the locality for extending their support towards the Company. The Board also extends its best wishes to the contractors and consultants who helped us in running power plants and achieve this growth. We gratefully recognize 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.

The Board would also like to express its humble gratitude to all the stakeholders including the investors, suppliers, banks & financial institutions, insurance companies, service providers, BSEC, Registrar of Bangladesh Joint Stock Companies & Firms, Dhaka Stock Exchange Limited, Chittagong Stock Exchange Limited, the Central Depository Bangladesh Limited, various Government authorities and lastly the individuals and agencies who have helped us to accomplish what we have accomplished so far. Best regards to all the shareholders. May you all have healthy, peaceful and progressive life.

Thank you very much.
On behalf of the Board

Lt Gen (Retd) Engr. Abdul Wadud
Managing Director

Dhaka, 22 September 2019