

3.1 DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Owners of Summit Power Limited,

As-salamu-alaikum. Greetings. Enclosed is your Company's Director's Report along with the year's Auditor's Report and audited financial statements of Summit Power Limited (SPL) for the year ended 30th June 2024.

Global Power and Energy Challenges

The global power and energy sector faced difficulties due to geopolitical conflicts, extreme weather events, and fluctuating oil prices. OPEC revised its global oil demand forecast due to reduced consumption in China, affecting Bangladesh's energy procurement strategies. At COP29, Bangladesh reaffirmed its commitment to renewable energy as part of a long-term strategy to reduce dependence on expensive, non-renewable sources.

Industry Scenario and Future Outlook of Power Sector in Bangladesh

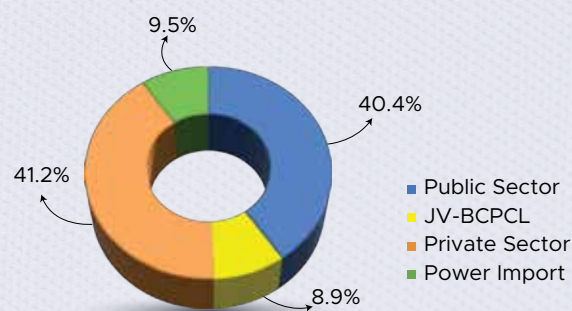
Following the July Revolution in 2024, the interim government has initiated reforms with an aim to enhance transparency and accountability in the power sector. These reforms include the suspension of the Quick Enhancement of Power and Energy Supply Act 2010 and the reinstatement of the Bangladesh Energy Regulatory Commission (BERC) as the authority to set energy prices.

Since 2022, the Bangladesh government has been struggling to make payments to the Independent Power Producers (IPPs). Until January 2025, the government owed BDT 23,283 crore to privately owned power plants. The interim government has issued another round of bonds in October 2024 to settle BDT 5,000 crores in arrears to the IPPs. The Bangladesh Power Development Board (BPDB) has recently decided to reduce the service charge on heavy fuel oil (HFO) imports from 9% to 5%. The government's commitment to transparency and international cooperation is expected to play a crucial role in these efforts such as investment commitments from countries like Germany for renewable energy support, with a pledge of €1 billion over the next decade.

Summit Power – the Largest IPP in Bangladesh

SPL along with its subsidiaries is the leading IPP in Bangladesh and is a publicly listed 'AAA' rated company (DSE/CSE: SUMITPOWER). SPL's associated companies within Summit Group owns and operates a total of 18 power plants with a total capacity of 2,255 MW and also operates Bangladesh's second Floating Storage and Regasification Unit (FSRU) with a capacity of 500 million standard cubic feet per day (mmcf/d). Among the 18 power plants, SPL owns 15 power plants with a total 976 MW installed capacity. Summit has received five consecutive best power plant awards from the government of Bangladesh.

Breakdown of the installed capacity of Public and Private Sector in Bangladesh



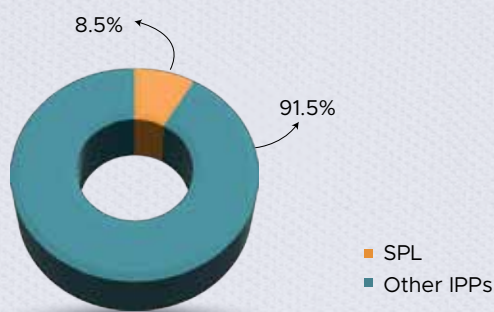
Graph: The total installed capacity of the country is 28,098 MW, distributed in various sectors as shown in the graph above. (Source: BPDB Annual Report 2023-24)

Installed Capacity of Power Plants as of 30 June 2024 (MW)

Public Sector	
BPDB	6350
APSCL	1394
EGCB	1032
RPCL	182
NWPGCL	1401
B-R Powergen Ltd. (BRPL)	312
CPGCBL	575
Joint Venture (BCPCL)	2478
Private Sector	
IPP/SIPP	10478
Rental	137
NENP (no Electricity No Payment)	852
REB (for PBS's only)	251
Power Import	2,656
System Total Installed Capacity (MW)	28,098

Source: BPDB Annual Report 2023-2024.

Market Share in Private Sector



* Total Capacity in Private Sector 11,467 MW

Pie Chart: Presently, your Company, SPL, has an installed capacity of 976 MW. In the IPP sector, SPL serves 8.5% of the market through 15 power plants. SPL, along with its associate companies is the largest private sector power producer in Bangladesh with around 13% market share.

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. The Audit Committee and Nomination & Remuneration Committee have been functioning robustly and their activities are provided in the "Statement of Corporate Governance" section of the Annual Report in detail.

Taking advantage of the group's reputation and its management expertise, the **Investment Committee** assesses new business opportunities and investments for the future growth of Summit Power Limited.

Highlights of SPL's Financial Performance

SPL's revenue declined by 18.1% over the last year due to lower generation of HFO based power plants. However, net profit increased by 224.1% due to lower HFO costs and reduced foreign exchange losses.

The details of the reasons mentioned in the "Financial Review" are described as below.

Particulars	For the year ended		Change	
	30th June 2024 (in million BDT)	30th June 2023 (in million BDT)	In million BDT	In %
Revenue	45,205	55,179	(9,974)	-18.1%
Cost of sales	(36,581)	(50,574)	13,993	-27.7%
Gross profit	8,624	4,605	4,019	87.3%
Operating profit	8,223	4,198	4,024	95.9%
Profit after income tax	5,560	1,715	3,845	224.1%

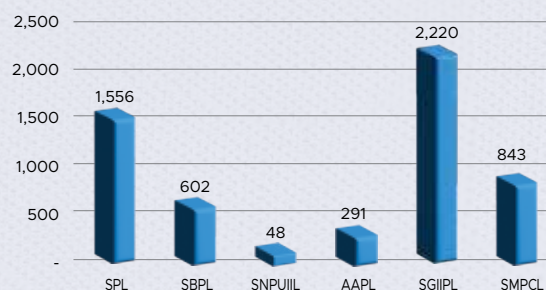
Table: A summary of the current and corresponding year's consolidated financial performance in million BDT.

Key financial drivers:

- Lower exchange rate volatility helped reduce foreign exchange losses.
- Finance expenses increased by 2.9% due to reliance on local debt financing.
- Profit sharing from the associate company increased by 3.7%.

The Company has earned a dividend of BDT 2,071 million from KPCL and also recorded profit sharing from SMPCL of BDT 6,021 million since their acquisition of shares. 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).

Net profit of FY 2023-24 (in BDT Million)



Bar Chart: The contribution of SPL along with its subsidiaries and associate companies to its net profit after tax are shown in the bar chart.

The Financial Statements and Directors' Reports of all the subsidiaries have been presented in the "Brief Disclosures of Subsidiaries" of the Annual Report.

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 have been elaborated in the “Financial Review” section and “Performance Review of Our Plants by Various Segmentation” section presents five years plant performance.

Foreign Investment and Expansion

SPL and its subsidiaries are financed i.e. long-term debt financing 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).

Growth Strategy

- Increase focus on renewable energy and grid efficiency improvements.
- Investing in energy storage solutions to complement intermittent renewable sources.

Declaration of Dividend and Profit Appropriation

Dividend

The Board of Directors of the Company recommended a cash dividend amounting to BDT 1,068 million being 10% of the paid-up capital i.e. BDT 1.00 per share for the year ended 30th June 2024 at SPL's Board Meeting held on 17th February 2025. The dividend is subject to approval of the shareholders in the 27th Annual General Meeting (AGM) scheduled to be held on 13th April 2025.

During the FY 2023-24, the net profit attributable to owners of the Company amounted to BDT 3,347 million. Company's financial situation for the year ended 30th June 2024 for appropriation is as follows:

Particulars of Profit Appropriation	Amounts in Million BDT	
Net profit for the year	3,347	
Profit brought forward	17,802	
Profit available for appropriation		21,149
Appropriations:		
Proposed final cash dividend	1,068	
Total appropriation for the year		(1,068)
Transferred to retained earnings		20,081

Unclaimed Dividend

According to BSEC Directive No BSEC/CMRRCD/2021-386/03 dated 14th January 2021, SPL has transferred BDT 45,459,140 to the Capital Market Stabilization Fund (CMSF) for and up-to the financial year ended on 30th June 2024 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'.

Key Challenges and Risk Management

- Uncertain Energy Policy: No clear government framework on power plant relocations or disposal.
- Working Capital Stress: Excessive payment delays from BPDB forced IPPs, including SPL, to secure costly local bank loans.
- Currency Depreciation: The BDT depreciated from 95-98 per USD to 121.5 per USD by mid-2024, increasing costs and loan repayments.

Government support:

- In early 2024, the Ministry of Finance issued Treasury Bonds to clear some IPPs' overdue payments.
- The interim government is engaging with BIPPA to improve cash flow to IPPs.

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 Audit Committee, Nomination and Remuneration Committee (NRC) and other committees are active in financial oversight.

Directors' Election & Re-Appointment

As per Article 23(a) of the Articles of Association, Anjuman Aziz Khan, Jafer Ummeed Khan, Ayesha Aziz Khan and Azeeza Aziz Khan ACCA shall retire on the 27th Annual General Meeting (AGM) by rotation and being eligible, they offer themselves for re-election.

On retirement of Engr Md Mozammel Hossain, the Board appointed Major General Dr Monirul Islam Akhand (retd.) ndc, psc, PhD as the Managing Director of Summit Power Limited (SPL) for three years in its meeting held on 12th December 2024 effective from 1st January 2025.

Following the sections of 109 and 110 of the Companies Act 1994, the Board decision on the appointment of Major General Dr Monirul Islam Akhand (retd.) shall be placed for the approval of shareholders in the 27th Annual General Meeting (AGM).

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 34.1 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 (HRM)

Promotion and succession planning are key priorities, with training, compliance, and gender equality initiatives in place.

Effective 1st January 2025 the Company promoted Mr. A.K.M. Asadul Alam Siddique to Executive Director Operation & Management, HR & Admin, Standard & Compliance and Development, Mr. Swapon Kumar Pal FCA, CMA to Executive Director and Chief Financial Officer (CFO), Mr. Md. Nazmul Hasan to Sr General Manager, Procurement, Inventory, Commercial and Training, Mr. Tofayel Ahmed FCA to General Manager and Company Secretary.

Corporate Social Responsibility (CSR) and Sustainability Reporting

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

Compliance and Financial Reporting

As per the rule, your Company has followed the International Financial Reporting Standards (IFRSs)/ International Accounting Standards (IASs). This has been compiled 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 applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Ensuring that the financial statements have been prepared in accordance with IFRSs/IASs;
- Preparing the financial statements on a going concern basis.

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 3rd 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 presents true and fair view of the 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 the accounting estimates are based on reasonable and prudent judgement;
- International Accounting Standards (IASs) or International Financial Reporting Standards (IFRSs), 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 growing 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 have 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 CFO'** 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.

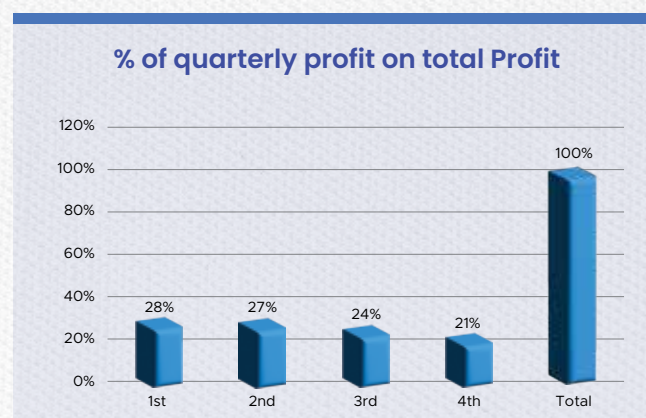
Other Disclosures

A. Consistent Quarterly and Annual Financial Statements

In the first and second quarters, Summit Power's profit remained stable with no significant variations. However, in the third and fourth quarters, the company's profit slightly decreased due to the combined effects of foreign exchange costs on HFO imports and higher interest expenses from local loans taken to manage working capital. Like most IPPs in Bangladesh, Summit faced overdue bill payments from its offtakers, necessitating working capital from local banks.

Overall, the profit for the current period is significantly higher than the previous financial year, primarily due to the more stable exchange rate between BDT and

USD throughout the year. This stability reduced foreign exchange costs for importing HFO and minimised foreign exchange losses on the quarterly servicing of foreign currency project loans.



Bar chart: Percentage of profit/loss in each quarter.

Quarter	Consolidated Net Profit in Million BDT
1st	1,560
2nd	1,501
3rd	1,356
4th	1,143
Total	5,560

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 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 HFO to power plants of SPL's subsidiaries during the year which have been disclosed in the **Notes 45** to the financial statements.

D. Extra-Ordinary Gain or Loss

As per IAS 1, no extraordinary 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.

The PPAs for eight plants have expired. Among them, three PPAs have been renewed; however, two of these plants are still awaiting a gas connection. Four plants continue to operate under continuation letters from their respective off-takers and the Jangalia plant is in shutdown condition due to expiry of PPA. As there is no demand for the Narayanganj Unit I and the PPA for Jangalia has expired, we are actively seeking buyers for both plants. Operational status of all of the power plants, however, have been stated in the **Notes 1.2 to 1.5** of the financial statements section of the Annual Report.

G. Management Declaration

Trade receivables with Bangladesh Rural Electrification Board (BREB)

The trade receivables amounting to BDT 6,956,415,757 as of 30th June 2024 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 in 2015 and subsequently in 2016, after a review petition filed by BREB.

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 Honourable Appellate Division of the Supreme Court (AD), by its judgement dated 9th March 2023, allowed the appeal to the BERC.

Following the legal opinions received, the Company believes its claim has strong merit and, based on its board resolution by circulation dated 28th August 2023, has submitted a review petition for consideration of the original judgement awarded by the Appellate Division. The detailed disclosure in this regard has also been stated in the **Notes 11.1** of the financial statements.

Matters emphasised by ACNABIN in the Independent Auditor's Report

In the Independent Auditor's Report to the shareholders on the financial statements 2023-24, ACNABIN, Chartered Accountants, has drawn attention to the following notes while stating that their opinion was not modified in respect of these matter:

- 1. Taxation on Dividend Income:** The Company made current tax expense provision on the profit of the Company for the respective year. However, the dividend received from the tax-exempt profit of other companies over the past years is to be treated as tax-free income in reference to the judgment of the Appellate Division of Honourable Supreme Court of Bangladesh. Details are provided in the note 49 (I) and (R) of the financial statements.
- 2. Applicability of Workers' Profit Participation and Welfare Fund (WPPF):** The Group/Company employs only managers and all of their employees are part of the management authority entrusted with managerial responsibilities and all other services are outsourced. As such, the Group/Company does not have any "beneficiary" for the purpose of the Act and therefore no such fund is required to be created. This is supported by the opinion obtained by the Group/Company from the external legal counsel. Details are provided in the note 49(H)(iv) of 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/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 has compiled all the applicable standards of IFRS/IAS as disclosed in the 'Compliance Report on IFRS/IAS' section of the Annual Report.

Minority Interest

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.

Appointment of Compliance Audit

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 2025 would be placed before the shareholders at the 27th AGM of the Company for approval.

Statutory Auditor

Based on the Audit Committee recommendation, the Board, in its meeting dated 17th February 2025 resolved to appoint ACNABIN, Chartered Accountants, for appointment as the statutory auditor of the Company for the financial year ending on 30th June 2025, subject to approval of the shareholders at the 27th Annual

General Meeting.

Contribution to the National Exchequer and the Economy

SPL has contributed BDT 474 million in taxes and fees to the national economy. The breakdown is available in the 'Contribution to The National Exchequer and The Economy' section.

Our Gratitude

SPL remains committed to sustainable growth, financial discipline, and innovation in Bangladesh's evolving energy landscape. We sincerely thank our shareholders, employees, and partners for their continued support.



Latif Khan
Chairman
Dhaka, 17 February 2025