

DRUK WANG ALLOYS LIMITED
DIRECTOR'S REPORT FOR THE YEAR 2013

To,
 The Shareholders,
 Druk Wang Alloys Limited.

On behalf of the Board of Directors of the Company and on my own behalf, I extend a warm welcome to all the shareholders of Druk Wang Alloys Limited to the 9th Annual General Meeting of the Company.

Your directors take great pleasure in presenting you this financial report for the year 2013.

1. FINANCIAL REPORT

(Nu. In million)

Financial Performance	2013	2012	2011	2010	2009
Authorized Share Capital	250.00	250.00	250.00	250.00	250.00
Issued/subscribed & Paid-up equity	194.00	194.00	194.00	194.00	194.00
Gross Income	1025.02	885.51	1,038.65	795.64	481.75
Gross Expenditure	857.56	801.16	778.70	653.82	505.74
Profit / (Loss) before tax	167.45	84.35	259.95	141.82	(23.99)
Profit/ (Loss) after tax	132.71	60.73	186.87	105.85	(23.99)
Provision for Corporate tax	34.73	23.61	73.07	36.02	
Interim dividend	-	-	67.90	29.10	-
Final dividend	97.00	58.20	48.50	48.50	-

PLANT OPERATION / SALES AND COLLECTION PERFORMANCE

	2013	2012	2011	2010	2009
Opening Stock of [FeSi] MT	737.820	515.08	700.53	385.62	1,394.30
Production MT	13757.97	12620.07	13935.55	12818.71	9,703.10
Sales MT	14249.35	12398.00	14121.00	12503.80	10,711.78
Closing Stock of [FeSi] MT	246.44	737.82	515.08	700.53	385.62
Sales Realization Nu. in Millions	1046.95	859.45	1,039.13	772.41	505.00
Plant Capacity utilization %	95.54%	87.63%	96.65%	89.02%	67%
Average Collection per month Nu. in Millions	87.25	63.64	86.59	64.38	42.08
Shut Down time of plant [Hours]	565.55	688.82	446.07	525.27	546.75

PERFORMANCE OVERVIEW

The year under review, your Company has produced 13757.97 MT of ferro silicon for the year 2013 which is 1137.90 MT more than the 12620.07 MT produced during the previous year.

Your company has performed better than last year though there were a few mechanical problems and the planned shutdown for maintenance, the plant capacity utilization was at 95.54%. The company hopes to perform similarly this coming year.

Sales were Nu 1046.95 Million for this year, exceeded from Nu 859.45 Million in the previous year.

The profit after tax increased to Nu. 132.71 Million from Nu. 60.73 Million in the previous year.

DIVIDEND

Your directors recommend a dividend of Nu. 50 per share for the financial year ended on 31st December, 2013.

PROJECTION FOR 2014

Your company and the Management of your Company have set a production target of 14,400 MT of Ferro Silicon and a profit before tax of Nu. 96,358,117 for the year 2014.

The management apprised the members that the production costs are increasing with the increase in raw materials costs and the selling price is not able to improve

much due to the lack of demand due to the global economic situation. The power tariff has also been increased by the Bhutan Power Corporation Limited and this will have a major impact on our production costs. The target for the year 2014 has been fixed keeping the current scenario in mind.

HUMAN RESOURCE MANAGEMENT

Human Resource Development has always been accorded priority by your Company in accordance with the policy of the Royal Government and in keeping close pace with rapidly changing global economic scenario in all respect, persists to focus on growth and development of human resources.

The management has trained a commendable number of nationals in different fields by way of in-house training and deputing the personnel for short-term training initiated by various Institutes or Ministries.

As on 31st December 2013, we have 137 regulars and 62 muster roll employees, in total we have 199 employees, out of that 41 number are non-national and 158 numbers are national employee, 20% and 80% respectively. The Management continues to provide appropriate guidance and motivation to all workers towards enhancing their productivity.

The employees of the company are administered in compliance to the Service Rules of the company amended from time to time, as per the requirements of Labour and Employment Act of the Royal government of Bhutan, 2007.

DIRECTORATE

The following are the directors of your Company after the conduct of 08th AGM held on 22nd March-2013.

Aum Naki Dorji, Chairperson
Dasho Dorji Norbu, Director
Dasho Pema Wangchhuk, Director
Mr. Samdrup Norbu, Director
Mr. Dawa Penjore, Director
Mr. Leki Dorji Norbu, Director
Mr. Sonam Tobgay, Director
Mr. Chimi Dorji Norbu, Managing Director

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance to the Companies Act of Kingdom of Bhutan 2000, your directors confirm the following with regard to Annual Accounts, Accounting Policies, maintenance of accounting records etc: -

- i. That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.

- ii. That the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the company at the end of the financial year 2013 and of the profit or loss of the company for that period.
- iii. That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act of the Kingdom of Bhutan, 2000, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- iv. That the directors had prepared the annual accounts on a going concern basis.

RETIREMENT /APPOINTMENT OF DIRECTORS IN THE BOARD

Your directors deliberated that in compliance to the Companies Act of the Kingdom of Bhutan 2000, one-third of the directors have to retire every year.

In keeping with the rotation systems, the following directors are liable to retire from the Board of Directors and offer themselves for reappointment at the AGM:

Mr. Chimi Dorji Norbu, Director
Mr. Sonam Tobgay, Director
Mr. Dawa Penjore, Director

The Board recommends their reappointment.

It is put up to the AGM to note/approve the retirement/appointment of the directors of the company.

APPOINTMENT OF STATUTORY AUDITORS OF THE COMPANY FOR THE YEAR 2014

The 8th AGM had approved the appointment of M/S KGGT & Associates , Chartered Accountants as the statutory auditors who were empanelled as approved Auditors by the Royal Audit Authority has successfully completed the statutory audit of your company for the year 2013.

We have received quotations from various audit firms for the financial year 2014. They are Span & Associates (Chartered Accountants), S.Guha & Associates (Chartered Accountants) and KGGT & Associates (Chartered Accountants). Your board of directors recommends KGGT & Associates as the statutory auditors for the financial year 2014.

SERVICE TO THE COMMUNITY

Your Company also takes priority in fulfilling its Corporate Social Responsibility (CSR) both towards its own employees and the surrounding communities. We take pride in contributing for the development of cultural and sports activities to promote and healthier and more meaningful lifestyle for people across the country.

Your Company has contributed to various social welfare activities:

1. Donated an amount of Nu.2,00,000/- for building guest house at Chapcha dorgoen gompa.
2. Donated an amount of Nu.1,00,000/- for Mipham wang committee for annual puja.
3. Donated an amount of Nu.20,000/- to Ability Bhutan Society.
4. Donated an amount of Nu.70,400/- aqua guard institutional water purifier to Chumithang Middle Secondary School.
5. Donated an amount of Nu. 50,000/- to Youth Development Fund for support of the youth of the country.
6. Donated an amount of Nu. 30,000/- to Gonsar Ugyen Wangchuk memorial open archery tournament.
7. Donated an amount of Nu. 20,000/- to Bhutan Body builders and weight lifting federation.
8. Donated an amount of Nu.10,000/- to Phuentsholing Sports Association.
9. Donated an amount of Nu.10,000/- to Immigration football team, Phuentsholing.

FUTURE PLANS AND PROSPECTS

Your company has maintained all the parameters and quality standards as an ISO-9001:2008 (Quality Management System) certified company by URS Certification Limited, the last surveillance audit was conducted and approved by them on 10th May 2013.

ENVIRONMENT & POLLUTION CONTROL

Your company continues to comply with all the necessary standards set by the National Environment Commission (NEC). The company is running its pollution control system successfully and is operating it on a continuous basis as per the requirements of the NEC.

The reports are submitted to the commission as required and are verified from time to time by the environment monitoring team from Ministry of Economic Affairs.

CONCLUSION

In conclusion, I take it as my great privilege and honor to record the sincere gratitude of the Board and Management for your unstinted support and the financial institutions for their support and encouragement to your company.

The shareholders, the Board and I would like to acknowledge the exemplary effort rendered by the Managing Director, Executives, Staff and Workers of the Company for a successful and profitable year 2013. I am confident that the Management of DWAL will lead the Company to yet another successful year.

Tashi Delek!

Date: 07th March 2014

For and on behalf of Board of Director
of Druk Wang Alloys Limited

CHAIRPERSON