



BOARD OF DIRECTORS
ANNUAL REPORT
FOR THE FINANCIAL YEAR 2013

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FIRST - BOARD OF DIRECTORS REPORT:

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SECOND, FINANCIAL STATEMENTS & THE EXTERNAL AUDITOR'S REPORT



FIRST - BOARD OF DIRECTORS REPORT



INTRODUCTION

Dear valued Shareholders,

The Board of Directors of Methanol Chemicals Company (Chemanol) is pleased to present the annual report and financial statements of the Company for the financial year 2013 as well as its major achievements and successes. Notably, 2013 was full of various achievements in terms of production, revenues and profitability which collectively boosted the Company's competitive position.

The report also includes the annual audited financial statements for the year ended 31/12/2013; statements of financial position, income and cash flow and the auditor's report (KPMG).

ABDULLAH MOHAMMED AL-MAZRUI
CHAIRMAN OF THE BOARD OF DIRECTORS



1. VISION AND STRATEGY

Chemanol's strategy is based on enhancing its leadership position in the field of manufacturing specialty chemicals through developing its existing business and exploring new horizons for investment in methanol derivatives or derivatives from other products inside and outside the KSA, all together resulting in enhanced economic returns, and a greater degree of integration and diversification between the products. The Company is committed to the highest technical and environmental standards, as well as the Global Charter of Responsible Care aiming to achieve the hopes and aspirations of all stakeholders inside and outside KSA. Supported by the capabilities and professionalism of its staff, and bearing in mind the enhancement of its social responsibility in achieving welfare for the local society.

2. COMPANY'S ACTIVITY

The Company operates in the field of manufacturing and marketing specialized petrochemical products used both industrially and commercially including Formaldehyde Liquid, concentrated Urea Formaldehyde (liquid or powder), Hexamine, Paraformaldehyde, Super Plasticizers, Dimethyl Formamide and Pentaerythritol, as well as Methanol; the main feedstock for the previously mentioned products. The Company's total annual production capacity is 912,040 metric tons.

The following table shows the production capacity of the Company:

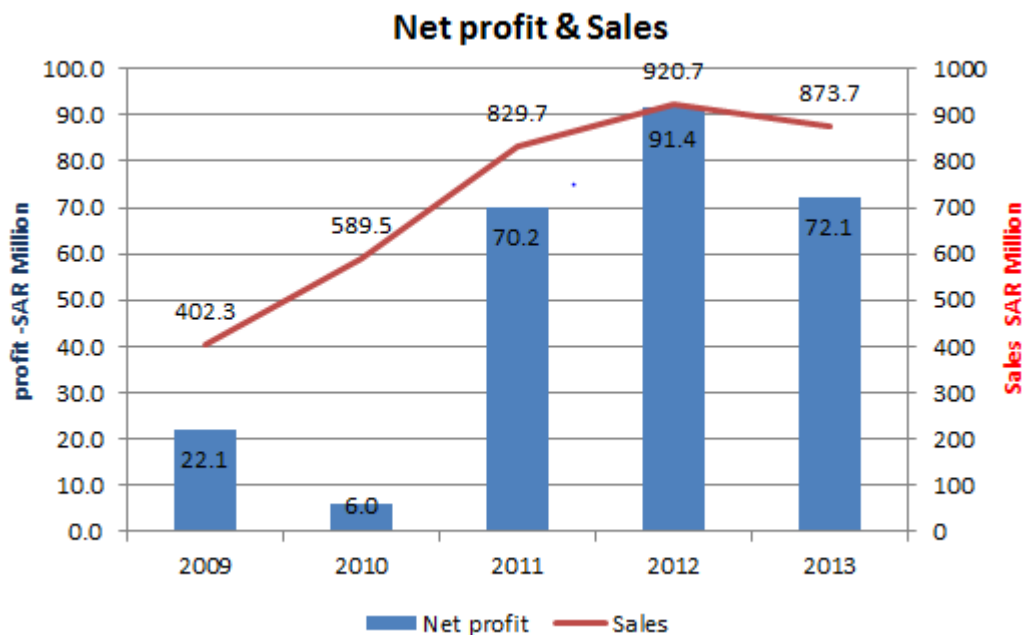
Product	Form	Capacity (MTY)
Aqueous & Urea Formaldehyde (AF – 37 & UFC – 85)	Product/ Feedstock	300,000
Methanol	Feedstock	231,000
Sulphonated Naphthalene Formaldehyde (SNF)	Product	163,020
Dimethyl Formamide (DMF)	Product	60,000
Dimethylamines (DMA)	Product/ Feedstock	50,000
Carbon Monoxide	Feedstock	33,000
Mono Pentaerythritol (Penta)	Product	20,000
UF, MF & MUF RESINS	Products	13,200
Acetaldehyde	Feedstock	12,000
Sodium Formate(Sofo)	Product	12,000
Hexamine (HMT)	Product	9,570
Paraformaldehyde (Para)	Product	8,250

3. FINANCIAL RESULTS

The Company achieved a net profit of SAR 72.1 million for 2013 compared to SAR 91.4 million in 2012 i.e. decline of SAR 19.3 million which represents a decrease of 21.1%. Also the Company recorded sales of about SAR 873.7 compared to the same period of the previous year which was SAR 920.7 million with decrease of SAR 47 million; around 5%. Such drop in the production capacity was due to the shutdown of the Methanol and Di-methyl Formamide (DMF) plants during the second quarter of the financial year 2013 to conduct the scheduled periodic turnarounds as announced by the Company on Tadawul website on 30/4/2013. The modification of the sales approval measures

starting from the second quarter of 2013 to be in conformity with the Accounting Standards resulted also in decrease in sales by almost SR 13 million, besides the limited fire incident which took place in one of the production lines of SNF plant which was announced during the first quarter of 2013, and also the amortization of about SR 6.1 million of the periodic maintenance expenses of Methanol and Di-methyl Formamide (DMF) plants which was due in 2013.

The following diagram illustrates the Company's net profits and sales for the years 2009, 2010, 2011, 2012 & 2013 respectively:



The gross profit for 2013 was around SAR 209.5 million against SAR 217.4 in 2012 showing a drop of SAR 7.9 million compared to the previous year (4%.) The gross profit margin increased relatively achieving about 23.9% compared to 23.6% in 2013 due to the stability of the prices of the sold items.

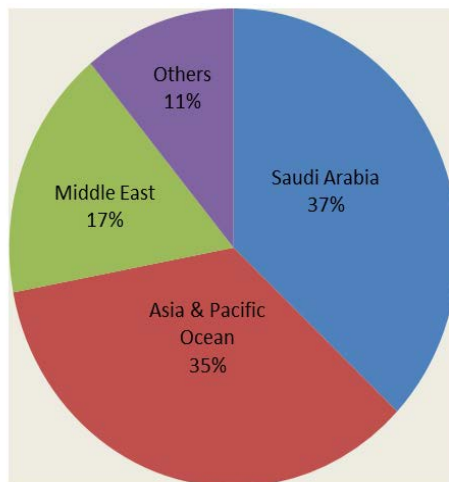
The following table shows sales and cost of production for the years 2012 & 2013 respectively:

Particular	2013	2012	Variance	%
Sales	873,722,183	920,747,322	47,025,139	- 5%
Cost of Sales	664,218,823	703,297,587	39,078,764	- 6%
Gross Profit	209,503,360	217,449,735	7,946,375	- 4%
Gross Profit Margin to Sales	23.9%	23.6%		

Accordingly, the financial results recorded a slight decrease in terms of operating income which amounted to SAR 116.7 million in 2013 compared to SAR 119.9 million in 2012 by a decrease of SAR 3.2 million which is 3%.

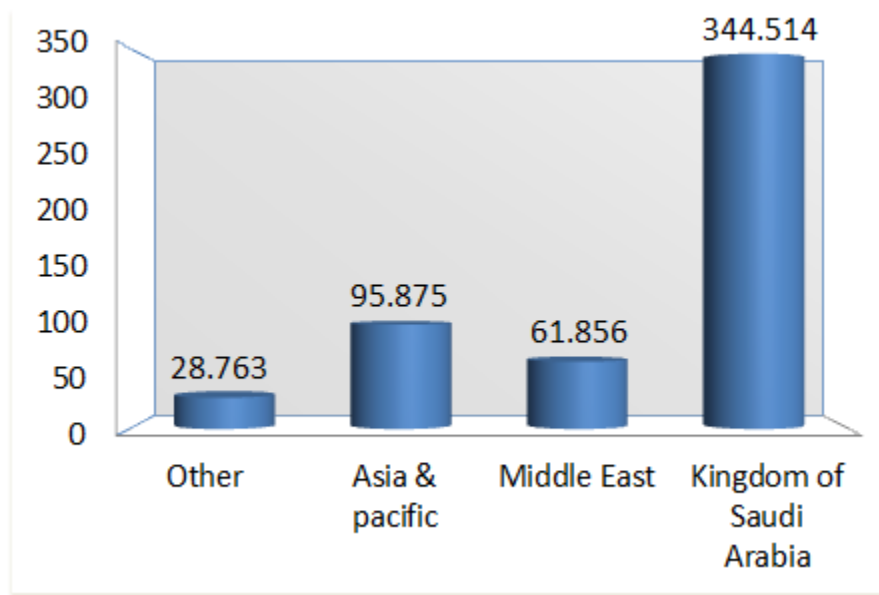
The Company also continued efforts to sell its products to all clients inside and outside KSA in a competitive way in order to maximize revenues. The export average in 2013 recorded around 63% compared to 66% in 2012; most of the export was directed to India, China and the Middle East.

The following diagram shows the geographical distribution of Company's sales (revenues) during 2013:



The financial statements of 2013 showed increase in some areas due to increase in the prices of some sold items, and decrease in others due to drop in sales compared to 2012, in addition to that, the Company distributed cash dividends of SAR 60,300,000 to the shareholders in 2013 for the year 2012.

Geographical distribution per quantity (000 tons)



The following table represents the key financial ratios for the previous five years:

MOST IMPORTANT RATIOS	2013	2012	2011	2010	2009
LIQUIDITY %	1.50	2.16	1.99	0.66	1.92
GROSS MARGIN %	23.98	23.62	23.12	20.17	24.20
NET PROFIT MARGIN %	8.25	9.93	8.46	1.02	5.48
OPERATING PROFIT MARGIN %	13.35	13.02	13.36	6.79	7.63
RETURNS ON ASSETS %	2.58	3.13	2.32	0.20	0.73
RETURNS ON OWNERS' EQUITY	4.55	5.81	4.73	0.43	1.56
DEBTS %	0.76	0.85	1.04	1.19	1.15
LOANS' SERVICE PAYMENT %	1.77	1.43	0.26	0.89	1.46



4. COMPANY'S ASSETS & LIABILITIES

The total assets of the Company amounted to SAR 2.78 during the year after the deduction of all expenses compared to SAR 2.92 in 2012. These assets were financed through:

- Owners' equity amounting to SAR 1.58 billion (1.57 billion in 2012)
- A mix of long-term and short-term loans and creditors' account totaling to approximately SAR 1.20 (SAR 1.35 billion in 2012).

The following table represents the total assets, liabilities and Owners' equity of the Company during the last five years.

Particular	2013	2012	2011	2010	2009
Operating Income	116,678,856	119,895,312	110,821,611	40,044,518	30,701,607
Assets	2,782,686,269	2,924,209,848	3,025,452,475	3,092,772,878	3,032,727,466
Liabilities	1,119,455,038	1,350,970,175	1,542,039,421	1,677,996,997	1,622,147,523
Owners' equity	1,583,231,231	1,573,239,673	1,483,413,054	1,414,775,881	1,410,579,943
Liabilities & Owners' equity	2,782,686,269	2,924,209,848	3,025,452,475	3,092,772,878	3,032,727,466
Earnings per share	0.60	0.76	0.58	0.05	0.18

The debts of the Company amounted to about SAR 1.20 billion until the end of 2013 (1.35 billion in 2012) versus net assets of SAR 2.78 billion (2.92 billion in 2012). The debts include besides the creditors' account bank loans with different terms in accordance with Murabaha Regulation, and the Saudi Industrial Development Fund (SIDF) loan as shown in the following table:

Balance at January 2013		Loans during 2013	Payments during 2013	Balance at December 2013
Short term loans	0.00	60,000,000	0,00	60,000,000
Long term loans	1,218,550,000	0,00	212,185,000	1,006,365,000
Total	1,218,550,000	60,000,000	212,185,000	1,006,365,000

These loans were used to finance the expansion projects. In December 2007 the Company entered into a Murabaha Facility Agreement with a group of banks, namely; Arab Banking Corporation, Riyadh Bank, Samba Financial Group, The Saudi Hollandi Bank, National Commercial Bank and The Saudi British Bank (collectively referred to as Murabaha Facility Participants) to provide Murabaha facility of SAR 940 million and Murabaha facility refinance of SAR 37.5 million, and also providing Murabaha facility to finance the Working Capital and a reserve Murabaha facility of SAR 150 million.

- In October 2009 the Company entered into a Murabaha Facility Agreement to finance a Project Cost Overrun with a group of banks, namely; Arab Banking Corporation, Riyadh Bank, Samba Financial Group, The Saudi Hollandi Bank, National Commercial Bank and The Saudi British Bank (collectively referred to as the Project Cost Surplus Murabaha Facility Participants) to provide Project Cost Overrun Murabaha Facility of SAR 326 million to finance the ongoing expansion project. According to the Agreement, the amounts drawn under this Facility shall be repaid after two years from the draw date which is November 18, 2011.
- On June, 5 2011 the Company entered into a Refinancing Agreement with a group of banks, namely; The Saudi British Bank , Riyadh Bank and Samba Financial Group (collectively referred to as Murabaha Facility Participants) to refinance:

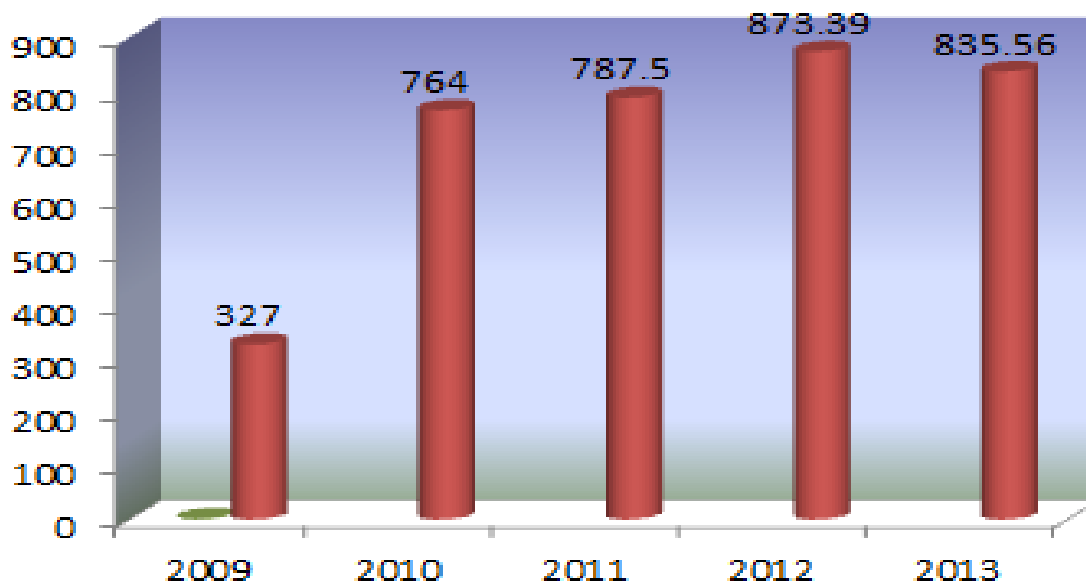


- a) The outstanding balance of the Project Murabaha Facility and the Working Capital Facility Agreement of SAR 506 million dated December 26, 2007.
 - b) The Cost Surplus Facility Agreement of SAR 326 million dated October 27, 2009.
- According to the Murabaha Facility Agreement dated June 5, 2011, the Project Murabaha Facility Agreement amounting to SAR 682 million Riyal shall be payable in fourteen bi-annual instalments starting from July 2011 until December 2017. For the Working Capital Murabaha Facility amounting to SAR 150 million, it shall be payable in ten bi-annual instalments starting from January 2013 until December 2017.
 - On May 15, 2011 the SIDF agreed to restructure the existing outstanding debt balance amounting to SAR 600 million to be paid in fifteen instalments whereas the first instalment shall be payable on January 9, 2012 and the last instalment on October 25, 2018. This loan shall be secured by mortgage of property, machinery and equipment of the Company.
 - The Facilities are secured by promissory notes, and the Company shall undertake to comply with certain covenants under all of the above mentioned Facilities. The instalments due within one year from the balance sheet date shall be recorded as current liabilities. With the Grace of God, the Company is confident that it has the capacity to meet these financial obligations.
 - The ratio of debt to owners' equity is 1:0.76 compared to the ratio in 2012 which was 1:0.85.
 - The Zakat due on the Company by the end of 2013 is amounted to SAR 5.7 million approximately while the GOSI dues amounted to SAR 3.8 million.

5. PRODUCTION & OPERATIONS

The actual total production for 2013 was 835,000 metric tons compared to 873,390 metric tons in 2012 constituting about 92% of the Company's total available annual production capacity. The drop in production by about 4% compared to 2012 production was due to the shutdown of the Methanol and Di-methyl Formamide (DMF) plants for twenty-five (25) days for the scheduled periodic maintenance in order to replace the catalyst for the two plants. Also the limited fire incident which took place in Naphthalene melter area in one of the production lines of the SNF plant resulted in losing two filter presses and partially damaging the structure of melter area. After conducting the detailed Root Cause Analysis (RCA) and by applying minor modifications the mentioned production line was restored within five days as the spare filter press was available.

The following diagram represents the Company's annual production capacity for the years 2009, 2010, 2011, 2012 & 2013 respectively (Figures in thousand tons):



In continuation to its efforts in implementing the Company's strategic plans and enhancing its competitive edge, the Management achieved considerable achievements during 2013 by applying the following positive steps:

1. Continue working on the rationalization of the use of raw materials without compromising the quality of products by improving the control of the operational processes and reducing the production/ reusing of nonconforming materials.
2. Improving work orders system of the periodic maintenance and corrective works by reconfiguring the SAP system.
3. Setting advanced periodic maintenance control systems based on the recommendations of the original manufacturers and the experiences and professionalism of Company staff.
4. Control the power outage in the production plants in collaboration with Saudi Electricity Company (SCECO). by the replacement of the main power supply lines and making improvements on the internal network to implement advanced periodic maintenance systems in an effective way, which enhanced the production capacity.
5. Implementation of advanced scientific methods to identify the root causes of the problems of production interruption, and to act to overcome and avoid such problems.
6. Optimal use of human capital lead to tightening costs; this has been highlighted in the annual financial results of the Company.



6. TOTAL QUALITY

Emphasizing on maintaining the quality levels of its products, Chemanol has committed to comply with international requirements and standards. Some educational sessions and meetings were conducted with the clients and suppliers in order to exchange views and assess their level of satisfaction on a regular basis. The Company is striving to review the quality regulations and maintain the certificate of International Administrative Quality Management System (ISO 9001:2000).

7. SAFETY & ENVIRONMENTAL PROTECTION

In line with its objectives of compliance with the Global Charter of Responsible Care adopted by the major petrochemical companies, Chemanol has set an ambitious strategic initiative to be Responsible Care Company before mid-2015. It developed and implemented during the year 2013 a set of new technical and administrative systems, namely; 39 responsible care systems including 846 operating systems to illustrate equipment operating procedures and 10 maintenance systems (mechanical integrity). Also risk analysis studies were completed for 7 plants out of 15, critical equipment were identified and controlled, thus; the total number of plants that were studied was 9 and the remaining 6 will be studied during 2014. In addition, an early warning system was installed to be used in emergencies, and awareness sessions were conducted on how the system works and how to respond to such a situation. The electronic security pass system was developed at all Company's entrances, and magnetic ID cards were issued for the employees; contactors and visitors and connected to an integrated system, an electronic mechanism was set for Security Permits. The Company also provided lectures and awareness campaigns for the employees including 108 sessions in Environment, Health and Safety attended by 983 employees (1454 hours). In the field of



fire fighting and emergency response, the Company conducted 72 sessions attended by 382 employees (1816.5 hours), and in the field of Health, Safety and Security (EHSS), four intensive campaigns were conducted along with a number of lectures attended by 232 employees. Also some 155 sessions were provided to both employees and contractors concerning the work systems within the Company attended by 3,509 employees (3,509 hours). Also the Company determined a target of 1,500 Near Miss Reports which was completely achieved by reporting 2,406 cases. However, the Company is looking forward to achieve more excellence and positive results in 2014.

8. HUMAN RESOURCES

As of December 31st, 2013, the Company's employees totaled 460 compared to 483 in 2012 which is 2.69% less. Such a decrease is due to employee turnover as a result of the rigorous competition in the petrochemical sector. Most of the companies working in this sector are attracting national competencies by providing gorgeous salaries and benefits. Despite that, the number of Saudi nationals working in the Company increased to 48% percent of the total workforce in 2013 compared to 45.5% in 2012 i.e. 2.5% increase. This considerable percentage apparently runs in harmony with the Saudi Government's move towards Saudization in the private sector. In line with its objective to secure job satisfaction and stability and to achieve the highest rates of Saudization in all departments, the Company implemented Home Ownership Program for its Saudi employees which will help attracting qualified and experienced Saudi national candidates. As one of its unflagging strategies for communicating and interacting with its employees, Chemanol conducted an Employee Engagement Survey in 2013 through a specialized company in Performance Management Practices (Kenexa). According to the survey results, the participation of employees touched 79% reflecting the confidence of our people in the initiatives introduced by the Company. Also the survey revealed that the level of Employee Engagement has improved in eleven (11) indexes out of eighteen



(18) covered by the survey. Hence, despite the increasing competition in human resources field in the petrochemicals sector across the region, Chemanol achieved 61% in the Employee Engagement Index compared to 59% in other similar companies operating in the Kingdom of Saudi Arabia, and less compared to the International Manufacturing Sector which scored 68%.

In connection with the training programs, the Company conducted many internal and external training programs in different fields, for example, occupational safety, technical & behavioral skills and administrative and leadership qualifications. These programs were designed according to the training needs and the job grades including programs for Top Management, Medium Management & Supervisors and other job grades.

The Company also developed its official Business Code of Conduct and Ethics which aims at instilling the ethical principles and practices in the Company through comprehending the moral and legal obligations during practicing business.

9. CORPORATE GOVERNANCE

In accordance with Corporate Governance Regulations of the Kingdom of Saudi Arabia issued by the Council of the Capital Market Authority Resolution No. 1-212-2006 dated 21/10/1421AH corresponding to 12/11/2006, the Company's Board of Directors approved on 24/6/2013 the amendments of the Company's Corporate Governance issued on 30/9/2009. Such amendments are in compliance with the Corporate Governance Regulations issued by the Council of the Capital Market Authority except the following provisions:

Article Number	Text of the Article	Reasons for Non-application
6 Paragraph (b)	In voting in the General Assembly for the nomination to the board members, the accumulative voting method shall be applied.	Company's Articles of Association or Corporate Governance does not include any application for Accumulative Voting. The Company elected its Board Members in 2012 by Regular Voting.
6 Paragraph (d)	Investors who are judicial persons and who act on behalf of others - e.g. investment funds- shall disclose in their annual reports their voting policies, actual voting, and ways of dealing with any material conflict of interests that may affect the practice of the fundamental rights in relation to their investments.	There is no provision in the Articles of Association which entitles the Company to prevent the judicial persons from rights of voting for shares registered in their names in the Shares Record. Also the Company did not receive any annual reports from the judicial persons that disclose their voting policy.
7 Paragraph (b)	The General Assembly shall approve the dividends and the date of distribution. These dividends, whether they be in cash or bonus shares shall be given, as of right, to the shareholders who are listed in the records kept at the	This paragraph was applied partially, the General Assembly approved the cash dividends recommended to be distributed in 2012 provided that the eligibility would be for shareholders listed in Saudi Stock Exchange (Tadawul) records as of the end of trading on the day of the General

	Securities Depository Center as they appear at the end of trading session on the day on which the General Assembly is convened.	Assembly meeting, and the date of distribution was announced later on Tadawul website.
12 Paragraph (i)	Judicial person who is entitled under the company's Articles of Association to appoint representatives in the Board of Directors, is not entitled to nomination vote of other members of the Board of Directors.	This paragraph is not included in the Articles of Association.

10. COMPANY'S BUSINESS-RELATED RISKS

In addition to the general risks that the Company faces and which are incorporated in the audited financial statements, following are some risks related to the Sector in which the Company operates:

- Fluctuation of raw material prices:** sudden fluctuation of the raw materials prices may occur resulting in heavy financial burden on the Company. At the same time, the Company cannot transfer this burden to the clients with the already concluded sales contracts, especially when the market fluctuates and it is impossible to predict this phenomenon accurately. Therefore, the Company avoids entering into long-term contracts or alternatively incorporates "Price Variances" in the sale contracts, particularly, under the anticipated price rise of the natural gas (Methane Gas) from the current \$ 0.75 per MMBTU. This might have a negative effect in the financial performance of the Company especially when the products prices are fixed by the World Market.
- Competition and Price Deterioration:** the Company views the Competition as positive; some competitors purposely incline to dumping the market by offering to



sell at lower prices, which is illegal and contrary to the market laws. The Company always takes the proper legal actions against such practices in order to protect its products. It also seeks to establish competitive edge for its customers through emphasizing on quality products at most competitive prices and advantageous terms and conditions.

- **The Global Financial Crisis:** There is no doubt that the financial crisis which affected some states of the European Union and North America in 2013 will have its ripple effects on the global economy. The Company puts this fact into accounts when reviewing the prices of its products and studying supply and demand forces as well.

11. PENALTIES AND SANCTIONS IMPOSED ON THE COMPANY

There were no penalties or sanctions imposed on the Company during the year 2013 by any judicial or supervisory entity.

12. CONTRACTS WITH RELATED PARTIES

In line with the Company's policy to adopt the principle of Disclosure of contracts involving direct or indirect interest for any of its Board Members, and any transactions or contracts entered into with the related parties, the Board Members approved the Conflict of Interest Policy in accordance with Article 69 of the Companies Law issued by the Royal Decree No. M/6 dated 22/3/1385 A. H. and in compliance with Article 18 of the Corporate Governance Regulations issued by the Council of the Capital Market Authority, and paragraph 10/b of Article 41 of the Listing Rules issued pursuant to Resolution of the Council of the Capital Market Authority No. 3-11-2004 dated 20/8/1425 A. H. and its effective amendments as of 10/4/2012.

Following is a statement showing the contracts involving indirect interests of the Board Members which were concluded in accordance with the Company's purchasing standards:

Company	Nature of Transaction	Date	Value
Yusuf Bin Ahmed Kanoo Co.	Supply of spare parts	10/3/2013	14,800
		7/7/2013	9,624
	Supply of formic acid	11/3/2013	927,019
Zamil Cool Care Co.	Supply of air-conditioning units	19/3/2013	30,360
		8/4/2013	39,870
		23/6/2013	2,840
		15/7/2013	25,500
		10/11/2013	9,552
		7/10/2013	10,200
Zamil Inspection and Maintenance of Industrial Projects Co.	Inspection and maintenance services for Company plants	18/2/2013	97,760
		10/6/2013	252,017
		28/8/2013	69,460
		5/9/2013	11,154
Total			1,500,156

13. RESULTS OF THE ANNUAL AUDIT FOR THE EFFECTIVENESS OF THE INTERNAL CONTROL PROCEDURES

In order to enhance the efficiency of the internal audit and control procedures and to establish a nucleus department for internal audit, the Management appointed an internal audit manager by the end of 2012. The Department achieved notable progress by adopting an action plan being implemented in short and medium terms. Such action plan is based on risk analysis which might affect the Company's ability in achieving its objectives.

The following were the main achievements during the financial year 2013:

- Entering into partnership agreement with M/S PWC for supporting the Internal Audit Department by providing highly qualified and experienced personnel in order to implement the proposed action plan and to achieve the Management objectives.
- Reviewing the effectiveness of the internal control and the risk management policy for all departments, and hence, no major findings were reported concerning the Company's internal control procedures. Observations and recommendations were discussed with the relevant departments and then reported to Audit Committee to make its remarks and observations, and pursue the implementation of the presented proposals during the coming period.

14. BOARD OF DIRECTORS

a. Formation of the Board of Directors

In accordance with Article 17 of the Company's Articles of Association, the Board of Directors is composed of nine members appointed by the Ordinary General Assembly for a term of three years except the first Board which was appointed by the shareholders for a period of five years as of the date of the issuance of the Ministerial

Resolution announcing the Company's conversion into a joint stock company. The first Board continued performing its tasks until 23/11/2012 where the current Board was elected on 16/6/2012 during the convocation of the General Assembly for a period of three years starting from 13/11/2012 to 12/11/2015.

The following table details the Board Members, their classification, as well as membership in other joint stock companies (inside & outside KSA):

S.N.	Member	Membership Classification	Membership in other joint stock companies inside/ outside KSA
1	Abdullah Mohamed Al-Mazrui	Non-executive	1. Depa United Group (UAE J.S. Co.) 2. Aramex (UAE J. S. Co.) 3. Emirates Insurance (UAE J.S. Co.) 4. Investcorp Bank (Bahraini J. S. Co.)
2	Khaled Abdullah Al-Hamad Al-Zamil	Non-executive	1. Zamil Industrial Investment Co. 2. Zamil Holding Co.
3	Adib Abdullah Al-Hamad Al-Zamil	Non-executive	1. Zamil Industrial Investment Co (Saudi J.S. Co.) 2. Al-Bilad Bank .(Saudi J.S. Co.) 3. Zamil Holding Co. 4. Jadwa Investment (Saudi Closed J.S. Co)
4	Abdul Mohsin Fahad Al-Nafisi	Independent	Fahad A. Mohasin Al-Nafisi & Sons Co.
5	Sami Mohamed Yousif Jalal	Non-executive	1. General Trading and Food Processing Co. (Bahraini J. S. Co.) 2. United Paper Industries Co. (Bahraini J. S. Co.)
6	Hamad Mohamed Hamad Al-Manea	Independent	1. Bank of Doha (Qatari J. S. Co.) 2. Qatar Navigation Co. (Qatari J. S. Co.) 3. Qatar General Insurance & Reinsurance Co. (Qatari J. S. Co.)
7	Badr Abdul Aziz Kanoo	Non-executive	1. Yusuf Bin Ahmed Kanoo (Holding) 2. Saudi Ground Services Co. (Closed Co.)
8	Mishaal Hamad Ali Kanoo	Non-executive	1. Kanoo Group (UAE) 2. United Arab Chemical Carriers (UAE) 3. AXA Insurance (Gulf) 4. Johnson Arabia (UAE).
9	Abdullah Ali Al-Sanea	Independent	None

b. Description for any Interest related to Board Members, their Wives and Minor Children in the Company's Shares or Debt Instruments, and the Change in such interest during 2013

Name	Beginning of Year		End of Year		Net Change	Change %
	No. of Direct Shares	No of Indirect Shares (owned by the Judicial Person)	No. of Direct Shares	No of Indirect Shares (Owned by the Judicial Person)		
Abdullah M. Al-Mazrui	None	6,03,000	None	6,03,000	None	None
Mishaal H. A. Kanoo	1,000	13,567,500	None	13,567,500	None	None
Khaled A. A. Al-Zamil	None	9,949,500	None	9,949,500	None	None
Adib A. A. Al-Zamil	None	9,949,500	None	9,949,500	None	None
Abdul Mohsin F. Al-Nafisi	6,030	None	6,030	None	None	None
Sami M. Y. Jalal	None	6,030,000	None	6,030,000	None	None
Hamad M. H. Al-Manea	6,030	None	6,030	None	None	None
Badr A. Kanoo	None	13,567,500	None	13,567,500	None	None
Abdullah Ali Al-Sanea	1,000	None	1,000	None	None	None

Wives and minor children of the Board Members had no any interest in the Company's Shares or Debt Instruments during 2013.

c. Description for any Interest related to Senior Executives, their Wives and Minor Children in the Company's Shares or Debt Instruments and the Change in such interest during 2013

Name	Beginning of Year		Shares at the End of Year		Net Change	Change %
	No. of Shares	Debt Instruments	No. of Shares	Debt Instruments		
Khaled I. Al-Rabiah	4,000	None	4,000	None	None	None
Mohamed A. Al-Safadi	3,054	None	3,054	None	None	None

- Senior Executives not mentioned in the above table had no any interest in the Company's shares or debt instruments during 2013.
- There was no any interest for the wives and minor children of the Senior Executives Members in the Company's Shares or Debt Instruments during 2013.

d. Board of Directors' Meetings and the Attendance Record

Members of the Board of Directors held three (3) meetings during 2013. The following table indicates the dates of the meetings and attendance record for each meeting

S. N.	Date	Names of Attending Members	Names of Non-attending Members
1.	20/2/2013	1. Abdullah Mohamed Al-Mazrui 2. Khaled Abdullah Al-Hamad Al-Zamil 3. Adib Abdullah Al-Hamad Al-Zamil 4. Sami Mohamed Yousif Jalal 5. Badr Abdul Aziz Kanoo 6. Abdullah Ali Al-Sanea	1. Abdul Mohsin Fahad Al-Nafisi 2. Mishaal Hamad Ali Kanoo 3. Hamad Mohamed Hamad Al-Manea
2.	24/10/2013	1. Abdullah Mohamed Al-Mazrui 2. Khaled Abdullah Al-Hamad Al-Zamil 3. Adib Abdullah Al-Hamad Al-Zamil 4. Sami Mohamed Yousif Jalal 5. Badr Abdul Aziz Kanoo 6. Abdullah Ali Al-Sanea 7. Sami Mohamed Yousif Jalal 8. Hamad Mohamed Hamad Al-Manea	1. Abdul Mohsin Fahad Al-Nafisi
3.	15/12/2013	1. Abdullah Mohamed Al-Mazrui 2. Khaled Abdullah Al-Hamad Al-Zamil 3. Adib Abdullah Al-Hamad Al-Zamil 4. Sami Mohamed Yousif Jalal 5. Badr Abdul Aziz Kanoo 6. Abdullah Ali Al-Sanea 7. Abdul Mohsin Fahad Al-Nafisi	1. Hamad Mohamed Hamad Al-Manea 2. Mishaal Hamad Ali Kanoo



e. Board of Directors' Committees

In line with the its efforts to coordinate with the the Executive Management in steering the Company's affairs and pursuing the implementation of the Company's strategic plans, the Board of Directors formed three Committees from within its members, namely; Executive Committee, Audit Committee and Nomination and Remuneration Committee. For the purpose of effective communication and to determine to which extent these Committees are performing their tasks, the Board recommended presenting the Committees' minutes of meetings to the Board meetings.

Following is a brief description of each Committee:

First: The Executive Committee

a) Duties of The Executive Committee:

1. Pursuing the Company's financial situation as well as the operational and marketing policies.
2. Reviewing the procedures and strategic plans of the Company in collaboration with the CEO.
3. Any duties or tasks assigned to it by the Board of Directors.

The term of the Committee shall be three (3) years starting from the date of each session of the Board of Directors, and the membership of the Executive Committee may not, by any means, extend beyond the term of each Board.

b) Formation of the Executive Committee and the number of its meetings:

S. N.	Name	Capacity	Number of Meetings Held During 2013
1.	Khaled Abdullah Al-Hamad Al-Zamil	Chairman	Five (5) meetings
2.	Badr Abdul Aziz Kanoo	Member	
3.	Abdullah Ali Al-Sanea	Member	

Second: Audit Committee

a) Duties of the Audit Committee:

The Ordinary General Assembly approved in its meeting held on 17/6/1434 A. H. corresponding to 27/4/2013 the duties and standards of the Audit Committee which includes the following:

1. To supervise the Company's internal audit department to ensure its effectiveness in implementing the activities and duties specified by the Board of Directors.
2. To review the internal audit procedure and risk management policy, and prepare written reports on such procedures and policies along with its recommendations in this regard.
3. To review the internal audit reports and pursue the implementation of the corrective measures in respect of the comments included in them.
4. To recommend to the Board of Directors the appointment and dismissal of external auditors, and to determine their remunerations. It is to be observed upon any recommendation of appointment that such auditors are independent.
5. To pursue the activities of the external auditors and approve any activity beyond the scope of the audit work assigned to them during the performance of the auditing activities.
6. To review together with the External Auditor the audit plan, and make relevant comments upon it.
7. To review the external auditor's comments on the financial statements and follow up the actions taken about them.
8. To review the interim and annual financial statements before presenting them to the Board of Directors, and to give opinion and recommendations with respect thereto.
9. To review the accounting policies in force and advise the Board of Directors of any recommendation regarding them.

b) Formation of the Audit Committee and the number of its meetings:

S. N.	Name	Capacity	Number of Meetings Held During 2013
1.	Sami Mohamed Jalal	Chairman	Seven (7) meetings
2.	Mishaal Hamad Ali Kanoo	Member	
3.	Mohamed Al-Nader	Member	

Third: Nomination and Remuneration Committee

a) Duties and Responsibilities of the Nomination and Remuneration Committee

The Ordinary General Assembly approved in its meeting held on 17/6/1434 A. H. corresponding to 27/4/2013 the duties and standards of the Nomination and Remuneration Committee which includes the following:

1. To recommend to the Board of Directors appointments to membership of the Board in accordance with approved policies and standards; the Committee shall ensure that no person who has been previously convicted of any offense affecting honor or honesty is nominated for such membership.
2. Annual review of the requirement of suitable skills for membership of the Board of Directors and the preparation of a description of the required capabilities and qualifications for such membership.

3. Review the structure of the Board of Directors and recommend changes.
 4. Determine the points of strength and weakness in the Board of Directors and recommend remedies that are compatible with the Company's interest.
 5. Ensure on an annual basis the independence of the independent members (if any) and the absence of any conflict of interest in case a Board member also acts as a member of the Board of Directors of another company.
 6. Draw clear policies regarding the compensations and remunerations of the Board Members and Senior Executives; in laying down such policies, the standards related to performance shall be followed.
 7. Approve policies and regulations related to the remunerations and compensations of the employees.
 8. Review the Code of Conduct and recommend to the Board of directors suggestions related to change or amendments of such Code to be compatible with the regulatory requirements.
 9. Inspect the self assessments of the Senior Executives on a regular basis and report to the Board in accordance with the rules and duties approved in the meeting held on 17/6/1434 A. H. corresponding to 27/4/2013.
- c) Formation of the Nomination and Remuneration Committee and the number of its meetings:

S. N.	Name	Capacity	Number of Meetings Held During 2013
1.	Badr Abdul Aziz Kanoo	Chairman	Four (4) meetings
2.	Abdul Mohsin Fahad Al-Nafisi	Member	
3.	Abdullah Ali Al-Sanea	Member	

15. BOARD OF DIRECTORS' DECLARATIONS

The Board of Directors' declare that

1. The accounting records were properly prepared and in accordance with the accounting standards of the Saudi Organization for Certified Public Accountants, and that the internal control system was prepared on sound basis and was implemented effectively, and there is no doubt as to the Company's ability to continue as a going concern.
2. The Company hasn't entered into any contract in which there was a substantial interest for the CEO or the Financial Manager or anyone of the Senior Executives or any other person who may have a relationship with any of them.
3. The Company hasn't entered into any transactions or contracts in which there was a direct interest for any of its Board Members.
4. There are no transactions concluded during the year 2013 between the Company and any related party.
5. No loans from the Company were provided to any of the Board Members.
6. The External Auditor rendered an unqualified opinion on the financial statements of the Company.
7. The Company does not have any transfer rights or any subscriptions based on debt transferable instruments or contractual securities or subscription rights memoranda or similar rights issued or given by the Company during the year 2013.
8. There is no interest in the category of the shares eligible to vote belonging to persons informed the Company of those rights under Article 45 of the Listing Rules, and accordingly there is no any change in those rights during the last financial year.
9. There is no recovery, purchase or cancellation by the Company of any debt recoverable instruments during the year 2013..



10. The Company has not issued any debt transferable instruments or contractual securities or subscription rights memoranda or similar rights and consequently has not received any compensation during the year 2013.
11. There is no interest in the category of the shares eligible to vote.
12. There are no investments or reserves held for the benefits of employees.
13. There are no shares or debt instruments issued for the subsidiary companies because simply Chemanol has no subsidiary companies whether inside or outside KSA.
14. There are no arrangements or agreements under which a Board Member or any of the Senior Executives waived any salary or compensation
15. There are no arrangements or agreements under which a shareholder waived of any rights in the profits.

16. REMUNERATIONS AND COMPENSATIONS

The Company pays meeting attendance expenses and remunerations for its Board Members based in accordance with Company's Articles of Association. It also pays salaries and benefits to its Board Members and Senior Executives including CEO, Vice President; Operations, Financial Manager and the Board Secretary.

Description	Senior Executives	Non-executive & Independent Board Members	Board Executive Members
Salaries	3,135,400	None	There are no Board Executive Members
Allowances	661,854	168,000	
Annual Remunerations	1,269,166	1,826,673	
Total	4,066,420	1,994,673	

17. COMPANY'S DIVIDEND POLICY

In accordance with the Article 42 of the Company's Articles of Association the net profit shall be distributed as follows:

- a. Ten percent (10%) of the net profit to be put aside to form statutory reserve, and the Ordinary General Assembly may discontinue this provision when the statutory reserve reaches half of the capital.
- b. Ordinary General Assembly may, upon the proposal of the Board of Directors, set aside a specific percentage of the net profit to form contractual reserve which may be allocated for certain purpose/s.
- c. The balance of the net profit to be distributed to shareholders.

The General Assembly approved in its meeting held on 17/6/1434 A. H. corresponding to 27/4/2013 the distribution of cash dividends of SAR 60,300, 000 at SAR 0.50 per share for the year 2012, which represents 5% of the nominal value of the share. These dividends to be given, as of right, to the shareholders who are listed in the records of the Saudi Stock Exchange (Tadawul) as they appear at the end of trading session on the day on which the General Assembly is convened. The distribution of the cash dividends started on 11/7/1434 corresponding to 27/4/2013 by depositing directly into the respective shareholders banks accounts linked to the shareholders portfolios.

18. THE AUDITORS

The General Assembly approved in its meeting held on 17/6/1434 A. H. corresponding to 27/4/2013 the appointment of M/S KPMG as External Auditors to audit the Company's accounts for the financial year 2013, and determining their Audit annual and quarterly fees according to the recommendation of the Audit Committee.



19. CONCLUSION

We would like to express our gratitude and thanks to all employees for their sincere efforts and dedication in carrying out their tasks and duties. The Board also takes this opportunity to extend its thanks and appreciation to the shareholders for their continuing confidence and unflinching support and cooperation which have made this progress possible. We commit to making every effort to make significant and remarkable progress and achievements in the Company's activity next year.

ABDULLAH MOHAMMED AL-MAZRUI
CHAIRMAN OF THE BOARD OF DIRECTORS