

THE NATIONAL DETERGENT CO SAOG

CORPORATE GOVERNANCE REPORT

1. CORPORATE GOVERNANCE PHILOSOPHY

The National Detergent Co. SAOG is committed to the highest standards of corporate governance in all its activities. Key elements in corporate governance such as transparency, disclosure, internal control, risk management, internal and external communications of high standards are being practiced. The Board confirms that the Company follows the principles enlisted in the CMA's Code of Corporate Governance for MSM listed Companies.

The following is a report on the status and progress on the major aspects of corporate governance.

2. BOARD OF DIRECTORS

Composition: The Board consists of eight members with experience in various disciplines like finance, industry and trading. The present Board was reconstituted by re-election at the Annual General Meeting held on 21st March 2007 in accordance with the new rules and conditions for election of Directors prescribed for public joint stock companies. In line with the requirements spelt out under the Commercial Companies Law, the newly elected Board met separately to elect its Chairman and Vice – Chairman apart from reconstituting its Committees. Besides the Secretary to the Board was also duly nominated.

Board Meetings and Details of Board Members: During the year ended 2007, five meetings of the Board of Directors were held on the following dates, 14th February, 21st March, 24th April, 25th July and 27th October.

| Name of the Director | Representing | Position | Independent | No. of Meetings attended | Whether attended last AGM |
|-------------------------------------|-------------------------------------|--------------------------------|-------------|--------------------------|---------------------------|
| Abdul Hussain Bin Bhacker Al Lawati | Individual | Chairman Non Executive | Yes | 4 | Yes |
| Redha Baqir Al Lawati | Individual | Vice Chairman Non Executive | Yes | 3 | Yes |
| Anwar Ali Sultan | W J Towell & Co. | Non Executive | Yes | 3 | Yes |
| Mohammed Abdul Hussain Bhacker | Bhacker Suleiman Jaffer Co. | Non Executive | No | 4 | Yes |
| Ali Malallah Habib Al Lawati * | Individual | Non Executive | Yes | 1 | Yes |
| T M Arsiwalla | National Heaters Industries Co. LLC | Non Executive | Yes | 5 | Yes |
| Mahdi Abdul Baqi | Zubair Enterprises LLC | Non Executive | Yes | 2 | Yes |
| V Venkataraman | Wilayat Holding Co. Ltd. LLC | Non Executive | Yes | 4 | Yes |
| V Sundaresan | Al Habib & Co. | Executive | No | 5 | Yes |

* Mr. Ali Malallah Habib Al Lawati resigned as a Director w.e.f. 21st March, 2007.

Other Directorships held during the year:

| Name of the Director | Name of the Company | Position Held |
|-------------------------------------|---|----------------------------------|
| Abdul Hussain Bin Bhacker Al Lawati | - | - |
| Redha Baqir Al Lawati | The National Biscuit Industries Ltd. Saog ** Sweets of Oman Saog Keemya Oman Saog * | Chairman Chairman Director |
| Anwar Ali Sultan | Majan Glass Co. Saog Oman Fisheries Co. Saog | Chairman Director |
| Mohammed Abdul Hussain Bhacker | Keemya Oman Saog * The National Biscuit Industries Ltd. Saog ** Sweets of Oman Saog | Chairman Director Director |
| T M Arsiwalla | Oman Textile Holding Co. Saog Areej Vegetable Oils & Derivatives Saog | Chairman Director |
| Mahdi Abdul Baqi | National Biscuits Industries Ltd. Saog Sweets of Oman Saog Oman Abrasives | Director Director Director |
| V Venkataraman | - | - |
| V Sundaresan | - | - |

* Under voluntary liquidation.

** Part of the year.

3. AUDIT COMMITTEE

Composition and Meetings: The Committee was elected in 2007, comprising of three independent non-executive directors. The statutory auditors, internal auditors and the senior management personnel are invited to attend the meetings of the Committee as required. Besides the Committee also met the external auditors independently on different occasions during the year. The Committee met four times during the year on the following dates, 13th February, 22nd April, 24th July and 23rd October.

| Name of the Member | No. of meetings attended | Position |
|--|--------------------------|----------|
| Redha Baqir Al Lawati | 3 | Chairman |
| Mohammed Abdul Hussain Bhacker (Alternate to Mr. Redha Baqir) | 1 | Member |
| T M Arsiwalla | 4 | Member |
| Mahdi Abdul Baqi ** | 2 | Member |
| Ali Malallah Habib Al Lawati * | 1 | Member |

* Mr. Ali Malallah Habib Al Lawati resigned as a Director and Audit Committee Member w.e.f. 21st March, 2007.

** Mr. Mahdi Abdul Baqi has joined as an Audit Committee member w.e.f. 21st March 2007.

Role of Audit Committee:

The role of the Audit Committee covers the matters specified under the Code of Corporate Governance, which includes: -

Overseeing the financial reporting process and disclosure of financial information in general and with particular reference to review the annual and quarterly financial statements before submission to the Board.

Reviewing any change in accounting policy and practices and any departure from International Financial Reporting Standards (IFRS).

Reviewing the adequacy of the internal control system through the reports of the internal and external auditors.

Reviewing risk management polices of the company and ensuring its adequacy.

Reviewing proposed transactions with related parties for making suitable recommendation to the Board.

Overseeing the internal audit function in general with particular reference to reviewing the scope of the internal audit plan for each year.

Considering the choice of statutory auditors, determining their fees and terms of engagement and recommending their appointment.

The Committee also holds discussions with the external and internal auditors independent of the management wherever necessary apart from serving as a channel of communication between the auditors and the Board.

4. EXECUTIVE COMMITTEE

The Company has in place a duly constituted Executive Committee comprising three independent non-executive directors. The Committee met twice during 2007. During these meetings, the Committee discussed and reviewed the operating budget, the proposed increments payable to the senior management personnel of the Company and the strategic acquisition proposal and suitable recommendations were made to the Board for necessary approvals. Besides, the Committee also met on other occasions to review the significant market developments and had discussions with management on major operational issues. The Committee is delegated with appropriate powers and authority for guiding the management in the smooth running of the operations of the company.

| Name of the Member | No. of meetings attended | Position |
|--|--------------------------|----------|
| Redha Baqir Al Lawati | 1 | Chairman |
| Mohammed Abdul Hussain Bhacker (Alternate to Mr. Redha Baqir) | 2 | Member |
| T M Arsiwalla | 2 | Member |
| Mahdi Abdul Baqi | 0 | Member |

5. REMUNERATION MATTERS

Sitting fees amounting to RO 6,200 are payable for meetings during the year and no Directors' remuneration has been proposed for the year.

Management Remuneration: The salary, benefits, bonus, gratuity, pension paid during the year to the top five officers is given below. Bonus/incentive/ex-gratia is paid after annual evaluation and achievement of key tasks, which are set at the beginning of each year. The service contracts are for a two-year term with a notice period of three months on either side.

| Details | RO |
|----------------------------|---------|
| Salaries | 95,824 |
| Allowances and Perquisites | 39,455 |
| Bonus/Incentive/Exgratia | 7,775 |
| Terminal Benefits/GOSI | 8,367 |
| Total | 151,421 |

6. CMA/MSM REGULATIONS

The Company has generally complied with CMA/MSM regulations during the last three years and non-compliance is reported separately.

7. MEANS OF COMMUNICATION WITH SHARE HOLDERS AND INVESTORS

The Company publishes quarterly results, one each in Arabic and English daily as per the CMA regulations. Soft copy as well as hard copy is being submitted to CMA to host on their site for access by shareholders.

The Management Discussion and Analysis Report forms a part of the Annual Report.

The Company has its own web site in which the profile as well as the results updation is done periodically. The web site address is www.ndcoman.com

The dates of the Shareholders meeting held during the past two years are given below.

| Financial Year | Date of Meeting | Type of Meeting | Venue | Time |
|----------------|-----------------|-----------------|--|-----------|
| 2007 | 21 March 2007 | OGM | At the Factory premises located in Ghubrah | 5.00 P.M. |
| 2007 | 21 March 2007 | EOGM | At the Factory premises located in Ghubrah | 4.30 P.M. |
| 2006 | 27 March 2006 | OGM | At the Factory premises located in Ghubrah | 5.00 P.M. |

8. MARKET PRICE DATA

The details of the high and low prices of the company's shares traded in various months during 2007, the MSM share price index and the MSM index for industry sector shares traded are given below.

| Month | Jan | Feb | Mar | Apr | May | Jun | Aug | Sep | Oct | Nov |
|--------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| High – RO | 1.350 | 1.410 | 1.300 | 1.420 | 2.190 | 2.000 | 2.200 | 2.150 | 2.300 | 2.400 |
| Low – RO | 1.240 | 1.350 | 1.300 | 1.300 | 1.400 | 2.000 | 2.000 | 2.150 | 2.250 | 2.300 |
| MSM Share price Index | 5,770 | 5,773 | 5,550 | 5,795 | 6,202 | 6,339 | 6,650 | 6,987 | 8,021 | 8,443 |
| MSM Index for Industry Sector shares | 5,272 | 5,297 | 5,243 | 5,574 | 5,652 | 5,986 | 6,231 | 6,692 | 7,210 | 7,750 |

9. DISTRIBUTION OF SHAREHOLDING

The Directors and the Corporate represented by the respective directors hold 35.9% (2006 – 58.21%) of the shares, 40.6% (2006 – 19.65%) of the shares are held by two major shareholders and the balance 23.5% (2006 – 22.14%) shares are held by public. Information on shareholders' holding more than 10% is furnished in note 18 to the financial statements.

10. AREAS OF NON-COMPLIANCE WITH PROVISIONS OF CORPORATE GOVERNANCE

The Company has complied with the all regulations of the CMA/MSM and there are no penalties or strictures imposed on the company on any matter related to capital markets during the last three years.

11. PROFILE OF STATUTORY AUDITORS

M/s KPMG have audited the financial statements for the year under review. KPMG is an international firm of public accountants operating in 159 countries from 821 offices and having more than 100,000 professional staff. The KPMG Oman office, which was opened in 1975, has 70 employees including 3 partners and 12 managers. KPMG were appointed as our statutory auditors from 2004.

12. RELATED PARTY TRANSACTIONS

The transactions with related parties are disclosed in note 16 to the Accounts in the Annual Report.

13. COMPLIANCE WITH INTERNAL REGULATIONS AND CONTROL SYSTEM

The Company understands its liability in preparing the financial statements in accordance with the applicable International Accounting Standards and the disclosure requirements of the Capital Market Authority and other applicable rules.

The company has been constantly monitoring and upgrading its internal control procedures and systems in compliance with the local laws and regulations. As a part of this process, the internal controls, procedures manuals and guidelines as recommended by the Capital Market Authority have been implemented from 2003. The Board, through the appointment of an external firm as internal auditor; Audit Committee's regular involvement in the review process; and based on the periodical reports submitted by the internal auditor, have reviewed the internal controls and procedures adopted by the Company and found them to be effective.

We confirm according to our knowledge there is no material things that affect the continuation of the Company and its ability to continue its operations during the next financial year.
