

THE NATIONAL DETERGENT COMPANY SAOG

Financial statements

31 December 2007

Principal place of business:

Detergent Powder Unit:

National Detergent Factory
Way No. 3605
Al Ghubrah
Sultanate of Oman

Liquid & Soap Unit:

Road No. 2 & 13
Rusayl Industrial Estate
Sultanate of Oman

Sulphonation Unit:

Way No. 6421
Ghala Industrial Estate
Sultanate of Oman

Registered office:

P.O. Box 3104
Ruwi, Postal Code 112
Sultanate of Oman

THE NATIONAL DETERGENT CO. SAOG

Financial statements

31 December 2007

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INDEPENDENT AUDITORS' REPORT TO THE SHARE HOLDERS OF NATIONAL DETERGENT CO. SAOG

Report on the financial statements

We have audited the financial statements of National Detergent Co. SAOG ("the Company") set out on pages 2 to 21, which comprise the balance sheet as at 31 December 2007 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management responsibility for the financial statements

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the disclosure requirements of the Capital Market Authority and the Commercial Companies Law of 1974, as amended. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2007 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In our opinion, the financial statements of National Detergent Co. SAOG as at and for the year ended 31 December 2007, in all material respects, comply with:

- the relevant disclosure requirements of the Capital Market Authority; and
- the Commercial Companies Law of 1974, as amended.

THE NATIONAL DETERGENT CO. SAOG

Income statement

for the year ended 31 December

	<i>Note</i>	2007 RO	2006 RO
Revenue	<i>16&19</i>	12,447,486	10,145,510
Cost of sales	<i>4&16</i>	(10,417,176)	(8,391,302)
Gross profit		2,030,310	1,754,208
Selling and distribution expenses	<i>5</i>	(1,056,929)	(1,011,685)
Administrative and general expenses	<i>6</i>	(559,786)	(509,793)
Government grants	<i>17</i>	46,055	52,797
Other income		35,804	37,876
Profit from operations		495,454	323,403
Financial charges	<i>15&17</i>	(192,001)	(197,505)
Financial income	<i>8</i>	24,946	22,489
Share of loss in associates	<i>10</i>	(5,995)	(9,280)
Profit before tax		322,404	139,107
Income tax	<i>20</i>	(33,208)	(4,656)
Net profit for the year		289,196	134,451
Basic profit per share (Bzs.)	<i>21</i>	170	79

The notes on pages 6 to 21 form part of these financial statements.

The report of the Auditors is set out on page 1.

THE NATIONAL DETERGENT CO. SAOG**Balance sheet***as at 31 December*

	<i>Note</i>	2007 RO	2006 RO
Assets			
Property, plant and equipment	9	8,299,345	5,000,612
Investment in associates	10	126,341	132,336
Total non-current assets		8,425,686	5,132,948
Inventories	11	2,044,803	2,267,880
Trade and other receivables	12&16	2,836,736	2,207,019
Cash at bank and in hand	13	937,876	443,116
Total current assets		5,819,415	4,918,015
Total assets		14,245,101	10,050,963
Equity			
Share capital	18(a)	1,701,250	1,701,250
Share premium	18(b)	364,263	364,263
Legal reserve	18(c)	542,365	513,445
Retained earnings		643,839	553,688
Proposed Dividend		170,125	-
Revaluation reserve	9&18(d)	4,676,682	1,561,482
Total equity		8,098,524	4,694,128
Liabilities			
Term loan excluding current maturities	17	752,311	964,556
Deferred Government grant	17	106,478	152,533
Deferred tax liability	20	676,952	220,340
Total non-current liabilities		1,535,741	1,337,429
Bank borrowings	15	1,841,893	1,612,202
Trade and other payables	14&16	2,515,943	2,200,704
Current maturities of term loans	17	253,000	206,500
Total current liabilities		4,610,836	4,019,406
Total liabilities		6,146,577	5,356,835
Total equity and liabilities		14,245,101	10,050,963
Net assets per share (RO)	22	4.760	2.759

The notes on pages 6 to 21 form part of these financial statements.

These financial statements were approved by and authorised for issue by the Board of Directors on _____ and signed on their behalf by:

Chairman

Director & General Manager

The report of the Auditors is set out on page 1.

THE NATIONAL DETERGENT CO. SAOG

Statement of changes in equity

for the year ended 31 December 2007

	Share capital RO	Share premium RO	Legal reserve RO	Retained earnings RO	Revaluation reserve RO	Proposed Dividend RO	Total RO
1-Jan-06	1,701,250	364,263	500,000	432,682	939,410	-	3,937,605
Revaluation reserve	-	-	-	-	835,001	-	835,001
Transfer to legal reserve	-	-	13,445	(13,445)	-	-	-
Deferred tax liability	-	-	-	-	(212,929)	-	(212,929)
Net Profit for the year	-	-	-	134,451	-	-	134,451
31-Dec-06	1,701,250	364,263	513,445	553,688	1,561,482	-	4,694,128
Net profit for the year	-	-	-	289,196	-	-	289,196
Transfer to legal reserve	-	-	28,920	(28,920)	-	-	-
Revaluation reserve	-	-	-	-	3,540,000	-	3,540,000
Proposed Dividend	-	-	-	(170,125)	-	170,125	-
Deferred tax liability (see note 20)	-	-	-	-	(424,800)	-	(424,800)
31-Dec-07	1,701,250	364,263	542,365	643,839	4,676,682	170,125	8,098,524

The notes on pages 6 to 21 form part of these financial statements.

The report of the Auditors is set out on page 1.

Cash flow statement*for the year ended 31 December*

	2007	2006
	RO	RO
Operating activities		
Profit before income tax	322,404	139,107
<i>Add (less):</i>		
Depreciation	336,472	350,464
Profit on disposal of property, plant and equipment	(2,580)	(1,722)
Loss on results of associate companies	5,995	9,280
Interest expense (net)	145,946	144,708
Interest received	(148)	(4,698)
	<hr/>	<hr/>
Operating profit before changes in working capital	808,089	637,139
Decrease in inventories	223,077	303,416
Decrease (increase) in trade and other receivables	(629,717)	162,434
Increase in trade and other payables	313,842	152,488
Interest paid	(145,946)	(144,708)
Interest received	148	4,698
	<hr/>	<hr/>
Cash flows from operating activities	569,493	1,115,467
	<hr/>	<hr/>
Investing activities		
Acquisitions of property, plant and equipment	(95,204)	(113,596)
Proceeds from disposal on property, plant and equipment	2,580	1,722
	<hr/>	<hr/>
Cash flows from investing activities	(92,624)	(111,874)
	<hr/>	<hr/>
Financing activities		
Long term loan repaid	(211,800)	(160,000)
Long term loan taken	-	465,000
Joint and proportionate guarantee paid	-	(107,277)
	<hr/>	<hr/>
Cash flows from (used in) financing activities	(211,800)	197,723
	<hr/>	<hr/>
Net increase in cash and cash equivalents	265,069	1,201,316
Cash and cash equivalents at the beginning of the year	(1,169,086)	(2,370,402)
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	(904,017)	(1,169,086)
	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalent comprise:		
Cash at bank and in hand	937,876	443,116
Bank borrowings	(1,841,893)	(1,612,202)
	<hr/>	<hr/>
	(904,017)	(1,169,086)
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The notes on pages 6 to 21 form part of these financial statements.

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THE NATIONAL DETERGENT CO. SAOG

Notes (*forming part of the financial statements*)

1 **Legal status and principal activities**

The National Detergent Company SAOG ("the Company") is an Omani joint stock company engaged in manufacture and sale of detergents, liquid soaps and home care products.

On 26 January 2005, the Company acquired the remaining 80.5% of the share capital of its associate investment Bausher Chemicals SAOG ("BC"), which was engaged in manufacture and sale of surface-active agents.

The Company entered into a Memorandum of Understanding ("the MOU") with certain major shareholders ("the Sellers") of a publicly quoted detergent manufacturer ("the Target") in Oman dated 15 January 2008. Under the MOU, the Company proposes to purchase from the Sellers at least 76% of the shares in the Target, subject to completion of conditions precedent in the MOU, which include:

- Capital Market Authority and other relevant Omani Government authority approvals;
- Completion of technical, financial and legal due diligence; and
- Approval by the shareholders of the Company of the acquisition at Extra-ordinary General Meeting.

The MOU further prescribes that in the event a definitive share purchase agreement is not executed on or before 60 days (or such time agreed between the parties to the MOU), the MOU shall terminate with no liability to any party.

2. **Basis of preparation**

(a) *Statement of compliance*

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), the disclosure requirements of the Capital Market Authority and the Commercial Companies Law of 1974, as amended.

(b) *Basis of preparation*

The financial statements have been prepared on the historical cost basis except for the following:

- (i) Government soft loan is stated at amortised cost; and
- (ii) certain land is stated at revalued amount.

(c) *Functional and presentation currency*

These financial statements are presented in Rial Omani, which is the Company's functional currency.

(d) *Use of estimates and judgement*

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

THE NATIONAL DETERGENT CO. SAOG

Notes (forming part of the financial statements)

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Foreign currencies

Transactions denominated in foreign currencies are translated to the Company's functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting dates are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognized in the profit or loss.

(b) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Land is stated at revalued amount.

Land is revalued periodically to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. The market value of the land is considered as fair value. An independent valuer report is obtained to ascertain the market value.

Cost include expenditure that is directly attributable to the acquisition of the asset. Costs include any other cost that is directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of day to day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each art of an item of property, plant and equipment. Land is not depreciated.

The estimated useful economic lives are as follows:

	<i>Years</i>
Buildings	20-33
Plant and machinery	4-20
Furniture, fixtures and office equipment	3-5
Motor vehicles	4

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Management periodically reassess the useful lives, residual values and depreciation methods for property, plant and equipment.

(c) Investments in associate

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. The financial statements include the Company's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds its interest in an associate, the Company's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that Company has incurred legal or constructive obligations or made payments on behalf of an associate.

THE NATIONAL DETERGENT CO. SAOG

Notes (forming part of the financial statements)

3 Significant accounting policies (continued)

(d) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(e) Trade and other receivables

Trade and other receivables are stated at amortised cost less impairment losses.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances. Bank borrowings that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(g) Impairment

The recoverable amount of the Company's receivables is calculated as the present value of future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted. Collective provisions are maintained in respect of losses which are incurred but not yet specifically identified within the portfolio of receivables. The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of receivables is reversed if the subsequent increase in a recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Borrowings

Borrowings are recognised initially at cost, less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(i) Deferred Government grant

Interest subsidy is recognised in the balance sheet initially as a deferred Government grant when there is reasonable assurance that it will be received and that the Company will comply with the conditions attached to it. This deferred Government grant is amortised over the life of the loans to which it relates on a systematic basis in the same periods in which the interest expense is incurred. Amortisation of the deferred Government grant is recognised in the income statement.

(j) Employee benefits

Obligations for contributions to a defined contribution retirement plan, for Omani employees, in accordance with the Oman Social Insurance Scheme, are recognized as an expense in the income statement as incurred.

The Company's obligation in respect of non-Omani terminal benefits, under defined contribution

retirement plan, is the amount of future benefit that such employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value. The discount rate used reflects current market assessments of the time value of money.

THE NATIONAL DETERGENT CO. SAOG**Notes** *(forming part of the financial statements)***3 Significant accounting policies** *(continued)**(k) Provisions*

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(l) Trade and other payables

Trade and other payables are stated at amortised cost.

(m) Revenue

Revenue from the sale of goods is stated at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(n) Operating leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

(o) Financing costs and income

Financing costs comprise interest payable on borrowings calculated on effective yield method and foreign exchange losses. Finance income comprises dividend income, interest income and Government interest subsidy. Interest income and expense are recognised as they accrue using the effective interest rate method. Dividend income is recognised in the income statement on the date that the right to receive payment is established.

(p) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Earning per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

THE NATIONAL DETERGENT CO. SAOG

Notes (forming part of the financial statements)

3 Significant accounting policies (continued)

(r) Director's remuneration

The total remuneration paid to non-executive directors comprising sitting fees and remuneration is in accordance with the provisions and is within the limits of the Commercial Companies Law, the CMA guidance and the Articles of Association of the Company. Director's remuneration is recognised as an expense in the income statement.

(s) Dividends

Dividends are recommended by the Board after considering the profit available for distribution and the Company's future cash requirements and are subject to approval by the shareholders at Annual General Meeting. Dividends are recognized as a liability in the period in which they are declared.

(t) Segment reporting

A segment is a distinguishable component of the Company engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), where it is subject to risks and rewards that are different from those of other segments.

4	Cost of sales	2007	2006
		RO	RO
	Materials consumed	8,612,955	6,717,719
	Conversion costs	1,324,083	1,215,143
	Freight and handling charges	480,138	458,440
		10,417,176	8,391,302
		<u><u> </u></u>	<u><u> </u></u>
5	Selling and distribution expenses	2007	2006
		RO	RO
	Advertisement and sales promotion	537,825	501,945
	Other selling costs	519,104	509,740
		1,056,929	1,011,685
		<u><u> </u></u>	<u><u> </u></u>
6	Administrative and general expenses	2007	2006
		RO	RO
	Employee related costs	292,875	285,844
	Administrative expenses	185,211	143,915
	Depreciation and amortization	42,921	46,173
	Other expenses	38,779	33,861
		559,786	509,793
		<u><u> </u></u>	<u><u> </u></u>

THE NATIONAL DETERGENT CO. SAOG**Notes** (forming part of the financial statements)

7	Employee related costs	2007	2006
		RO	RO
	Employee related costs included under notes 4, 5 and 6 comprise:		
	Wages and salaries	812,752	778,770
	Other benefits	132,568	93,999
	End of service benefits	76,732	72,934
	Other costs	24,843	19,482
		1,046,895	965,185

The number of employees as on 31 December 2007 were 239 (2006: 235).

8	Financial income	2007	2006
		RO	RO
	Interest income	148	4,698
	Foreign exchange difference	24,798	17,791
		24,946	22,489

9 Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Plant & machinery</u>	<u>Furniture, Fixtures & office equipment</u>	<u>Motor vehicles</u>	<u>Capital work in progress</u>	<u>Total</u>
	RO	RO	RO	RO	RO	RO	RO
<i>Cost / valuation</i>							
1 January 2007	2,460,000	2,055,459	4,325,031	550,076	314,141	4,050	9,708,757
Additions	-	3,200	51,830	17,567	13,900	15,657	102,154
Disposal	-	-	-	-	(10,050)	(6,949)	(16,999)
Revaluation*	3,540,000	-	-	-	-	-	3,540,000
31 December 2007	6,000,000	2,058,659	4,376,861	567,643	317,991	12,758	13,333,912
<i>Depreciation</i>							
1 January 2007	-	1,194,917	2,691,416	520,063	301,749	-	4,708,145
Charge for the year	-	63,715	229,836	-	-	-	293,551
Administrative and general expenses	-	23,666	-	15,764	3,491	-	42,921
Disposal	-	-	-	-	(10,050)	-	(10,050)
31 December 2007	-	1,282,298	2,921,252	535,827	295,190	-	5,034,567
<i>Net Book Value</i>							
31 December 2007	6,000,000	776,361	1,455,609	31,816	22,801	12,758	8,299,345

* = please refer note 18 (d)

THE NATIONAL DETERGENT CO. SAOG

Notes (forming part of the financial statements)

9	Property, plant and equipment (continued)	Land	Buildings	Plant &	Furniture,	Motor	Capital	Total
		RO	RO	machinery	& office	vehicles	work in	RO
		RO	RO	RO	equipment	RO	progress	RO
<i>Cost / valuation</i>								
	1 January 2006	1,624,999	2,049,959	4,246,363	537,247	309,520	-	8,768,088
	Additions	-	5,500	78,668	12,829	12,550	4,050	113,597
	Disposal	-	-	-	-	(7,929)	-	(7,929)
	Revaluation	835,001	-	-	-	-	-	835,001
	31 December 2006	2,460,000	2,055,459	4,325,031	550,076	314,141	4,050	9,708,757
<i>Depreciation</i>								
	1 January 2006	-	1,116,546	2,438,076	503,647	307,341	-	4,365,610
	Charge for the year:							
	Cost of sales	-	59,067	253,340	-	-	-	312,407
	Administrative and general expenses	-	19,304	-	16,416	2,337	-	38,057
	Disposal	-	-	-	-	(7,929)	-	(7,929)
	31 December 2006	-	1,194,917	2,691,416	520,063	301,749	-	4,708,145
<i>Net Book Value</i>								
	31 December 2006	2,460,000	860,542	1,633,615	30,013	12,392	4,050	5,000,612
10	Investment in associates					2007		2006
						RO		RO
<i>Initial investment</i>								
	Keemya Oman SAOG					314,075		314,075
	Middle East Detergent Manufacturing and Trading WLL					176,805		176,805
						490,880		490,880
<i>Share of retained earnings (accumulated losses)</i>								
	Keemya Oman SAOG					(314,075)		(314,075)
	Middle East Detergent Manufacturing and Trading WLL					(50,464)		(44,469)
						(364,539)		(358,544)
	Investment in associates					126,341		132,336

Investment in associates comprises 17.11% equity interest in Keemya Oman SAOG and 40% equity interest in Middle East Detergent Manufacture & Trading WLL. Keemya Oman SAOG is registered in the Sultanate of Oman currently under voluntary liquidation and Middle East Detergent Manufacture & Trading WLL is registered in Bahrain.

As at 31 December 2007, the Company's share in results of associate companies is based on un-audited management accounts of the underlying investee company as at and for the year ended 31 December 2007. The Board of Directors believe that the effect of any changes to the un-audited results following an audit would not be material to the amounts recorded in these financial statements.

Middle East Detergent Manufacture & Trading WLL, Bahrain ("MEDM")

As part of its strategy of consolidation, the Company has made efforts to identify a suitable buyer and a Memorandum of Understanding has been signed with a potential buyer for MEDM. The documentation process to finalise and register the transaction in Bahrain is currently under progress and it is hoped that this would be completed by March 2008.

THE NATIONAL DETERGENT CO. SAOG

Notes (forming part of the financial statements)

11 Inventories	2007 RO	2006 RO
Raw and packing materials	1,416,730	1,598,594
Finished goods	492,382	504,054
Stores and consumable spares	86,828	94,414
Material in transit	48,863	70,818
	<u>2,044,803</u>	<u>2,267,880</u>
Finished goods at 31 December 2007 represent 16 days sales (2006 17 days).		
12 Trade and other receivables		
Trade receivable	2,967,288	2,380,256
Less: provision for impairment losses on receivables	(218,324)	(212,250)
	<u>2,748,964</u>	<u>2,168,006</u>
Other receivables	85,089	31,227
Due from related parties (see note 16)	2,683	7,786
	<u>2,836,736</u>	<u>2,207,019</u>
13 Cash at bank and in hand		
Cash at bank	937,107	442,055
Cash in hand	769	1,061
	<u>937,876</u>	<u>443,116</u>
14 Trade and other payables		
Trade payables	1,492,411	1,271,222
Due to related parties (see note 16)	60,315	56,465
Other payables	574,875	497,089
End of service benefits	388,342	375,928
	<u>2,515,943</u>	<u>2,200,704</u>
15 Bank borrowings		

The Company has obtained credit facilities comprising overdrafts, loans against trust receipts, letters of credit, short term loan and bill discounting facilities from commercial banks in the aggregate amount of RO 6.20 million. Interest is charged at rates ranging between 4 % and 8 % per annum (2006: 4% to 8%).

THE NATIONAL DETERGENT CO. SAOG

Notes (forming part of the financial statements)

16 Related party transactions

The Company has related party relationships with its associates, Directors and executive officers, certain shareholders and with companies over which its directors, officers and shareholders are able to exercise significant influence. In the ordinary course of business, the Company sells goods to related parties and purchases goods and services from related parties. These transactions were entered into on terms and conditions, which the Directors' believe could be obtained on an arm's length basis from independent third parties.

During the year, related party transactions were as follows:	2007 RO	2006 RO
<i>Sales to:</i>		
Entities related to Directors	24,822	37,438
Entities related to shareholders holding 10% or more interest in the Company	7,268	37,345
Associate	43,258	215,254
	<u>75,348</u>	<u>290,037</u>
<i>Purchases of goods and service from:</i>		
Entities related to Directors	34,914	38,019
Entities related to shareholders holding 10% or more interest in the Company	139,049	128,116
Associate	295,996	705,767
	<u>469,959</u>	<u>871,902</u>
<i>Salaries and allowances paid to Directors:</i>		
Board of Directors – sitting fees	6,200	5,400
	<u>6,200</u>	<u>5,400</u>
Amounts due from / to related parties at the year-end are as follows:		
<i>Due from related parties:</i>		
Entities related to Directors	2,683	933
Entities related to shareholders holding 10% or more interest in the Company	-	5,313
Associates	-	1,540
	<u>2,683</u>	<u>7,786</u>
<i>Due to related parties:</i>		
Entities related to Directors	2,819	5,098
Entities related to shareholders holding 10% or more interest in the Company	17,063	-
Associates	40,433	51,367
	<u>60,315</u>	<u>56,465</u>
The key management personnel compensation is as follows:		
Short-term employee benefits	56,211	51,635
Post-employment benefits	3,250	3,250
	<u>59,461</u>	<u>54,885</u>

THE NATIONAL DETERGENT CO. SAOG**Notes** (forming part of the financial statements)

17	Term loan	2007	2006
		RO	RO
	<i>Non-current liabilities:</i>		
	Secured Government loans	693,289	858,589
	Deferred Government grant	(106,478)	(152,533)
		586,811	706,056
	Less: current maturities	(160,000)	(160,000)
		426,811	546,056
	Term Loan from Bank Muscat	418,500	465,000
	Less: current maturity	(93,000)	(46,500)
		752,311	964,556

Term loans repayment schedule is as follows:

	<u>Total</u>	<u>Under</u>	<u>1-2</u>	<u>2-5</u>
	<u>RO</u>	<u>1 year</u>	<u>years</u>	<u>years</u>
	<u>RO</u>	<u>RO</u>	<u>RO</u>	<u>RO</u>
Secured Government loans	693,289	160,000	160,000	373,289
Term loan from Bank Muscat	418,500	93,000	93,000	232,500

The Company has obtained an interest free loan from the Government of the Sultanate of Oman, secured by a registered first mortgage of the Company's property, plant and equipment located at Ghubrah and Rusayl industrial estate. The loan is repayable in ten equal annual instalments of RO 60,000 each, commencing 1 July 2003.

The Company has acquired the Government loan from the former Bausher Chemicals SAOG. The former Bausher Chemicals SAOG had obtained a loan at 3% interest from the Government of the Sultanate of Oman, which is secured by a registered first mortgage of property, plant and equipment located at Ghala industrial estate. The loan is repayable in ten equal annual instalments of RO 100,000 each, commencing 31 October 2002.

The Company has obtained a term loan for 5 years from Bank Muscat @ 6 months LIBOR + 1.5%. The loan is to be paid in 20 quarterly instalments of RO 23,250 commencing from 30th September 2007.

Loans from the Government are stated at amortised cost. The amortised cost has been determined by management using the effective interest rate method. The effective interest rate was 8.5% per annum. The Government subsidy on loans is recognised in the balance sheet as 'deferred Government grant' and amortised over the life of the loan to which the subsidy relates on a systematic basis in the same periods in which the loan is repaid. The amortisation of the deferred government grant for the year 2007 amounts to RO 46,055 (2006: RO 52,797) and is recognised in the income statement.

18 **Equity***(a) Share capital*

The Company's authorised, issued and subscribed share capital comprises 1,701,250 ordinary shares of RO 1 each. At 31 December 2007, the following shareholders held 10% or more of the shares of the Company:

	2007		2006	
	(%)	RO	(%)	RO
Oman International Development and Investment Co.	20.9	356,170	20.9	356,170
Dr. Omar Bin Abdul Muniem Al Zawawi	19.7	334,267	19.7	334,267
Bhacker Suleiman Jaffer Co.	13.7	233,822	13.7	233,822
Abdul Hussain Bin Bhacker Al Lawati	10.1	171,882	10.1	171,882

THE NATIONAL DETERGENT CO. SAOG**Notes** (forming part of the financial statements)**18 Equity (continued)**

(b) <i>Share premium</i>	2007	2006
	RO	RO
1 January 2007	364,263	364,263
31 December 2007	364,263	364,263

(c) *Legal reserve*

Article 106 of the Commercial Companies Law of 1974 requires that 10% of a company's net profit be transferred to a non-distributable legal reserve until the amount of legal reserve equals one-third of the company's issued share capital.

(d) *Revaluation reserve*

Land owned by the Company has been revalued on 23 December 2007 by an independent professional valuer on an open market basis. The gross carrying amount of the land is restated so that the net carrying amount of the asset after its revaluation equals its revalued amount and the surplus on revaluation is credited to revaluation reserve. The Board of Directors believe that the fair value of the land at 31 December 2007, is not materially different from the valuation done as of 23 December 2007.

(e) *Proposed dividend*

The Board of Directors, at their meeting held on 25 February 2008 proposed a cash dividend of RO 0.100 per share (2006: Nil per share) totaling to RO 170,125 (2006: RO Nil) which is subject to the approval of shareholders at the Annual General Meeting.

19 Segmental reporting

The Company has only one business segment, namely, detergents, liquid soap and homecare products. Information on the geographical segments is provided as follows:

	GCC countries		Others		Total	
	2007	2006	2007	2006	2007	2006
	RO	RO	RO	RO	RO	RO
Revenue	8,553,739	8,261,800	3,893,747	1,883,710	12,447,486	10,145,510
Receivables	2,358,024	2,030,813	390,940	137,193	2,748,964	2,168,006

The Board of Directors believes that providing additional segment information on the basis of the geographical location of the customers is not in the commercial interests of the Company.

20 Income tax (expense) income**Recognised in the income statement**

	2007	2006
	RO	RO
Current tax:		
- Current year	(1,396)	-
- Prior years	-	-
	(1,396)	-
Deferred tax:		
- Origination and reversal of temporary differences	(34,412)	(16,309)
- Prior years	2,600	11,653
	(31,812)	(4,656)
Total income tax expense	(33,208)	(4,656)

The Company is subject to income tax at the rate of 12% on taxable income in excess of RO 30,000.

THE NATIONAL DETERGENT CO. SAOG

Notes (forming part of the financial statements)

20 Income tax (expense) income (continued)

Reconciliation of income tax expense

The following is a reconciliation of income taxes calculated at the applicable tax rate with the income tax expense:

	2007 RO	2006 RO
Profit before tax	322,404	139,107
Income tax at the rate mentioned above	(35,089)	(16,693)
Expenses not allowable	-	(1,114)
Tax exempt revenue	(719)	1,498
Under provided deferred tax in prior years	-	11,653
Others	2,600	-
Income tax (expense) income	<u>(33,208)</u>	<u>(4,656)</u>

Status of tax assessments

The income tax assessment of the Company for the years 2004 to 2006 have not yet been finalised by the Secretariat General for Taxation at the Ministry of Finance. The Board of Directors believe that additional tax, if any, in respect of the open tax years would not be material to the financial position of the Company at 31 December 2007.

Deferred tax asset (liability)

Deferred tax asset (liability) is attributable to the following:

	1 January 2007 RO	Recognised in income RO	Recognised in equity RO	31 December 2007 RO
Receivables	25,470	729	-	26,199
Property plant and equipment	(278,683)	(3,425)	(424,800)	(706,908)
Provision for inventories	2,265	1,492	-	3,757
Losses carried forward	30,608	(30,608)	-	-
Net deferred tax liability	<u>(220,340)</u>	<u>(31,812)</u>	<u>(424,800)</u>	<u>(676,952)</u>

21 Profit per share

Profit per share is calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year as follows:

	2007 RO	2006 RO
Net profit for the year (RO)	289,196	134,451
Weighted average number of shares outstanding during the year	<u>1,701,250</u>	<u>1,701,250</u>
Profit per share (Bzs)	<u>170</u>	<u>79</u>

THE NATIONAL DETERGENT CO. SAOG

Notes (forming part of the financial statements)

22 Net assets per share

Net assets per share is calculated by dividing the net assets at the year end by the number of shares outstanding at 31 December as follows:

	2007	2006
	RO	RO
Net assets (RO)	8,098,524	4,694,128
Number of shares in issue at 31 December	1,701,250	1,701,250
Net assets per share (RO)	4.760	2.759

23 Contingencies

	2007	2006
	RO	RO
Letters of credit	-	526,900
Purchase commitments	130,812	138,048
	130,812	664,948

24 Commitments

Capital commitments	39,812	45,496
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25 Financial Risk Management

Exposure to credit, interest rate and currency fluctuation risks arise in the normal course of the Company's business.

Credit risk

The Company has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Trade and other receivables includes 31% receivable from two customers in GCC countries (2006 – 32 % receivable from two customers in the GCC countries) who individually owe the Company more than 10% of the gross receivables at the balance sheet date. The company has long-term distribution relation with these customers and has no financial issue / dispute. The company has taken adequate steps to mitigate the credit risk like insurance coverage from Export Credit Guarantee Agency (ECGA), control on dispatches within approved credit limits, customers' confirmation of balances at periodic intervals and receipt of goods from the customers.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2007	2006
	RO	RO
Investments in associates	126,341	132,336
Trade and other receivables	2,836,736	2,207,019
Cash and cash equivalents	937,876	443,116
	3,900,953	2,782,471

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was not significant. Majority of the sales are in USD, GCC and Local currency and since the Local and GCC currencies are pegged to USD there will no major credit risk for trade receivables by geographic region.

THE NATIONAL DETERGENT CO. SAOG

Notes (forming part of the financial statements)

25 Financial Risk Management (continued)

The aging of trade receivables at the reporting date was:

	Gross	Allowance for		Allowance for
	2007	impairment	Gross	impairment
	RO	2007	2006	2006
		RO	RO	RO
From 0-90 days	2,048,179	-	1,633,742	-
From 91-120 days	379,977	-	270,999	-
From 121 – 180 days	302,989	-	204,879	-
More than 180 days	236,143	218,324	270,636	212,250
	<u>2,967,288</u>	<u>218,324</u>	<u>2,380,256</u>	<u>212,250</u>
	=====	=====	=====	=====

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2007	2006
	RO	RO
Balance at 1 January	212,250	187,518
Provided During the year	45,000	62,000
Impairment loss written off	(38,926)	(39,268)
Balance at 31 December	<u>218,324</u>	<u>212,250</u>
	=====	=====

Market risk

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

Interest rate risk

The Company manages its exposure to interest rate risk by ensuring that significant borrowings and most long-term financing are on a fixed rate basis. The interest bearing deposits and the non-term loan bank borrowings have short maturity periods (refer note 15).

Foreign currency risk

The majority of foreign currency transactions are either in US Dollar or in currencies linked to US Dollars. The rate of exchange between the Omani Rial and US Dollar has remained unchanged since January 1986.

THE NATIONAL DETERGENT CO. SAOG

Notes (forming part of the financial statements)

25 Financial Risk Management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 damages to the Company's reputation. The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Contractual cash flows			
	Carrying amount RO	Under 1 year RO	1-2 years RO	2-5 years RO
Non-derivative financial liabilities				
Secured bank loans	693,289	160,000	160,000	373,289
Unsecured bank facility	418,500	93,000	93,000	232,500
Trade and other payables	2,515,943	2,515,943	-	-
Bank overdraft	1,841,893	1,841,893	-	-
	<u>5,469,625</u>	<u>4,610,836</u>	<u>253,000</u>	<u>605,789</u>

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	31 Dec 2007		31 Dec 2006	
				Face value RO	Carrying amount RO	Face value RO	Carrying amount RO
Secured loan (Govt soft loan)	OMR	3%	2011	400,000	400,000	500,000	500,000
Secured loan (Govt soft loan)	OMR	0%	2012	293,289	293,289	358,589	358,589
Unsecured bank loan (Bank Muscat)	OMR	libor+1.5%	2012	418,500	418,500	465,000	465,000
Total long term debts				<u>1,111,789</u>	<u>1,111,789</u>	<u>1,323,589</u>	<u>1,323,589</u>

Capital management

The capital of the Company comprises of paid-up share capital, retained earnings, legal reserves and special reserves. Summary of quantitative data as to what it manages as the capital and any changes therein from the previous year are given in statement of changes in equity. The primary objective of the Company's capital management is to ensure that it maintains appropriate capital ratios in order to support future development of the business and maximize shareholder value.

The Company also uses gearing ratio to monitor its capital, which is calculated as debt divided by total capital plus net debt. The Company includes within debt, long-term interest bearing loans and borrowings. Capital includes equity attributable to the equity holders including retained earnings, revaluation and other reserves.

THE NATIONAL DETERGENT CO. SAOG**Notes** *(forming part of the financial statements)***25 Financial Risk Management (continued)**

	2007	2006
Interest bearing loans and borrowings	2,400,682	2,369,291
Share capital	1,701,250	1,701,250
Share premium	364,263	364,263
Retained earnings	813,964	553,688
Revaluation reserve	4,676,682	1,561,482
Other reserves	542,365	513,445
Total equity	8,098,524	4,694,128
Gearing Ratio	0.229	0.335

Fair value

The Board of Directors consider the fair values of all financial assets and liabilities to approximate their carrying value at the balance sheet date.

26 Comparative figures

Certain comparative figures have been reclassified in order to conform to the presentation for the current year. Such reclassifications do not affect previously reported profit or shareholder equity.