

DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors and myself, I am pleased to welcome you to the 27th Annual General Meeting of the National Detergent Co. saog and present the Annual Report along with the Auditor's Report for the year 2007.

Highlights of 2007

Your Company has achieved further improvement in its operations and profits in this year. The year saw significant increase in the prices of the various raw and packing materials. The operating costs have also been going up in line with the trends in the region, including the transportation costs.

Your Company has registered increased volume and value sales during the year. The Company had to opt out of certain products and markets, which were not yielding profitable returns. In order to increase the capacity utilization of the plant, your Company has executed bulk export orders for detergent powder to a nearby country during the year.

The Company's flagship brand **BAHAR** improved its market position in Oman and the value sales registered a satisfactory growth. Export performance continues to improve and the Liquid division performed well, registering a substantial growth during the year.

The Company launched some more liquid products in the market during the year, which have been well accepted by the customers. Further new products developed through the efforts of our R&D team during the year are in the pipeline to be launched in the near future.

Sulphonation Division

This division registered satisfactory growth, both in terms of volume and profitability, compared to the previous year. The price of the key raw material for this division skyrocketed in line with oil prices and due to raw material shortages in the world market. In spite of this, your Company managed to register improved performance during the year and also developed new customers in the export markets.

Middle East Detergent Manufacture & Trading WLL, Bahrain

With better management and effective control of overheads, the Company registered a reduced loss during the year compared to the previous year. Your Company's share of loss from this has been duly accounted in the income statement.

Your Board had taken a decision to disinvest its share in this Company, as part of its strategy of consolidation and a Memorandum of Understanding (MOU) has been signed with a potential buyer. The documentation process is in progress.

Results for the year 2007

The sales revenue for the year was **RO 12,447,486** compared to RO 10,145,510 in the previous year, registering a growth of over 22%.

The Company's operating profit for the year was **RO 495,454** compared to the last year figure of RO 323,403.

Profit Before Tax for the year was 132% higher at **RO 322,404** compared to the previous year. The total accumulated profit, before this year's appropriation, currently stands at RO 842,884 after tax.

Omanisation

The Company's efforts to improve the Omanisation at various levels of the organization, with adequate training inputs, continued during this year. The Omanisation percentage at the end of the year was 39.7%, including the senior levels of the Company.

Dividend

Based on the net profit for the year, your Board is pleased to recommend a cash dividend of Bzs.100 per share of RO 1/- each, which would mean a payment of RO 170,125/-.

Compliance with Internal Regulations and Control System

Your Company has in place an internal control system, commensurate with the size and nature of its business. Your Company has utilized the services of M/s. Moore Stephens, an internationally reputed Audit firm, for conducting periodic review of the internal control system and the Audit Committee oversees the process at regular intervals.

Strategic Acquisition

Your Company has entered into a Memorandum of Understanding (MOU) with certain major shareholders of a publicly quoted detergent manufacturing company in Oman to acquire 76% of the shares, subject to technical, financial and legal due diligence and signing of the Share Purchase Agreement thereafter. The due diligence process is currently in progress and it is expected to be completed by March, 2008, based on which your Company will take further action, subject to requisite approvals.

Future Outlook

We anticipate the trend of increase in prices and raw and packing materials to continue along with the higher manpower and transportation costs in the coming period. In order to mitigate the above, further efforts are being made to achieve improved sales growth by actively exploring and developing new markets for our range of products and also with the introduction of new products, which offer good opportunities in the market place. Barring unforeseen circumstances, the Company is expected to maintain profitable performance in the current year.

On behalf of the Board of Directors and myself, I thank His Majesty Sultan Qaboos Bin Said for his continuous support and encouragement to the industrial sector in the Sultanate of Oman.

I would like to express our gratitude to all the Ministries and Muscat Municipality for their cooperation. I would also like to thank all the shareholders for their confidence reposed in the Board of Directors, the outgoing Auditors for their cooperation and support and our employees for their dedication and efforts.

I also wish to express our sincere thanks to all our customers who have continued to place their trust and confidence in our range of products.

Abdul Hussain Bhacker
Chairman, Board of Directors