



Bank Melli Iran Investment Co. (Public Joint Stock)
Notes to the Financial Statements
For the Year Ended March 20th, 2007

36. Financial Expenses

	Group		Parent Company	
	2006/07 Rls	2005/06 Rls	2006/07 Rls	2005/06 Rls
Guaranteed Profit of Financial Facilities Received from Banks	461,161,216,236	216,837,726,629	29,520,950,232	47,043,846,422
Profit of Purchased Shares through Installments	85,952,329,484	196,502,389,452	85,071,403,400	196,502,389,452
Other	30,504,617,064	18,091,041,647	-	-
	577,618,162,784	431,431,157,728	114,592,353,632	243,546,235,874

36.1. Profit earned from purchasing shares by installments mainly relates to the Parent Company and in relation with buying the shares of Marine Industrial Company, Ardebil Cement Company and Azarab Company.

36.2. The financial facilities from Iran Khodro Company have been received by Khodro Leasing Company of Bank Melli Investment.

Bank Melli Iran Investment Co. (Public Joint Stock)
Notes to the Financial Statements
For the Year Ended March 20th, 2007

37. Net Other Incomes & Non-operating Expenses

	<u>Group</u>		<u>Parent Company</u>	
	<u>2006/07</u> <u>RIs</u>	<u>2005/06</u> <u>RIs</u>	<u>2006/07</u> <u>RIs</u>	<u>2005/06</u> <u>RIs</u>
Profit (Loss) from Sales of Tangible Fixed Assets	61,483,547,275	216,811,783,326	-	219,487,760
Dividend & Sales of Investments	978,287,458,253	22,676,927,138	-	-
Profit of Banking Deposits & Participation Bonds	52,536,462,876	39,858,307,790	-	-
Loss from Value Decrease of Investments	(46,443,000,000)	(513,862,503)	-	-
Commission & Penalty Received from Clients & Other Entities	17,019,705,804	22,311,470,478	975,705,804	1,735,808,278
Profit (Loss) from Conversion of Assets & Foreign Exchange Liabilities not related to Operation	(7,985,859,450)	(12,281,035,491)	(5,130,532,148)	(13,761,826,818)
Other	18,139,959,790	63,682,481,969	1,050,000	54,000
	<u>1,073,038,274,548</u>	<u>352,546,072,707</u>	<u>(4,153,776,344)</u>	<u>(11,806,476,780)</u>

37.1. The profit gained through selling fixed tangible assets mainly relates to Arj, Arak Petrochemical, Cement Industry Development Investment and Fars Agro-industrial & Animal Husbandry.

37.2. Dividend and sales of investments amounted to RIs866 billion as profit gained from share sales of Saveh White Cement Co. by Shomal Cement Co. (in front of acquiring shares of Firouzkouh Cement, Mazandaran Cement and Gharb Cement 55%, 5% and 10% respectively). Also, dividend income mainly relates to Kerman Cement and Shomal Cement companies.

37.3. Loss from conversion is mostly relates to the Parent Company and in relation with foreign exchange loan received from Bank Melli London.



Bank Melli Iran Investment Co. (Public Joint Stock)
Notes to the Financial Statements
For the Year Ended March 20th, 2007

38. Extra Ordinary Expenses

	Group	
	20/03/2007 RIs	20/03/2006 RIs
Funds Received as Damage Compensation	-	25,869,297,467
Surplus of Work Buyback Paid to Personnel:		
Arj Co.	-	(6,531,278,992)
Risbaf Co.	-	(1,339,377,493)
Iran Compressor Making Co.	92,219,312,464	-
Kerman Cement	(2,035,893,111)	(812,592,480)
Shomal Cement	(1,479,000,000)	(1,448,801,093)
Total	<u>(5,734,205,575)</u>	<u>(10,132,050,058)</u>
	<u>(5,734,205,575)</u>	<u>15,737,247,409</u>

38.1. The received and receivable funds are the compensation for the damages suffered by Iran Poplin and damages occurred during snowing in Rasht city.

38.2. Surplus in the cost of work buyback and pre-mature retirement of the personnel and the amount paid and allocated for buying out the services of the employees in comparison to the reserved amounts is the result of the Cabinet Decree related to the Executive Bylaw of Clause 5 of Part B of the Single Article Amending Note 2 Annexed to Article 76 of the Law Amending Articles 72 and 77 of Social Security Organization concerning the requirements and manner of fixing pension in case of hard and harmful jobs and 5% difference in deductions of the number of years till the mature retirement (object of Article 10 of the Law Regulating Part of the Regulations for Facilitating and Renovation of the Industries of the Country and amending Article 13 of the Third Development Plan.

Bank Melli Iran Investment Co. (Public Joint Stock)
Notes to the Financial Statements
For the Year Ended March 20th, 2007

39. Prior Years' Adjustments

39.1. The prior years' adjustments related to amending errors of the previous years are as follows:

	2006/07	
	Group Rls	Parent Company Rls
Tax Provision Deficit of the Prior Years	(6,312,746,291)	-
Commission of Purchasing Shares in Installments	(24,830,640,463)	(24,830,640,463)
Other - Mostly Provision for Payable Expenses Deficit	(23,677,094,867)	899,877,937
Total	<u>(54,820,481,621)</u>	<u>(23,930,762,526)</u>
Less:		
Minority Interest	<u>43,777,827,150</u>	-
	(11,042,654,471)	(23,930,762,526)
Prior Years' Adjustments in Preparation Process of Consolidated Financial Statements	<u>77,131,165,433</u>	-
	<u><u>66,088,510,962</u></u>	<u><u>(23,930,762,526)</u></u>

For presenting suitable picture from the financial situation and the results of the operations, all related comparative items have been amended and revised in comparative financial statements for the above-mentioned annual adjustments as well as the resolutions passed in Annual Ordinary General Assemblies of the Parent Company concerning profit distribution and bonus of board of directors. For this reason, some of the comparative items do not correspond with the financial statements presented in the previous fiscal year.

39.1.1. Prior years' adjustments applied during the preparation of consolidated financial statements process relates to amending the errors of prior years' dividend recognition of the affiliated companies (mainly Iran Transfo Company)

39.2. Consolidated Prior Years' Adjustments Consolidated prior years' adjustments mainly relate to accumulated profit (loss) of Dashte Morghab, Ardebil Meat and Houshvar companies. These companies were omitted from consolidated financial statements in the previous year regarding abandonment and liquidation.



Bank Melli Iran Investment Co. (Public Joint Stock)
Notes to the Financial Statements
For the Year Ended March 20th, 2007

40. Reconciliation Statement of Operating Profit

The reconciliation statement of operating profit with net cash inflow from operating activities is as follows:

	<u>Group</u>		<u>Parent Company</u>	
	<u>2006/07</u> RIs	<u>2005/06</u> RIs	<u>2006/07</u> RIs	<u>2005/06</u> RIs
Group:				
Operating Profit	3,577,738,946,236	2,688,998,189,003	975,911,472,315	1,613,123,679,710
Investments Value Decrease Expenses			605,291,893,775	119,188,330,143
Tangible Fixed Assets Depreciation	327,037,473,776	258,733,290,365	847,652,186	788,817,285
Goodwill Depreciation	138,698,422,729	118,827,730,644	-	-
Net Increase in Provision for Employees' Work Termination Benefit	68,285,350,451	5,632,264,887	373,563,403	370,528,350
Decrease (Increase) in Operating Accounts Receivable	(167,366,771,845)	(1,082,818,612,577)	34,778,412,676	(372,304,424,884)
Decrease (Increase) in Inventory of Goods & Materials	(192,654,765,198)	(105,834,618,366)	(305,191)	3,138,758
Decrease (Increase) in Projects under Construction	197,841,901,623	(204,509,823,662)	137,691,829,816	(109,123,150,300)
Decrease (Increase) in Orders & Prepayments	(364,978,803,940)	348,915,983,254	119,284,657	(1,171,747,476)
Increase (Decrease) in Operating Accounts Payable	461,819,746,515	(560,115,645,658)	(109,825,445,526)	(371,950,489,011)
Increase (Decrease) in Advances Received	(482,286,475,519)	134,230,127,381	(309,333,333,333)	(176,000,000,000)
Extra Ordinary & Exceptional Expenses	(11,303,205,575)	15,737,247,409	-	-
Other Non-operating Incomes	(19,269,193,856)	73,199,054,453	(4,153,776,344)	(12,025,964,540)
	<u>3,533,562,625,397</u>	<u>1,690,995,187,133</u>	<u>1,331,701,248,434</u>	<u>690,898,718,035</u>

Bank Melli Iran Investment Co. (Public Joint Stock)
Notes to the Financial Statements
For the Year Ended March 20th, 2007

41. Contingent Commitments & Liabilities

41.1. At the date of the balance sheet, the contingent liabilities which are object of Article 235 of the Amended Commercial Code passed in March 1969 were as follows:

A) Arak Petrochemical Company - Claim of foreign contractor at amount of 367 million Euros and RIs46 billion. The company convinced by the jury to pay 47 million Euros and RIs7 billion (after deducting part of the mutual claims of the Company which was accepted) and objection of the Company regarding the verdict of the jury.

B) Madar Company - The Guarantee Bond issued in 1978 in favor of the foreign company in relation to Bella Industrial Group.

C) Non-inspection of the premium of employees' insurance and withholding taxes.

D) Chin Chin International Agro-industrial Company - Lost in case of Chin Chin Agro-industrial Complex at amount of RIs5.2 billion. The case is in appealing stage.

E) Contingent liabilities of the Parent Company totaled RIs7,948 billion mainly relates to loan guarantee of the investee companies.

41.2. Capital Commitments

	Amount - million RIs
Parent Company - Investment Commitments in Investee Companies - Mainly Bakhtar Petrochemical & Amin Reinsurance	
Arak Petrochemical	94,461
Pars Animal Husbandry	108,046
Shomal Cement	28,000
Iran Poplin	140,000
Mazandaran Cement	912
Other Companies	138,262
Other	1,240
	<u>51,921</u>

The capital commitments of the Group companies relate to expansion and capacity increase projects explained in Note 13-6.



Bank Melli Iran Investment Co. (Public Joint Stock)
Notes to the Financial Statements
For the Year Ended March 20th, 2007

42. Events Occurred after the Date of Balance Sheet

From the date of balance sheet to the date these financial statements were released, no event that demands adjustment or needed to be disclosed in financial statements has occurred.

43. Changes in Comparative Items of Previous Fiscal Year

Changes in comparative items of previous fiscal year relate to reform the errors of previous periods, resolutions passed in Annual Ordinary General Assemblies of the Parent Company and subsidiary companies and changes in re-classification of the following accounts:

	Note	Balance based on the Previous Financial Statements RIs	Debtor RIs	Creditor RIs	Reformed Balance RIs
Short-term Investments	6	2,307,305,596,009		149,436,812,021	2,157,868,783,988
Long-term Investments in Affiliated Companies	16	4,220,100,288,719	77,131,165,432		4,297,231,454,151
Other Long-term Investments	16	705,458,279,383	458,881,461,481		1,164,339,740,864
Other Assets	17	1,190,708,105,608		309,444,649,461	881,263,456,147
Trade Accounts & Notes Payable	18	1,970,970,753,442		24,830,640,463	1,995,801,393,905
Other Accounts & Notes Payable	19	1,066,949,845,284		24,637,094,867	1,091,586,940,151
Tax Provision	21	218,001,396,299		6,312,746,291	224,314,142,590
Proposed & Payable Dividend	22	2,795,281,677,977		305,900,000,000	3,101,181,677,977
Retained Earnings		479,110,732,457	240,771,489,040		238,339,243,417
Minority Interest	30	2,611,213,293,886	43,777,827,150		2,567,435,466,736
			<u>820,561,943,103</u>	<u>820,561,943,103</u>	

Bank Melli Iran Investment Co. (Public Joint Stock)
Notes to the Financial Statements
For the Year Ended March 20th, 2007

44. Information Regarding Affiliated & Sub Companies Applied in Consolidation

A) Number of consolidated companies and opinion of the auditors regarding them:

Type of Company	Accepted	Conditioned	Double Opinion	Not Audited	Total
Affiliated	11	14	-	1	26
Subsidiary	11	5	1	2	19
Total	22	19	1	3	45

B) General situation of assets, liabilities and shareholders' equity of the consolidated companies (before consolidated adjustments) is as follows:

Opinion	Asset billion RIs	Liability billion RIs	Income billion RIs	Cost Price billion RIs
Accepted	17,298	8,482	3,384	1,694
Conditional	17,018	9,188	9,292	6,226
Double Opinion	7,765	5,621	3,244	2,559
Not Audited	5,080	4,565	1,810	1,610
Total	47,161	27,856	17,730	12,089

C) Auditors' opinion regarding consolidated financial statements of Kashan Velvet & Silk Co. and National Risbaf Co. is conditional due to doubt in continuity assumption. Assets and liabilities of the above-mentioned companies are RIs25.9 billion and RId321 billion, respectively.