



A large, dark-colored ship's funnel is the central focus, set against a deep blue twilight sky. The funnel has a white number '5' on its side. A thick black rope is attached to the base of the funnel. The lower portion of the funnel is painted a bright orange-red color. The ship's mast and other rigging are visible in the background. The water in the foreground is dark and reflects the light from the sky.

Investments **in**
the Marine Industry

3. Iran Marine Industrial Company (SADRA)

SADRA Company is one of companies active in the construction of marine structures and equipment, infrastructure and port projects as well as design, construction and renovation of various cargo, passenger floats, tug boats, industrial and service barges and oil tankers.

Capital & Shareholders

The company capital at the end of 1385 (March 20th, 2007) was 940 billion Rials divided into 940 million shares with nominal value of 1,000 Rials. The shareholding structure of the company is as follows:

	% of Shares
BMIIIC	25.18%
BMIIIMC	22.81%
National Development Investment Co.	3%
Ayandeh Saz Pension & Support Fund	7.66%
Iran Insurance Co.	7.11%
Tadbir Investment Co.	7.30%
Other Shareholders	26.94%
Total	100

Based on Board Resolution of Oct. 2nd, 2006 and Extraordinary Assembly Resolution of Nov. 18th, 2006, company capital was increased from 940 million Rials to 1,500 million Rials from shareholders' contribution and retained earnings but it was registered on the current fiscal year.

Production & Service Activities

Production activities of SADRA are mainly based on design, build and installation which are generally done on turn-key basis.

Bearing in mind the growing activities in the national oil and gas sector, this company has become able to participate in international tenders and to compete with international companies and consequently has won many tenders and has signed many contracts.

The projects under construction by SADRA in various sectors are as follows:

A. Oil & Gas Section

- Phase 6, 7 and 8 projects of South Pars
- Salman Oil and Gas Complex development project
- Tabriz Petrochemical's Second Unit of Resistant Polystyrene production project
- Abouzar and Norouz Oil Fields' Pipeline construction project
- Reshadat Oil Field development and renovation project
- Making the oil rig facilities, transfer of crude oil and Khesht Oil Production Facilities Project
- Total on hand projects in this sector are valued at 1,282.7 million USD

B. Ship Building Section

- Iran-Alborz Semi-floating Drilling Platform Construction Project
- Supporting multipurpose floats
- 24,000 ton container ships ordered by Rikmerz of Germany
- Aframax 104,000 ton oil tankers
- Three 63,000 ton Caspianmax shatel oil tanker
- Four 45 meter tug boats for servicing oil platforms
- 2 supporting tug boat
- One ASD tug boat for towing large ships

Total on hand projects in this sector are valued at 1,061.9 million USD

C. Engineering & Building Construction

- Water Collection Pool Project for Mobin Petrochemical
- Khark-Gonaveh Offshore Pipeline Repair Project
- Bandar Abbas-Qeshm Offshore Pipeline Repair Project
- Uromieh Lake Bridge Project
- Khazar Platform and Ship Building Expansion Project (70,000 tons dry pool)

Total on hand projects in this sector are valued at more than 3,474 million USD.







Investments

In recent years, SADRA has established many companies and has invested in many others to further specialize its current activities. These activities are as follows:

- Deep Waters Technical Co. was established with the objective of performing all specialized activities pertinent to transport and installation, utilization, repair and maintenance of off-shore facilities including all types of fixed or movable oil platforms and marine structures, undersea piping and wiring. Capital of the company is one billion Rials and has SADRA as 50 percent shareholder and the remaining shares are owned by SADRA subsidiaries.
- One of the actions taken by this company is the purchase of 39% shares of Kavjarf Co. in order to enter the oil and gas drilling industry. This way, SADRA will be enabled to participate in the rebuilding oil platforms and building drilling platforms on land or at sea. Currently, the company has 39 drilling well projects in Aghajari area.
- 15 percent investment in Azar Khak for participation in its management and to enter the cement and cement equipment industry.
- Complete take over of Oil Industry Engineering Research Consulting Co. with the aim to study and basic and detail designing for oil industry and supervision on construction, commissioning and providing engineering services to the stage of commissioning and consequently possibility of successful presence in global oil and gas industry.
- Holding 100 percent of SADRA subsidiary (SALKA) established in Venezuela.
- Having 100 percent of SADRA Oil Development Co. with the capital of one billion Rials.
- Establishing Veneziran Co. in Venezuela with 39 share participation and joint-venture or Venezuela Oil.

Considering the above, SADRA's total investment at the end of 1384 (Mar. 20th, 2006) amounted to 286 billion Rials.



4. National Development Investment Co.

National Development Investment Co. began its activities from May 2004 with 3000 billion Rials of capital as a subsidiary of BMIIC. It was enlisted on TSE on Mar. 5th, 2005 and the shares were favored by legal and real entities.

The company objective, in brief, is as follows:

- Purchasing, selling and subscription of manufacturing and service companies
- Investment and participation in plans and projects, reconstruction, renovation and preparation of Iranian and/or non-Iranian companies for the purpose of enlisting on TSE
- Use of credit and financial facilities of Iranian and non-Iranian banks, insurance companies, financial and credit institutions and also providing consultancy services on new investments and productions.

Company portfolio consists of a wide range of investment in various industries and is categories into two following categories:

TSE Unlisted Companies Portfolio

This category comprise of *Kar Afarinane Sabz'e Khali'je Fars Co.*, Industry Development Investment Institution, *Sabz* Communication Management Development Co., Shafa Darou Investment Co., Melli International Building and Industry Development Co. as well as National Development Trade International Co. with investment cost of 7,681 million Rials.

TSE Listed Companies Portfolio

Investments in various industries at the end of fiscal year 21/12/2006 and 20/05/2007 are presented at the following table:

Industry	% of Participation to Total Portfolio of National Development Co.		No. of Investee Companies in 20/05/2007
	21/12/2006	20/05/2007	
Foodstuff	18	15	4
Chemical Products	15	15	5
Cement, Lime & Plaster	16	13	5
Industrial Contracting	9	9.6	1
Multipurpose Industrial Companies	9	8.9	2
Oil Refinery & Nuclear Energy	6	6	1
Mass Property Construction	8	8	3
Rubber & Plastic	5	5	1
Pharmaceutical Products	4	3.6	9
Machineries & Electronic Appliances	2	2.3	3
Investments	2	2	2
Automobile & Producing Spare Parts	2	1.7	4
Production of Metal Products	2	2	2
Exploiting Ferrous Minerals	2	2.9	3
Transportation, Warehouse & Communication	0	0.65	3
Banks	0	0.78	2
Base Metals	0	1.7	2
Other Intermediaries	0	0.63	1

5. Sarmayeh Madar Management Services Company

Based on its strategic policies and to exclude some of the companies from its portfolio, during 2004/05 BMIIC established the Sarmayeh Madar Management Services Co. In this course, BMIIC empowered the company for taking the decisions on the 28 companies to be excluded from BMIIC portfolio.

Main source of revenues for Sarmayeh Madar Management Services Co. is from providing sales and management services of shares subject of the contract signed in between the company and BMIIC. Other revenues are driven from dividends of companies invested in and profit (loss) from sales of investments.

6. National Agro-Industrial Development Company

Taking into consideration the conditions governing the international market and comparative advantage of Iran with respect to Agricultural Industry and preliminary acceptance of Iran's membership in World Trade Organization (WTO) and taking into account the portfolio of Food related investment, the necessity of establishing a specialize mother company (holding) was perceived as inevitable. Therefore, in 2006/07 "Gorgan Agro-industrial Co. (Public Joint Stock)", already enlisted on TSE, was renamed as "National Agro-Industrial Development Co." and hence the food holding Co. became an enlisted company right from the start. Parallel to these changes, in 2006/07 a new company named "Golestan Transform Industry Co. (Private Joint Stock)" was established aiming to transfer the assets of National Agro-Industrial Development Co. executive measures for the transfer of mentioned assets with efficiency and shareholders' interest in mind are under study.



7. Power Plant & Electrical Energy Industries

Due to the facilities provided by the government authorities, government and Ministry of Energy and increasing rate in consumption of electricity in the country and in line with government's programs for implementation of Article 44 of the Constitution, investment in power plants and electrical energy generation industry offers many considerable incentives for private investors. 13.8 percent investment in "Iran Power Plant Investment Co." And 79 percent investment in "Power Plant & Electrical Energy Development Co." (in Zanzan Province) are the important investments of BMIIC in this sector.

8. Representative Office of BMIIC in Dubai

On May 8th, 2004, in order to expand its offshore activities and to achieve stronger presence in financial markets and institutions of Persian Gulf, BMIIC established a representative office in Dubai with the name of "BMIIC International General Trading Ltd." with capital of 3 million Dirhams (AED) divided into 3,000 shares with nominal value of 1,000 AED. BMIIC is the sole owner of "BMIIC International General Trading Ltd." The fiscal year of the company ends on the end of each Gregorian Year.

The main objective of "BMIIC International General Trading Ltd." is to provide Iranian and non-Iranian companies (including subsidiaries of BMIIC) with facilities in foreign currencies and to use Dubai and Dubai International Financial Center to extend its presence and access to financial markets outside Iran. In other words, the company intends to access and obtain foreign financial facilities and credits to invest in Iran in the forms of fixed assets.

9. National Construction & Industry International Company

On 22/6/2003 and inline with reaching its strategic objectives in building construction, "National Construction & Industry International Company" was established with the objective to invest in building construction industry in the form of constructing residential, commercial, mass construction, high-rise construction, township development and similar activities. By the end of 1385 (20/3/2007), the shareholders of the company comprised of BMIIC with 96 percent and Building Investment Co. (Public) holding 4%. The registered capital of the company is 50 billion Rials.

10. Other Companies

10.1. National Shimi Keshavarz Company

This company was established with the objective of construction, expansion and development of pesticide production plants for production of any type of chemical and pesticide raw materials in relation to fight agricultural pests, sales of the same and use for agricultures and also established related industries. Company was enlisted on TSE in the first mid-year of 1386 (21/3/2007 to 31/6/2007) and BMIIC holds 99.5% shares of the company. The trademark of the company has a domestic reputation and is very popular with governmental organizations to the extent that 50 percent of its productions are purchased and consumed by Iran's Agriculture Protection Service and Veterinary Organizations.

10.2. Barez Industrial Group

Barez Industrial Group was established in 1987/88 with the objective to produce a range of tires, tubes and ribbons and was enlisted on TSE from 1996/97. The company's capital has increased from 575 billion Rials to 666.5 billion Rials through retained earnings and shareholders' cash contribution on 22/4/2007. The registration of the capital increase is in process.

BMIIC holds 28.55% of Barez Industrial Group and 17.43% is owned by National Development Investment Co. (totalling 45.98%). Barez Industrial Group management is controlled by Social Security Investment Co.

10.3. Iran Transfo Company (Public)

35.48% of Iran Transfo's is held by BMIIC and its subsidiaries the following breakdown: BMIIC (23.66%), Bank Melli Investment Management Co. (8.81%) and National Development Investment Co. (3.01%). BMIIC and Bank Melli Investment Management Co. control two seats on Iran Transfo's board of directors.

10.4. Arj Company

BMIIC owns 46.95% of Arj Company and Bank Melli Investment Management Co. holds 17.46% (totaling 64.41%). The management of Arj Co. is controlled by four board members which are appointed by the above shareholders.

10.5. Iran Compressor Manufacturing Company

By holding 61.78% and 23.32% stake in Iran Compressor Manufacturing Co., BMIIC and Bank Melli Investment Management Co. manage the company through their four appointed board members.

10.6. Iran Asia Aram Company

BMIIC owns 30.93% of this company and one of the members of its board of directors is appointed by BMIIC.

10.7. Bank Melli Iran Investment Leasing Company

Leasing companies have preferred operations with regards to granting facilities financial resources to boost liquidity for production units and strengthen consumers' power as well as raising credits of production intermediates. Taking the aforementioned into consideration, Bank Melli Iran Investment Leasing Co. was formed by equal participation of BMIIC (50%) and Iran Khodro Industrial Group on 5/5/2003 as a private joint stock company with initial capital of 100 billion Rials.

Company objective encompass lease and/or cash sales, sales by installments of any tangible and intangible goods including all types of workshop and industrial light and heavy vehicles, machinery and equipment and performing all permissible trading transactions and participation in production and investment projects.

10.8. Esfahan Tile Industries Company (Public)

This company is traded on TSE and 31.2% of it belongs to BMIIC and 5.2% is held by Bank Melli Investment Management Co. which manage the company through their three appointed board members.

10.9. Iran Tractor Manufacturing Company (Public)

BMIIC has one appointed executive board member on company's board of directors through its 20.84% shareholding. The company shares are traded on TSE and its remaining shares belong to other shareholders amongst which there are two subsidiaries of automobile manufacturing companies.

10.10. Amin Reinsurance Company

Amin Reinsurance Company was established on July 2, 2003 as a private joint stock company with initial capital of 370 million Rials of which 50% which has been paid and the rest remains as shareholders' commitment. BMIIC has 21.62% of the company and manages the company through its five appointed member on the board of directors including the chairman of the board.

11. Textile Industry

The unregulated importation and insufficient allocation of foreign currency with proper exchange rate to the textile industry within the previous years gradually led to the decline in domestic sales and production of textile. On the other hand, due to the excess corrosion and depreciation of machinery as well as unavailability or high prices of spare parts resulted in making restoration and repairs infeasible and therefore making them obsolete, coupled with excess manpower in most of the textile units, high prices of raw materials, lower number of working days compared to international competitors and many other factors have resulted this old industry to tumble against foreign competitors who enjoy technological advances and innovations leading to their increased quality, productivity, widened product range, efficiency, reduced costs by reduction of manpower as well as low-interest financial facilities and access to sufficient working capital. These factors have enabled foreign competitors to gain more international market share including Iranian market and therefore in the past years Iran has lost its competitive edge and has weakened as a result of legally imported as well as smuggled textile products.

11.1. Mazandaran Textile Company

Mazandaran Textile Co. shares are held by BMIIC (53.54%), Bank Melli Investment Management Co. (11.16%), Privatization Organization (23.86%) and remaining by other shareholders.

11.2. Kashan Silk & Velvet Plants Company

Kashan Silk and Velvet Plants company shareholding structure consist of BMIIC (39.92%) and Bank Melli Investment Management Co. (17.58%) controlling the management through their three appointed board members, and other shareholders.

11.3. Borojerd Textile Plants Company

The management of this company is controlled by four board members appointed by BMIIC and Bank Melli Investment Management Co. who hold 46.52% and 9.18% of the shares, respectively.

11.4. Iran Poplin Company

BMIIC and Bank Melli Investment Co. own 44.99% and 13.38% of Iran Poplin Co. and control the management of the company through their 3 appointed members on the board of directors.



Analysis of the Stock Exchange Indexes

During 2006/07 the main index began with 9,463 and plunged by 0.4% within the first two quarters and 3.4% increase with the second two quarters ending at 9,821, which in total translated in a 3.8% increase .

The abovementioned fall of index mainly led to modification of market mechanism, level of company capitals, trading quota for daily trading prices which was caused by interference of foreign policies of other countries in internal affairs of Iran and presidential election. Pervious elections have shown that the market gradually and cautiously gains confidence toward the government's economic policies.

Based on available statistics in 2004/05 rise in index was experienced mainly within the first five months of the year but in 2005/06 the highest decline happened within the first six months.

The price decline had significant effect on the portfolio of larger multipurpose and investment companies whose portfolios contained mainly of TSE enlisted companies in such manner that the index of such companies declined by 15% from 990 to 839.



Explanatory Notes on Significant Events Affecting the Financial Notes

Financial Notes for the fiscal year ended 20/3/2007 including Balance Sheet, Profit (Loss) Statement, Accumulated Profit, Cash Flow Statement along with the Accompanying Notes are presented along with this report.

As it is shown on the Profit (Loss) Statement, the total operating revenues amounts to 1,601,607 million Rials and the sum of expenses is more than 625,156 million Rials and taking into account the net revenues and miscellaneous expenses is 118,746 million Rials, profit before taxation for fiscal year ended on 20/3/2007 is more than 857,165 million Rials which compared to the same period for previous year shows a 37% decline. This decline is as the result of accounting for 605,292 million Rials provision for devaluation of assets.

For the purpose of describing the financial status for the previous four years, the following significant information pertinent to Profit (Loss) Statement and Balance Sheet are presented.

As it is shown the earnings per share declined from 422 to 266 Rials and share prices fell from 3,250 to 2,731 Rials. In this course, investments in stocks was increased from 11,294,680 million Rials to 11,895,274 Rials (almost 1.05 times) and shareholder equity increased from 10,538,149 million Rials to 11,395,315 million Rials (almost 1.08 times).

Hence, the financial status shows a considerable growth and favorable and strengthened condition for the three previous years as well as 20/3/2007 and it is hoped that the management will be able to release the potentials of the stocks' portfolio and to see a daily growth for the investments.

In conclusion, we wish to inform the shareholders that all information recorded in the present report relies on official books and in accordance with existing facts at the date of Balance Sheet and by presentation of this report and in execution of Article 116 of Amendment to the Commercial Law, the board of directors request for the approval of the Balance Sheet and Profit (Loss) Statement and recommend to:

Allocate 102 billion Rials as capital provision and to distribute 322 billion Rials as net dividend and retain the remaining balance.

BMIIC *Financial Statements*