

**Petrochemical Company (Private Joint Stock)**  
**Independent Auditor and Legal Inspector Report**  
**In addition to**  
**Financial Statements**  
**For the year ending on 20/3/2007**

## **Petrochemical Company (Private Joint Stock)**

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**In the name of God, the Almighty**  
**Emblem of Iran**  
**Ministry of Economic Affairs and Finance**  
**Auditing Organization**  
**Independent auditor and legal inspector report to**  
**Regular General Assembly of shareholders of**  
**Razi Petrochemical Company (Private Joint Stock)**

1- Financial statement for Razi Petrochemical Company (P.J.S) on 20/3/2007 as well as Loss and Profit Statements and Cash Flow statement for physical year ending on the said date along with descriptive notes 1 to 29 have been audited by this organization. Responsibility for these financial statements would be for the board of directors of the company while the responsibility for this organization would be to give our opinion regarding these financial statements based on the performed audit and to report the cases for non observation of legal obligations given in amendment to Commerce law and contents of the articles of association.

2- Auditing by this association has been performed upon auditing standards. Such standards make it necessary for the organization to plan and perform the process of auditing in a way that reasonable assurance is given about lack of significant error or alteration in financial statements. Auditing consists from by case inspection of supportive evidences and documents for the values and data given in the financial statements. As well auditing includes evaluation of accounting principles and main estimations by the board of directors and evaluation of generality the method for supply of financial statements. This organization believes that accounting performed by the body would give a reasonable base to express opinion on the subject.

3- The organization believes that the aforesaid financial statements would show financial condition of Razi Petrochemical Company (P.J.S) on 20/3/2007 and the results from operations and cash flow of this company for fiscal year ending on the said date from all significant aspects and in an optimum way according to the accounting standards.

4- However there was a consolidated loss on 20/3/2007 equal to 40% of the profit declared by the company for the said year, it has been allocated for execution of clause "C", Note 1, Budget Law for the year 2007-07.

5- In the fiscal year subject of the report, for the principal and 1% fine regarding sale tax and levies for pollutant products subject of clause "e", Art 3, Amendment to parts of the law related to 3<sup>rd</sup> Plan for Economic, Social & Cultural Development of the Islamic Republic of Iran and the method for establishment and collection of levies and other funds form producers of goods, providers of services and imported goods ratified in 12/1/2003 the amount of 17/2 billion Rials has been claimed by Administration General Department of Tax Affairs fore domestic sale which was registered under debit account of Iran Petrochemical Commercial Company and other payable accounts (descriptive notes 11-3 in the financial statements).

6- Contrary to the contents of art 112 and 122, Amendment to Commerce Law and art 45, Articles of Association, the board of directors' assembly was not held in July and August.

7- In execution of clause "j", notice 20, State Budget Law for 2006-07, the company has sent its macro establishments to State Management & Planning Organization through National Iranian Oil Company however the relative approval has not received up to the date for preparation of this report.

8- General Assembly of shareholders attention is hereby drawn to other items defined hereunder:

8-1- AS defined under note 18-3, compared to that in 2004-05 and 2005-06 production of the company has decreased for 33.5% and 10.5% respectively for shortage of primary materials and overhauls in some units. In this regard 192 billion Rials of non-attracted expense has been calculated during the reported year (Descriptive note No.20).

8-2- Title deed for 4 vehicles are not transferred to the company name.

9- Due to determined qualitative objectives for fiscal year ending on 20/3/2007, as defined under descriptive notes 18-4 and 28 which were prepared in execution of Article 2, Law for Adjustment of Public Financial Regulations and amendments thereof, the report for conformity of company's operation with approved budget was studied by this organization. To this end the organization found no significant item showing any discrepancy in information given in the said report with approved budget and financial records supplied by the board of directors.

10- Transactions given under descriptive note No.26 as all transactions covered by Article 129, amendment to commercial law, during the reported fiscal year which were notified to this organization by the board of directors of company were studied. Regarding the said transaction, the contents of aforesaid article has been observed for obtaining the relative permission form the board and nonparticipation of the beneficiary manager in voting. Meantime said transactions have been performed based on certain mutual practice between affiliated and depended companies to National Petrochemical Industries Company.

11- The board report regarding the operation and general condition of the company, prepared to be given to annual regular general assembly of the shareholders, was studied by this organization. Based on the investigations no significant item was found by this organization showing any discrepancies between the information given in the said report with the documents and instruments supplied by the board of directors.

**Signed and sealed**

**Auditing Organization- 29/6/2007**

**National Petrochemical Industries Company**  
**Razi Petrochemical Company (Private Joint Stock)**  
**Financial Statements**  
**For fiscal year ending on 20/3/2007**

Honorable chairperson to Shareholders Regular General Assembly

Attached you would find financial statements for Razi Petrochemical Company (Private Joint Stock) for fiscal year ending on 20/3/2007. The financial statement is consisted from below items:

- Balance sheet
- Loss and profit statement
- Consolidated profit (loss) account turnover
- Cash flow statement
- Descriptive notes
  - a) Background of the company
  - b) Basis for preparation of financial statements
  - c) Summary of the main process in financial statements
  - d) Notes related to the contents of financial statements and other financial information

Financial statements were prepared upon accounting standards and were approved by the board of directors of the company in 7/6/2007.

Members of the board of directors

Ali Akbar Ahmadi Dashti  
Hossein Shariari Marghchoiyeh  
Mohammad Akbari Bagfhabani  
Mohammad Astartki  
Heidar Dehghani

Position

President of the board of directors & Managing Director  
Salaried member and chairman of the Complex  
Salaried member  
Salaried member  
Salaried Member

**Razi Petrochemical Company (Private Joint Stock)**  
**Balance Sheet**  
**on 20/3/2007**

Assets	Note	20/3/2007 (Million Rials)	Reissued 20/3/2006 (Million Rials)
<b>Current Assets</b>			
Cash inventory and bank	4	1,879	5,420
Claim from companies of the same group	5	574,148	581,680
Other accounts receivable	6	30,046	32,056
Material and goods inventory	7	158,167	151,657
Orders and advance receipts	8	21,848	15,288
<b>Total current assets</b>		786,088	786,101
<b>Non-Current assets</b>			
Tangible fixed assets	9	5,203,474	4,678,473
Other assets	10	39,439	44,352
<b>Total non-current assets</b>		5,242,913	4,722,825
<b>Total Assets</b>		6,029,001	5,508,926
<b>Debts and shareholders' equity</b>	Note	20/3/2007 (Million Rials)	Reissued 20/3/2006 (Million Rials)
<b>Current debts</b>			
Debts to companies of the same group	5	781,868	513,798
Other accounts payable	11	373,742	597,930
Advance received	12	4,675	2,967
Current share for received financial facilities	13	192,565	173,645
<b>Total current debts</b>		1,352,850	1,288,340
<b>Non-current debts</b>			
Long term financial facilities received	13	2,096,883	1,775,327
Employees termination benefit and early retirements reserve	14	400,554	355,991
<b>Total non-current debts</b>		2,497,437	2,131,318
<b>Total debts</b>		3,850,287	3,419,658
<b>Shareholders' equity</b>			
Capital (2,800 millions shares 1,000 Rials each, fully paid)	15	2,800,000	2,800,000
Legal reserve	16	586	586
Consolidated profit (loss)		(621,872)	(711,318)
<b>Total shareholders' equity</b>		2,178,714	2,089,268
<b>Total debts and shareholders' equity</b>		6,029,001	5,508,926

Explanatory notes are integral part to financial statements.

**Razi Petrochemical Company (Private Joint Stock)**  
**Profit and loss statement**  
**For physical year ending on 20/3/2007**

	Notes	2006-07 Million Rials		Reissued 2005-06 Million Rials
Net sale	17		1,308,598	844,485
Difference of the consumed currency for raw materials	11-4		355,577	325,728
Cost price for the sold good	18		(1,157,927)	(1,237,647)
Gross profit (loss)			506,248	(67,434)
Sale, administrative and general expenses	19	(108,256)		(75,391)
Net other operational incomes (expenses)	20	(192,903)		(137,843)
			(301,159)	(213,234)
Operational profit (loss)			205,089	(280,668)
Net other non-operational incomes (expenses)	21		(56,013)	(37,373)
Net profit (loss)			149,076	(318,041)
Consolidated profit (loss) account turnover				
Net profit (loss)			149,076	(318,041)
Is deduced: Subject of clause "c", Note 1, Budget law for 2007-08	11		(59,630)	-
Profit (loss) after subject of the said note			89,446	(318,041)
Consolidated loss at the beginning of the year		(299,633)		(411,685)
Service years adjustments	22	(411,685)		18,408
Consolidated loss at the beginning of the year-adjusted			(711,318)	(393,277)
Accumulated loss at year-end			(621,872)	(711,318)

As comprehensive profit and loss is limited to the year profit (loss) and service years adjustment, no comprehensive profit and loss statement was given.

Explanatory notes are an integral part of financial statements

**Razi Petrochemical Company (Private Joint Stock)**  
**Cash flow statement**  
**For physical year ending on 20/3/2007**

	Notes	2006-07 Million Rials		Reissued 2005-06 Million Rials
<b>Operational activities:</b>				
Net input cash flow from operational activities	23		435,064	(70,640)
<b>Investment activities:</b>				
Funds paid for buying fixed tangible assets		(792,561)		(633,738)
Funds from selling fixed tangible assets		8,567		5,708
Funds received (paid) from/for obtaining other assets		4,913		(2,339)
Net output cash flow from investment activities			(779,081)	(630,369)
Net input cash flow before financing activities			(344,017)	(701,009)
<b>Financing activities:</b>				
Receiving financial facilities		430,248		803,053
Repayment of financial facilities		(89,772)		(10,2916)
Net input cash flow from financing activities			340,476	700,137
Net decrease in cash			(3,541)	(872)
Balance cash at the beginning of the year			5,420	6,292
Balance cash at the end of the year			1,879	5,420
Non cash transactions: Capital appreciation from claims and reserves			0	800,000

Explanatory notes are an integral part of financial statements

**Razi Petrochemical Company (Private Joint Stock)**  
**Explanatory notes on financial statement**  
**Fiscal year ending on 20/3/2007**

**1- History of the company's activity**

**1-1 General**

Razi Petrochemical Company was established in 23/5/1966 as private joint stock company, registered under number 10682 with Tehran Registry of Companies and Industrial Property. Currently Razi Petrochemical Company is affiliated to National Petrochemical Industries Company. Head office of the company is located at Tehran while its factory is in Imam Khomeini port with its water absorption unit at Masjed Soleyman.

**1-2 Main activity of the company:**

Subject of the company activity has been defined to be construction, commissioning and exploitation of industrial plants for production, marketing, sale and export of petrochemical products, storage, importation and exportation, transfer of all minerals, chemicals and petrochemical products, by-products and relative, as well as performing all producing and industrial, technical, engineering and commercial activities directly and/or indirectly related to the said operations upon observation of relative regulations and law. Exploitation of the plant of company was commenced form the second half of 1969 with nominal capacity as per 3,662,000 ton.

**1-3 Employment status:**

The average numbers of full time and part time employees in the year are given below:

	2006	2005
Permanent employees	1,089	1,182
Contractual employees	166	169
Total	1,255	1,351

**2- Basis for preparation of financial statement:**

Financial statements are generally prepared upon cost price of the date while current value has been used where necessary.

**3- A summary of main accounting procedures:**

**3-1 Materials and goods inventory**

Materials and goods inventory- produced materials and goods inventory are evaluated in the min cost price and net sales value of similar groups of items. In case the cost price is higher then net sales price, the difference would be considered as reserve for price reduction of the inventory. Cost price for the inventories would be determined in the following way.

	Used method
Raw materials	Annual weighted average
Produced good	The first output from the first input
Parts and spare parts	The first output from the first input

**3-2 Tangible fixed assets:**

**3-2-1** Tangible fixed assets would be registered in cost price by accounts. Expenses for optimization and overhauls which significantly increase the capacity or useful life of capital assets or improve their output, would be considered as capital expenditures and are amortized

during the remaining useful life of such assets or their new life according to technical expert's view. Partial maintenance and repair costs provided for protection or improvement of expected economic profits of the company by the primary evaluated performance standard of assets, would be considered as current cost and is given under profit and loss account of the` period when they occur.

**3-2-2** Tangible fixed assets are given in accounts upon reevaluated amount and the evaluation was performed by experts to the justice administration in 2002 and were reflected in the accounts.

**3-2-3** Amortization of tangible fixed assets would be calculated due to the estimated useful life of the related assets considering amortization table, subject of Art 151 of Direct Tax Act and upon the following method and rates.

Assets	Depreciation rate	Method for depreciation calculation
Machineries	8%	Descending
Machinery and installations	10%	Descending
Installations	12 and 15 years	Straight line
Vehicles	25% - 30%-35%	Descending
Furniture and appliances	10 years	Straight line
Tools	4 years	Straight line

**3-2-4** For fixed assets obtained and utilized during any month, depreciation would be calculated from the beginning of the next month and recorded in accounts. In cases where any of depreciable investments are not utilized for one fiscal year for cessation of work or any other reason, related depreciation rate would be equal to 30% of the depreciation rate give in table above.

### **3-3 Financing expenses:**

Financing expenses during the period they happen are identified as period expenses with the exception of the expenses which are directly allocable to collection of eligible assets.

### **3-4 Conversion of currency:**

Currency monetary items would be converted in exchangeable rate by Bank Markazi at the date of balance sheet while none monetary items registered in cost price by date are converted in exchangeable rate by Bank Markazi at the date of transaction. The difference from settlement or exchange of currency monetary items is identified as income of expenses for the period they happen.

### **3-5 Reserve for benefits of employees service termination:**

In the current year reserve for benefits of employees service termination were calculated and recorded in the accounts upon the last month fixed salary and annual benefits for any years of service, max to 36 months. AS well for the supplement to redemption and retirement regulation of the Oil Industry approved in the 1333<sup>rd</sup> meeting of the board of directors for National Iranian Oil Company, reserve has been given in the accounts for subjects covered by this plan, up to the normal retirement age (60 years) and the difference for salary and benefits adjustment of employees covered by this plan are given under this title.

### **4- Cash and bank inventory:**

Cash and bank inventory are consisted from the following items:

		<b>2006-07</b>	<b>2005-06</b>
		Million Rials	Million Rials
Inventory by banks (4-1)		1,874	5,396
Inventory by fund		-	14
In-transit funds		5	10
		1,879	5,420

**4-1** Inventory by banks is consisted from:

<b>Description</b>	<b>2006-07 Million Rials</b>	<b>2005-06 Million Rials</b>
Bank Melli, Mahshahr Branch, current account No. 2280	152	169
Bank Tejarat, Petrochemical Industry Branch, current account No. 554-18799	23	46
Bank Tejarat, Mahshahr Branch, current account No. 34273	8	985
Bank Saderat, Mahshahr Branch, current account No. 2636	233	472
Bank Melli, Petrochemical Plants Branch, current account No. 1001	852	2,742
Bank Mellat, Eskin Tehran Branch, current account No. 28009	-	98
Bank Mellat, Plants Branch, current account No. 25440	606	884
Total	1,874	5,396

**5- Debts and credits to/from companies of the same group:**

Debts and credits to/from companies of the same group are consisted from:

		<b>2006-07 Million Rials</b>		<b>2005-06 Million Rials</b>	
		Credit	Debit	Credit	Debit
Companies of National Petrochemical Industries Group	(5-1)	574,055	742,044	580,666	480,701
Companies of Oil Industry Group	(5-2)	93	39,824	1,014	33,097
		574,148	781,868	581,680	513,798

**5-1** Account balance for companies of National Petrochemical Industries Group at the date of balance sheet is consisted from:

		<b>2006-07 Million Rials</b>		<b>2005-06 Million Rials</b>	
		Credit	Debit	Credit	Debit
National Petrochemical Industries Company	(5-1-1)	-	258,523	-	411,650
Petrochemical Commercial Company (J.S)	(5-1-2)	63,865	-	85,726	-
Petrochemical Commercial Road Transportation Company- Clearing charges		5,293	-	1,011	-
Kimia Company of Bandar Imam- Selling sulphuric acid		2,694	-	1,481	-
Non-Industrial Operation Company (J.S)- Mahshahr area per capita		-	27,427	-	18,592
Bandar Imam Petrochemical Company (J.S)- services performed- distilled water rate		-	16,808	-	14,908
Khorasan Petrochemical Company (J.S)- Commission for exported ammonium		3,163	-	2,969	-
Fan Avaran Petrochemical Company (J.S)- selling CO <sub>2</sub> gas and other services		-	42,622	15,617	-
Bandar Imam Kharazmi Company- transportation expenses for repair staff		-	13,536	-	7,971

Tondgoyan Petrochemical Company (J.S)- services performed		2,398	-	1,312	-
Economic Specific Area- power subscription fee and services performed		30,478	-	2,752	-
Maron Petrochemical Company (J.S)- Transportation services		572	-	433	-
Development management- performance of services		33,078	-	9,739	-
Export petrochemical terminals and tanks- clearing of goods		201	-	-	288
Fajr Petrochemical Company (J.S)- complex power- DM water ad other services		-	9,166	-	11,913
Ghadir Urea and Ammonium Company		5,949	-	-	-
Rahbaran Petrochimi Company		-	448	-	928
Amirkabir Petrochemical Company (J.S)- provision of services		1,046	-	1,946	-
Bandar Imam Abnoro Company- consumed power		-	12,736	-	12,736
Shiraz Petrochemical Company (J.S)- Tavazon Plan in 2005-06	(5-1-4)	-	359,356	571	-
Pars Petrochemical Company (J.S)- provision of services		3,797	-	7,525	-
Kalaye Petrochimi Company	(5-1-3)	419,065	-	447,816	-
Others		2,456	1,422	1,768	1,715
		574,055	742,044	580,666	480,701

**5-1-1** The amount of 258,523 million Rials, debt to National Petrochemical Company is consisted from the following items:

	<b>Amount Million Rials</b>
Balance at the beginning of the period	399,794
Funds received from NPC to secure financing	336,573
Foreign purchases performed by the company	422,707
Settlement from export sales	(1,571,929)
Foreign currency and Rials expenses for 3 <sup>rd</sup> ammonium by National Petrochemical Industries Company	245,001
Transfer of part of the current account balance to facilities received from National Petrochemical Industries Company	(72,795)
Using raw water tanks, jetties and wells	(12,096)
Others	(5,778)
Balance at the end of the period	(258,523)

**5-1-2** Operations between Iran Petrochemical Commercial joint stock Company during the current year is consisted from:

<b>Description</b>	<b>Thousands \$</b>	<b>Million Rials</b>
Balance at the beginning of the year	9,308	125,392
Export sale (Note 17)	95,130	875,608
Domestic sale (Note 17)	-	432,990
Is deduced:		
Currency purchases and other currency payments	(21,692)	(200,497)
Buying soil and phosphoric acid	-	(453,481)
Funds received and paid to others	(71,454)	(710,442)
Delayed payment of phosphoric acid		(5,705)
Claim balance	11,292	63,865

Claim balance from Petrochemical commercial Joint Stock Company for the amount of USD 11,292 thousands dollars is consisted form 10,736 thousands dollar and 433 thousands Euro (equal to 556 thousands dollars) which was exchanged at the end of the year (20/3/2007) upon currency purchase rate in bank system and was given in accounts.

Claim balance at the end of the year is consisted from:

<b>Description</b>	<b>Million Rials</b>
Export sale for the amount of 11,292 thousands dollars	104,559
Bilateral accounts	5,373
Commission for export sale	(575)
Funds received from Commercial Joint Stock Company	(39,892)
Miscellaneous	105
Delayed payment of phosphoric acid	(5,705)
Total	63,865

**5-1-3** Account turnover for Petrochemical goods is consisted from:

<b>Description</b>	<b>Million Rials</b>
Currency current account (Note 5-1-3-1)	152,337
Book value for the inventory of parts transferred according to approval No. 1-111-291 dated 17/11/2007	258,266
Revolving fund for buying goods upon bilateral agreement	4,500
Other	3,962
Total	419,065

**5-1-3-1** Balance for current account for the amount of 152,337 million Rials related to the amount of allocated currency to Kala Company which is given under Kala Company account upon current dollar rate from which purchase for this company would be financed.

**5-1-4** Debit to Shiraz Petrochemical Company for the amount of 359,356 million Rials is related to the fine for Urea short delivery in 2005-06 to Farmers Supportive Services Organization by the company according to approval in the 1108<sup>th</sup> meeting of the board of director of National Petrochemical Company regarding Tavazon Plan's Urea.

**5-2** Account balance for companies of Oil Industry group at the date of balance sheet is consisted from:

	2006-07 Million Rials		2005-06 Million Rials	
	Credit	Debit	Credit	Debit
Khuzestan National Gas Company- Buying sweet gas	-	1,520	-	2,228
Provident fund and saving for payment of pension share and saving	-	3,867	995	-
Central accounting for Oil Company- Buying sour gas	-	6,656	-	6,293
National Iranian Oil Company- Gas Well head services	-	10,633	-	11,908
Oil Industry department of public health	-	6,625	-	965
Masjed Soleyman Oil and Gas exploitation Company	-	9,417	-	10,929
Gas well head services				
Pipelines and communication- Communication channels	-	339	-	276
Others	93	767	19	498
	93	39,824	1,014	33,097

**6- Other accounts receivable:**

The title is consisted from:

Figures in million Rials

		2006-07				2005-06
		Reserve for long term share's claims				Net
		Balance	Reserve for bad debts	Long term share for loans	Net	
Employees	(6-1)	39,775	-	27,936	11,839	14,242
Provisional deposits	(6-2)	31	-	-	31	231
Other persons (Transferred houses)		6,564	-	3,707	2,857	2,339
Others	(6-3)	15,815	(496)	-	15,319	15,244
		62,185	(496)	31,643	30,046	32,056

**6-1** Is the employees debt from payment of two-month salary loan to the employees and debt for transferred quarter staff in the industrial area as well as individual account balance.

**6-2** 31 million Rials deposits of the company by custom and the court regarding export of the goods and claims by the employees.

**6-3** The amount of 15,815 million Rials given under the title "Others" is separated as following:

	Million Rials
Farabi Petrochemical Company- Services performed and selling of sweet gas	4,345
Poly acryl Company- Usage of the jetty	1,539
Kermanshah Petrochemical; Company- Human forces and employees training services	815
Abadan Petrochemical Company- Sulphuric acid	1,088
Contractors debt	1,546
Others	6,482
<b>Total</b>	<b>15,815</b>

## 7- Material and goods inventory:

Materials and goods inventory is consisted from the following items:

Figures in million Rials

		<b>2006-07</b> <b>Million Rials</b>	<b>2005-06</b> <b>Million Rials</b>
Produced goods		47,406	40,729
Others stock in trust by us	(7-3)	(149)	(463)
Produced goods of the company		47,257	40,266
Primary materials and packing	(7-4)	14,073	32,801
Parts and spare parts	(7-5)	66,612	46,494
Other stocks	(7-6)	30,225	32,096
Total		158,167	151,657

**7-1** Material and goods inventory has been valued according to the main accounting procedures of note 3-1

**7-2** Material, produced goods and parts inventory on 20/3/2007 has been insured against comprehensive insurance plan to the amount of 10,17 million Euro, equal to 124,979 Rials.

**7-3** Others stock in trust by us related to 246/1 tons of Ammonium for Shiraz and Khorasan petrochemical companies

**7-4** Primary materials inventory include phosphate soil, phosphoric acid and urea and phosphate bags

**7-5** Parts and spare parts inventory include parts and spare parts available in the secondary warehouse and excess warehouse

**7-6** Other inventories include available catalysts and chemicals in secondary warehouses

## 8- Orders and advance payments:

Orders and advance payments are consisted form the following items:

		<b>2006-07</b> Million Rials	<b>2005-06</b> Million Rials
<b>Orders</b>			
Primary materials and packing	(8-1)	12,424	6,317
Parts and spare parts		118	0
Other orders		0	2,130
		12,542	8,447
<b>Advance payments</b>			
Primary materials and packing	(8-2)	1,603	1,603
Assets insurance (Iran Insurance)		2,226	4,061
Other advance payments		5,477	1,177
Total		9,306	6,841
		21,848	15,288

### 8-1 Orders for primary materials and packing are:

Subject of order	Country	Seller name	Total credit (ton)	Total received (ton)	Currency amount		Currency rate (\$)	Equivalent in Rials	Others Million Rials	Balance at 20/3/2007 Million Rials
Phosphoric acid	Morocco	Phosphor Algharb	9,000	-	-	448,954	9,553	4,289	162	4,451
Phosphate soil	Morocco	Sharif Alphosphate	79,100	66,032	58,382	-	9,228	539	256	795
Phosphate soil	Morocco	Manajem Alphosphate Ordonieh	40,000	39,389	8,827	-	9,228	81	4	85
Phosphate soil	Jordan	Manajem Alphosphate Ordonieh	40,000	40,000	4,669	-	9,228	43	14	57
Phosphate soil	Jordan	Manajem Alphosphate Ordonieh	40,000	40,000	5,707	-	9,207	52	0	52
Phosphate soil	Jordan	Manajem Alphosphate Ordonieh	44,000	1,100	359,473	-	8,994	3,233	99	3,332
Phosphate soil	Jordan	Manajem Alphosphate Ordonieh	44,000	-	-	353,762	9,228	3,652	387	3,652
Total			296,100	186,521	437,058	802,716	-	11,502	922	12,424

Figures given in the above table are ten percent of the credit opened for purchase of primary materials by Petrochemical Commerce Company and the materials subjects of credits were mainly sent to the company, so they would be settled in the next year.

**8-2** The amount of 1,603 million Rials is related to buying Asphorid Soil from Iran Mines Development Company in 2006-06.

**8-3** Comparison of primary materials rate during the two years:

Description	Unit	Rate in 2006-07- Rials	Rate in 2005-06- Rials
Phosphate soil	Ton	740,820	617,234
Phosphoric acid	Ton	4,821,476	4,180,641
Sour gas	M <sup>3</sup>	1,36	1,2

**9-1** Tangible fixed assets of the company to the value of 669/389 million Euro, equal to Euro 8,226,011 Rials, have been covered by comprehensive insurance policy against fire, flood, earthquake risks.

**9-2** Accounting procedures related to collection and amortization of tangible fixed assets have been described under note 3-2 (main accounting procedures).

**9-3** Capital orders totally include one rotor, machinery, parts and spare parts for Ammonium 3 Project which were given in the account upon the instruction of National Petrochemical Industries Company.

**9-4** Additions and transfer of fixed assets in the process of work are consisted from the following:

<b>Additions:</b>			<b>Amount Million Rials</b>
Installations:	CO2 compressor		60,204
<b>Transfers</b>			
Land	Land for Fajr Stadium		2,556
Building	Staff quarters (Zafar, Tohid, Nour, Kosar)	47,916	
	Fajr Stadium	5,288	
	Landscaping around raw water tanks	2,191	
	Others	3,367	
Establishments:	Corrections of Urea 2 Unit	262,329	
	Compressor, generator, turbine, rotor, pump	65,334	
	Gas filtration reboiler	5,383	
	Ammonium unit coil	4,646	
	Optimization of Masjed Soleyman unit	8,415	
	Others	17,217	
			363,324
Machinery:	7.5 km of power pile driving	2,085	
	Wheeled monitor	451	
	Ventilation	685	
	Others	2,562	
	Total		
Tools:	Portable radio- Intercom	1,727	
	Other	952	
			2,679
Light and heavy vehicles	Crane	849	
	Others	148	
			997
Furniture and installations	Installation and commissioning of MIS network	1,085	
	Computer and printer,.....	1,459	
	Refrigerator, water heater and office necessities	1,604	
	Lab devices	3,087	
	Other	984	
			8,219
	Sum total		502,524

**9-5** Assets in the process to be completed for the amount of 2,431,106 million Rials include the following items.

	Amount- Million Rials		% of progress	Anticipation Ending year
	Balance in 2006-07	Balance In 2005-06		
Construction of Ammonium 3	2,373,655	947,517	96	1386
Purchase and installation of Boiler No.8	18,531	18,119	70	1386
Amak project: Transfer of excess gas through new pipe line	8,564	1,390	20	1386
Construction of gas station	6,959	0	15	1387
Installation of aerial cable	5,246	5,246	92	1384
Collection of DAP unit waste water	3,120	0	90	1386
Construction of products' truck parking	2,500	0	95	1386
Reconstruction of central warehouse roof of the complex	1,408	0	98	1386
TSR technical services plans	1,341	0	95	1386
Reconstruction of Training Department and oil clinic	909	0	80	1386
Electro-pumps for sulphuric acid unit	740	0	96	1386
Purchase of converter for Urea 2 unit	724	0	98	1386
Masjed Soleyman Fire Engine	546	500	89	1386
Access road to pipeline and gas wells	408	408	50	1386
Package for injection of chemicals fro power station cooling tower	371	0	40	1386
Design of Amine with Resin system	254	0	52	1387
Reconstruction of central warehouse roof	250	0	98	1386
Fire engine of the complex	239	200	93	1386
Closed circuit camera system	90	0	1	1386
Construction of shelter for sulphuric acid lading site	60	0	98	1386
Construction of mechanized, roofed warehouse for granule phosphor	57	0	1	1387
Construction and erection of statue	5	5	62	1386
Reconstruction of ammonium 101 compressor rotor for	4,646	0		
Corrections in Urea 2 unit	483	229,005		
Other projects	0	124,868	-	1385
<b>Total</b>	<b>2,431,106</b>	<b>1,327,258</b>		

**9-6** Assets sold during the year are consisted form the followings:

Figures in million Rials

<b>Title</b>	<b>Description</b>	<b>Finished price</b>	<b>Consolidated amortization</b>	<b>Book value</b>	<b>Price for transfer of the land</b>	<b>Profit (loss)</b>
Industrial machinery	Compressor	838	442	396	91	(305)
Furniture and installations	Cooler and radiography device	675	675	0	212	212
Light and heavy vehicles	Loader, lift truck, Bulldozer, roller	7,148	6,187	961	2,381	1,420
Building	Staff quarters	0	0	0	2,563	2,563
Total		8,661	7,304	1,357	5,247	3,890 (Note21)
Tehran office land		2,000	0	2,000	2,000	0
Tehran office building		2,126	806	1,320	5,150	3,830
Total		4,126	806	3,320	7,150	3,830
Sum total		12,787	8,110	4,677	12,397	7,720

**9-6-1** According to notice 19, clause "d", Budget Law for 2006-07 the income form selling Tehran Office Administrative building 50% of the amount was transferred to general account of the state and 50% was given in the accounts to be used in capital assets.

**9-7** Balance for capital advance payments at the date of balance sheet is consisted form the followings:

<b>Description</b>	<b>Subject of advance payment</b>	<b>2005-06 Million Rials</b>	<b>Increase Million Rials</b>	<b>Transfers Million Rials</b>	<b>2006-07 Million Rials</b>
Tehran Garmayesh	Purchase of Flash Drum, Talco Drum	275	0	0	275
Osveh Iran Industrial Group	Design and purchase of items and construction of two Package Boilers	9,747	0	0	9,747
Behineh Sazi Niro Company	Purchase and erection of package for injection of materials and acid	0	296	118	178
Niroye Tehran Engineering Company	Reconstruction of air system for precision tools	0	2,175	1,721	454
Kaveh Mobadel	Purchase of condenser No.2, oil phosphor making unit	0	698	217	481
Tamam Sazeh Sepahan Company	Construction of truck parking	0	625	273	352
Kosha Metal Industries Company	Purchase of materials and operations for Amak Plan	0	3,665	229	3,436
Azin Rakhsh Khozestan Company	Construction of access road to stations and pipeline valves	657	0	0	657
Palayesh Niro Company	Design and engineering of Capacitor Bank Set	0	401	0	401
Other		6,491	17,929	24,254	166
Total		17,170	25,789	26,812	16,147

**10- Other assets:**

Description	2006-07 Million Rials	2005-06 Million Rials
Long term share for employees and other persons debt (Note No.6)	31,643	39,079
Employees house deposit	5,118	2,507
Telephone subscription	402	401
House deposit for saving and provident funds	2,016	2,016
Masjed Soleyman water subscription	86	86
Others	174	263
<b>Total</b>	<b>39,439</b>	<b>44,352</b>

**11- Other accounts payable:**

Other accounts payable are consisted from the followings:

	Note	2006-07 Million Rials	2005-06 Million Rials
Reserve for unpaid incurred expenses	(11-1)	189,973	469,549
40% profit for 2006-07 for clause "c", Note 1, Budget Law for 2007-08		59,630	-
Deposit for good performance and contractors premium		51,368	43,297
Difference form currency consumed for primary materials and product of the end period	(11-4)	24,247	38,133
Debt to contractors		11,560	11,268
Debt to sellers		199	155
Withholding taxes and share transfers		1,679	4,322
Contractors deposit in plan and projects tender as guarantee for their performance of commitments		2,699	3,092
Salary and wage and other claims by the employees	(11-2)	5,105	5,037
Part of clause "d", Note 19, Budget Law, 50% of incomes form Tehran Office sale	(9-6-1)	1,914	-
Environment tax for 2004 to 2006 and delay fine	(11-3)	17,273	-
Others		8,095	23,077
<b>Total</b>		<b>373,742</b>	<b>597,930</b>

**11-1** Reserve for incurred and unpaid expenses is consisted from:

	2006-07 Million Rials	2005-06 Million Rials
Contractors claims- unpaid statements of accounts	61,057	52,952
Reserve for employees leave	13,236	10,988
Purchase of unused primary materials and parts form Petrochemical Commercial	3,750	5,096
Reward for annual production	1,931	3,933
Expenses for registration, levies and transfer of houses	6,192	7,053
Gas, water, telephone and power	3,149	282
Employer share reserve (19%) (Note 21-3)	79,587	-
Others	21,071	389,245
	189,973	469,549

**11-2** Employees claims for the amount of 5,105 million Rials are related to the amounts deposited by the employees for buying staff quarters and other claims by employees (mainly retired).

**11-3** The amount of 17,273 million Rials is related to the principal and 1% fine for tax and levies related to selling pollutant products subject of clause "e", Art 3, Amendment to parts of the law for Economic, Social and Cultural 3<sup>rd</sup> Development Plan for the Islamic republic of Iran and the method for establishment and collection of tax and other funds form producers of goods, suppliers of services and imported goods ratified in 12/1/2003 which was claimed by Tax Affairs Department but as the said tax were not received from the domestic buyer of the company's products (Fertilized Distribution Company) by Petrochemical Commercial Company as well for objection to the company coverage the amount has not been paid yet.

**11-4** For importation of primary materials (Phosphoric acid and phosphate soil) 7,400 Rials and 7,250 Rials were given in the accounts as balance for consumed currency per dollars of purchase and the difference in consumed currency was given in the profit and loss statement of the company for the amount of primary material consumption while the difference in share for the consumed currency for primary materials inventory and produced goods inventory is kept in this account. Turnover for difference in the said consumed currency would be:

Description	Phosphate soil		Phosphoric acid		Total	
	Currency/Thousands dollar	Amount-Million Rials	Currency/Thousands dollar	Amount-Million Rials	Currency/Thousands dollar	Amount-Million Rials
Inventory at the beginning of period	2,797	20,225	2,470	17,908	5,267	38,133
Purchase (allocation)	22,009	162,536	24,185	180,814	46,194	343,350
Total	24,806	182,761	26,655	198,722	51,461	381,483
Sale income	(21,632)	(162,614)	(26,127)	(192,963)	(47,759)	(355,577)
Waste	(220)	(1,659)			(220)	(1,659)
Inventory at the end of period	2,954	18,488	528	5,759	3,482	24,247

**12- Advance received:**

Advance received are consisted from:

		20/3/2006 Million Rials	20/3/2005 Million Rials
Iran Petrochemical Commercial Company	(12-1)	4,412	(2,627)
Others	(12-2)	263	340
Total		4,675	2,967

**12-1** Advance received from Iran Petrochemical Commercial Company was received according to production schedule for the future year and is equal to three day production (output) of the relative products.

**12-2** Advance received from customers for selling extra items (metal wastes) of the company are based on the concluded contract and tender.

### 13-1 Financial facilities received:

#### a) Matured received loans:

All Rials loans which are matured have been received through National Petrochemical Company and according to the mutual agreement No. 1-111/116 dated 20/6/2006, no commission has been considered up to 20/3/2007.

#### b) Currency loans received

Loans received by National Petrochemical Company were used for orders related to purchase of Turbo Generator for the amount of USD 3,590,788 and chemicals for Euro 731,337 as facilities upon the company license and relative installments are paid in full in due date by National Petrochemical Company in favor of this company while the same would be given in the company accounts by sending a notice..

### 14- Employees termination fee benefits and early retirement:

The said account turnover during the year is consisted from;

	2006-07			2005-06		
	Termination benefits	Early retired	Total	Termination benefits	Early retired	Total
	Million Rials	Million Rials	Million Rials	Million Rials	Million Rials	Million Rials
Balance at the beginning of the year	112,414	243,577	355,991	96,162	220,703	316,865
Paid through the year (14-1)	(11,279)	(49,222)	(60,501)	(8,446)	(44,659)	(53,105)
Reserve financed	22,938	82,162	105,064	24,698	67,533	92,231
Balance at the end of the year	124,073	276,481	400,554	112,414	243,577	355,991

14-1 The amount paid during the fiscal year is resulted from usage of formal employees from human force adjustment, normal retirement, early retirement and transfer plan (Note No. 1-3)

### 15- Capital:

Information related to the main shareholders at the date of balance sheet:

	20/3/2006	
	No. of shares	Amount Million Rials
National Petrochemical Company	2,799,999,995	2,800,000
Mr. Ali Akbar Ahmadi Dashti	1	-
Mr. Hossein Shahriari Marghchoiyeh	1	-
Mr. Heidar Dehghani	1	-
Mr. Mohammad Akbari Baghbani	1	-
Mr. Mohammad Asteraki	1	-
	2,800,000,000	2,800,000

According to the approval dated 7/3/2006, Extraordinary General Assembly, Capital of the company has increased from 2,000 Billion Rials to 2,800 Billion Rials, from the place of reevaluation reserve, other reserves and increased facilities and has been registered by Corporate Registration Company.

**16- Legal Reserve:**

According to the contents of Art 140 and 238, amendment to Commerce Law approved in March 1969 and contents of Art 28, Articles of Association the company has transferred 586 million Rials to legal reserve form the allocable profit for the former years. According to the contents of the said articles, transfer to the abovementioned reserve would be mandatory to the point where legal reserve is reached 10% of the capital of company. Legal reserve can not be transferred to capital and can not be distributed among shareholders unless the company is dissolved.

**17- Net sale:**

	2006-07		2005-06	
	Qty (Ton)	Million Rials	Qty (Ton)	Million Rials
<b>Inside the country:</b>				
Phosphor	246,752	330,316	282,533	351,837
Ammonium	165,856	69,905	289,712	118,030
Sulphuric acid	131,334	31,520	93,814	22,515
Phosphoric acid	2,442	1,221	875	438
Di-Ammonium Phosphate	30	27	30	27
Urea	0,2	1	2,674	11,957
Total domestic sale	546,413,7	432,990	669,638	504,894
<b>Export:</b>				
Ammonium	338,898	772,776	196,094	516,314
Phosphor	201,851	102,832	248,369	157,422
Sulphuric acid	0	0	102,488	26,994
Total export sale	540,749	875,608	546,951	700,730
Sum total	1,087,162,7	1,308,598	1,216,589	1,205,534
Is deduced				
Delivery of agricultural Urea				(361,049)
Net sale:				844,485

Domestic sale is based on the rates notified by Consumers and Producers Protection Organization and export sale is based on international tenders and global rates given by Iranian Petrochemical Commerce Joint Stock Company acting as sale agent and all export currency is centralized in National Petrochemical Industries Company and any consumption is based on the inquiries given in the form of company's budget.

Total value of export products as given above for 2006-07 has been 95,130 thousands dollars.

**17-1** Main customers of the company products on the basis of issued invoices are:

	2006-07		2005-06	
	Sale rate Million Rials	Percent to total	Sale rate Million Rials	Percent to total
Iran Petrochemical Commercial Company	1,306,937	99,9	842,481	99,9
Others (Bandar Imam)	1,661	0,1	2,004	0,1
	1,308,598	100	844,485	100

**17-2** Comparative table of sale and cost price for the main products:

	Sale and difference in consumed currency	Cost price	Gross profit (loss)	Per cent of gross profit (loss) to sale
	Million Rials	Million Rials	Million Rials	
Phosphor	104,053	44,483	59,570	57
Ammonium	772,803	202,683	570,120	74
Sulphuric acid	31,520	25,985	5,535	18
Urea	69,905	181,530	(111,625)	(160)
Di-ammonium phosphate (Note 17-2-1)	685,893	703,246	(17,353)	(3)
Phosphoric acid	1	0	1	100
Total	1,664,175	1,157,927	506,248	

**17-2-1** As domestic sale rate of products is determined by Consumers and Producers Protection Organization and in collaboration with other relative organizations as subsidy, sale price does not compensate for the cost price of products and significant loss is imposed to the company each year for this item. In addition the amount of 685,893 million Rials from sale of Di-ammonium phosphate, including the amount of 355,577 million Rials for the difference in consumed currency for this product is given under descriptive note 11-4.

**18- Cost price for the sold product:**

Table for cost price of the sold good:

	Note	20/3/2006 Million Rials	20/3/2005 Million Rials
Direct consumed materials (Note 18-1)		473,771	462,145
Direct wage (Note 18-2)		54,288	61,040
Production overhead (Note 18-2)		834,184	849,250
Non attracted expenses in production (Note 20)		(192,814)	(146,907)
Total production expenses		1,169,429	1,225,528
Id added: Inventory of produced good at the beginning of the year	(Note 7)	40,266	41,208
Products soled from purchase		1	11,177
Is deduced: Inventory of produced good at the end of the year	(Note 7)	(47,257)	(40,266)
Wastes (Note 11-4, 20)		(4,512)	0
Cost price for sold goods		1,157,927	1,237,647

**18-2-** Expenses for direct wage and production overhead is consisted from the following items:

		Direct wage		Production overhead	
		2006-07	2005-06	2006-07	2005-06
		Million Rials	Million Rials	Million Rials	Million Rials
Employees wage and benefits		41,613	36,241	76,446	66,270
Workers wage and benefits		1,202	1,165	5,048	4,807
Other expenses of employees	(18-2-1)	11,473	23,634	24,995	29,722
Consuming goods and materials- additional		-	-	28,248	49,008
Expense for product packing		-	-	20,258	23,691
Factory parts and spare parts		-	-	100,045	97,539
Chemicals and catalysts		-	-	39,470	42,744
Contracting and specialty services	(18-2-1)	-	-	176,599	161,283
Water, electricity and gas		-	-	45,555	53,807
Premium for installations, events, transportation, etc		-	-	8,928	8,359
Amortization		-	-	250,656	247,024
Services received from the same group companies		-	-	57,936	73,996
		54,288	61,040	834,184	849,250

**18-2-1** Other expenses for employees are consisted form the followings:-

Termination payments	7,161	7,099	13,378	14,142
Production reward	4,013	15,375	6,802	0
Other	299	1,160	4,815	6,580
Total	11,473	23,634	24,995	29,722

**18-2-2** Increase in contracting and specialty expenses are mainly resulted form increase in the rate for receiving services.

**18-3** Comparison of company's production rate in the reported fiscal year with nominal and normal (practical) capacity gives the following results:

Type of product	Unit	Nominal capacity	Normal Capacity (Practical)	True production 2005-06	True production 2005-06
Phosphor	Ton	508,000	374,310	358,360	410,180
Ammonium	Ton	660,000	574,570	518,660	472,090
Sulphuric acid	Ton	627,000	377,310	363,520	487,800
Urea	Ton	883,000	319,000	171,800	278,200
Di-Ammonium phosphate	Ton	450,000	264,880	245,290	281,715
Phosphoric acid	Ton	255,000	70,490	76,670	93,340
Total		3,383,000	1,980,560	1,734,300	2,023,325

Decrease in production compared to the normal capacity is resulted from overhauls, optimization, shortage of primary materials and delayed receipt of soil and imported phosphoric acid.

Consequently the amount of 10,755 million Rials form direct wages expenses and 182,059 million Rials from overhead expenses, totally for 192,814 million Rials under the title of non-absorbed expenses in production compared to highest production rates during the last five years has been calculated and given in the accounts as defined under Descriptive Note No.20.

**18-4** Comparison of cost price for produced items in the year subject of report with performance in 2005-06 are extracted to be as below table:

	Production-Qty/Ton		Cost price- Ton/Rials		Increase (Decrease)
	2006-07	2005-06	2006-07	2005-06	Ton/Rials
Phosphor	358,360	410,180	224,309	221,625	2,684
Ammonium	518,660	472,090	604,480	608,951	(4,471)
Ura	171,800	278,200	1,095,184	991,351	103,833
Di-ammonium phosphate	245,290	281,715	2,854,414	2,570,413	284,001
Phosphoric acid	76,670	93,340	4,281,518	3,804,187	477,331
Sulphuric acid	363,520	487,800	203,633	215,471	(11,838)
Total	1,734,300	2,023,325			

**18-4-1** Increase in cost price of products compared to the last year is totally resulted from increase in other expenses for the employees, chemicals and catalysts, consumer goods and materials and decrease in urea production.

**18-4-2** Comparison of produced and sold items with the budget ratified in 2006-07

Product	Performance Qty-Ton	Ratified budget Qty-Ton	Per cent of increase (decrease)
Phosphor	<b>358,360</b>	<b>374,310</b>	<b>(4)</b>
Ammonium	<b>518,660</b>	<b>574,570</b>	<b>(10)</b>
Urea	<b>171,800</b>	<b>319,000</b>	<b>(46)</b>
Di-ammonium phosphate	<b>245,290</b>	<b>264,880</b>	<b>(7)</b>
Phosphoric acid	<b>76,670</b>	<b>70,490</b>	<b>9</b>
Sulphuric acid	<b>363,520</b>	<b>377,310</b>	<b>(4)</b>
	<b>1,734,300</b>	<b>1,980,560</b>	<b>(12)</b>
<b>b) Sale:</b>			
Product	Performance Qty-Ton	Ratified budget Qty-Ton	Per cent of increase (decrease)
Phosphor	<b>204,293</b>	<b>246,025</b>	<b>(17)</b>
Ammonium	<b>338,928</b>	<b>293,267</b>	<b>16</b>
Urea	<b>165,856</b>	<b>319,000</b>	<b>(48)</b>
Di-ammonium phosphate	<b>246,752</b>	<b>264,880</b>	<b>(7)</b>
Phosphoric acid	<b>131,334</b>	<b>153,243</b>	<b>(14)</b>
Sulphuric acid	<b>1,087,163</b>	<b>1,276,415</b>	<b>(15)</b>

**19- Sale, administrative and general expenses:**

The above title is consisted from:

	<b>2006-07</b>	<b>2005-06</b>
	<b>Million Rials</b>	<b>Million Rials</b>
Technical services, administrative and financial expenses for National Petrochemical Company	2,617	2,425
Employees wage and benefits	18,533	17,002
Other expenses of employees (19-1)	56,215	27,991
Amortization of tangible fixed assets	6,799	5,918
Contracting and specialty services	4,175	4,051
Commissioning and sale commission	3,908	3,450
Other export sale expenses	1,548	902
Services received from companies of the same group	8,347	8,768
Others	6,114	4,884
	108,256	75,391

**19-1** Other expenses for employees include the amount of 49,222 million Rials for early retirement pension and the remainder is mainly for employees termination benefits.

**20- Net other incomes and operational expenses:**

	<b>2006-07</b>	<b>2005-06</b>
	<b>Million Rials</b>	<b>Million Rials</b>
Income from selling CO <sub>2</sub> gas to Fan Avaran Company	5,349	3,887
Income from the currency exchange	114	195
Wastes from produced items and phosphate soil (Note 18 and 18-1)	(3,076)	-
One per thousands expense for selling green area shares (Note 20-1)	(12,309)	(1,206)
Non attracted expenses in production (Note 18-3)	(192,814)	(146,907)
Other	(1,167)	6,188
	(192,903)	(137,843)

**20-1** The amount of 1,309 million Rials as one per thousands for selling green area share according has been calculated and given under the accounts according to clause "d", Art 45, Law for collection of some public incomes and consumption of the same in determined cases.

**21- Net other incomes and non-operational expenses:**

	<b>2006-07</b>	<b>2005-06</b>
	<b>Million Rials</b>	<b>Million Rials</b>
Income from selling scrapped and excess properties	2,209	1,717
Income from selling fixed assets (Note 9-6)	3,890	3,395
Income from export of ammonium of Shiraz and Khorasan Petrochemical companies	2,385	2,084
Commission for keeping phosphoric acid of Petrochemical Commercial Company (Note 21-1)	14,199	2,938
For the damage from the event in sour gas pipeline (Note 21-2)	19,738	0
Others	17,269	6,178
<b>Total other incomes</b>	59,690	16,312
Net adjustment in early retirement of employees (Note 14)	(32,909)	(45,779)
Retirement of employer share (19% special extra and	(75,631)	0

workshop) (Note 21-3)		
Difference in currency rate (Note 21-4)	(1,442)	0
Treatment expenses share (Note 21-5)	(5,097)	0
Other	(624)	(7,906)
Total other expenses	(115,703)	(53,685)
Sum total	(56,013)	(37,373)

**21-** According to the agreement between Iran Petrochemical Commercial Company and Razi Petrochemical Company, operations for offloading and storage of imported phosphoric acid by Petrochemical Company in the company's tanks and loading, weighing and delivery of the same are performed through the company by third parties and method of payment would be based on the tonnage slips of the delivered acid according to the bills issued to the customers for Petrochemical Commercial Company.

**21-1** By virtue of the approval in 128<sup>th</sup> assembly of the board of directors for National Petrochemical Industries Company it was decided that Specific Economic Zone Organization of the Petrochemical should pay the said amount to this company as expenses for the factors related to stoppage of production.

**21-2** According to the approval 1550 dated 7/11/2006 by the board of directors for National Iranian Oil Company regarding addition of specific allowance and workshop benefit to retired persons' salary from 21/3/2007, 19% of employer share for specific allowance and workshop has been calculated and given in the accounts as above on the basis of the last salary in 2005-06 for all employed persons and those have been retired from 21/3/2006 onward.

**21-3** Is mainly related to unpaid installments of AKA loan

**21-4** According to the approval in the 152<sup>nd</sup> assembly of the board of directors of National Petrochemical Industries Company the said amount would be the share for Razi Company regarding distribution of treatment expenses for native non-corporative population.

## **22- Service year adjustments:**

The amount of 411,685 million Rials in the former fiscal year had been deduced upon the agreement of National Petrochemical Industries Company for amortization of consolidated loss from the claims of the former company which was returned for non approval in the current year.

**22-1** To give a suitable picture from the financial condition consequences of operations all comparative items related to comparative financial statements were corrected and reissued. So Comparative items in some cases do not conform the financial statements offered.

## **23- Reconciliation statement for operation profit:**

	<b>2006-07</b>	<b>2005-06</b>
	<b>Million Rials</b>	<b>Million Rials</b>
Operation profit (loss)	205.089	(280,668)
Expense for amortization of fixed assets	262.883	252,942
Net increase in employees termination benefit reserve	44.563	39,126
Decrease (increase) in claim from companies of the same group	7.532	68,010
Decrease (increase) in other accounts receivable	2.010	4,107
Decrease (Increase) in material and goods inventory	(6.510)	(575)

Decrease (increase) in orders and advance payments	(6,560)	29,648
Increase (decrease) in debt to companies of the same group	268,070	69,646
Increase (decrease) in other accounts payable	(283,818)	(210,240)
Increase (decrease) in advance payments account	1,708	(1,868)
Net other incomes and non-operative expenses	(59,903)	(40,7680)
	435,064	(70,6400)

#### **24- Possible obligations and debts:**

**24-1** Possible debts subject of art 235, Amendment law to part of Commerce Law approved in 1968, at the date of balance sheet have been:

	<b>Amount in Million Rials</b>
Two guarantees for importation of goods to Imam Khomeini Port's custom- Mehrabad custom	4,760
<b>Total</b>	<b>4,760</b>

**24-2** Other possible debts at the date of balance sheet are:

	<b>Amount in Million Rials</b>
Claim by Tab Start Company	18
Claim by Pakand Mahshahr Company	25
<b>Total</b>	<b>43</b>

**24-3** Capital obligations from concluded and approved contracts at the date of balance sheet are consisted from:

<b>Company name</b>	<b>Subject of contract</b>	<b>Price in Million Rials</b>
Osveh Industrial Group	Design, purchase, construction, transportation, installation, commissioning two sets of water tube boiler package	11,798
Pajvah Gostar Compan	Design, purchase, installation and commissioning on heater for water absorption unit	890
Rampco Company	Installation and pre-commissioning of the project for optimization of Urea 2	5,600
Azin Rahsh Khozestan Company	Construction of access road to stations and valves of the pipeline	2,033
Kosha Metal Industries Company	Purchase of materials and operations for construction of Amak Plan Project	11,222
Niro Consulting Engineers	Collection and recovery system for waste water	630
Niroye Tehran Engineering Company	Installation of Nock Out Drum tanks and reconstruction of air system	1,500
Tamam Sazeh Sepahan Company	Construction of truck parking of the complex	2,500
Tous Company	Purchasing one hear exchanger	387
Saina Company	Reconstruction of sulphuric acid units	536
Simin Poshesh Sepahan	Repair and sealing the pool for Urea cooling tower	220
Palayesh Niro	Design engineering operation for tanks	1,199
Sanayee Ebtakar Jonob Company	Purchasing one full C-115 heat exchanger for Urea unit	724
Vire Tehran Petro Pedam Company	Electro-pumps for sulphuric acid unit	740
Others		2,056
		<b>42,035</b>

These obligations are resulted from contracts with parties to the contract in execution of projects.

**25- Events after the date of balance sheet:**

No events was seen between the period after balance sheet date up to the approval of financial statements, required to be disclosed in financial statements.

**26- Transactions with affiliated persons:**

Transactions performed with affiliated persons during reported fiscal year are:

<b>Name of contracting company</b>	<b>Type of relation</b>	<b>Description</b>	<b>Transaction Amount Million Rials</b>	<b>Justified price of transaction Million Rials</b>	<b>Balance claim (debt) in 20/3/2007 Million Rials</b>
Khorasan Petrochemical Company	Member of Joint board of directors	Commission for exported services	194	194	3,163
Shiraz Petrochemical Company	Member of Joint board of directors	Commission for exported services	1,122	1,122	1,693
London Petrochemical Commercial Company	Member of Joint board of directors	Performing mutual services	52,795	52,795	-

Meantime from the second half of the current year, management of this company is no more the member of the board of directors of Shiraz and Khorasan Petrochemicla Companies and has been a member of London Petrochemical Commercial Company since the current February.

Justified value of transactions has no significant difference with the amount of transaction.

**28- Comparison of true performance with approved budget:**

**28-1** Comparison of true expenses with approved budget is in the following form:

	<b>Performance 2006-07</b>	<b>Budget 2006-07</b>	<b>Difference (Increase) decrease</b>
	<b>Million Rials</b>	<b>Million Rials</b>	<b>Million Rials</b>
Employees Osalary and benefits	136,592	132,995	(3,597)
Workers wage and benefit	6,249	6,606	357
Other employees expenses	92,684	108,558	15,874
Good and consumer materials	28,263	46,199	17,936
Safety and Fire Fighting Tools	811	2,150	1,339
Packing expenses	20,258	23,833	3,575
Parts and spare parts for the factory	100,045	97,144	(2,901)
Other spare parts	758	1,300	542
Chemicals and catalysts	39,470	44,272	4,802
Primary materials/Foods	117,181	119,346	2,165
Contracting and specialty services	180,774	184,098	3,324
Commission for technical, administrative and financial services of petrochemical	2,617	2,505	(112)
Commission for commercial sale of petrochemical services	3,909	2,866	(1,043)
Consumed water and subscription fee	21,335	17,909	(3,426)
Consumer electricity and subscription fee	16,452	40,677	24,225
Gas/consumed fuel and subscription fee	7,769	7,523	(246)
Insurance for installations/events/vehicles, etc	8,928	8,381	(547)
Amortization expenses	257,455	258,782	1,327
Other expenses	24,386	38,190	13,804
Services received from companies of Oil & Petrochemical Group	69,582	110,510	40,928
Recovery of services to companies of the group and third persons	(21,609)	(10,938)	10,671
<b>Total</b>	<b>1,113,909</b>	<b>1,242,906</b>	<b>128,997</b>

Main reasons for change in true expenses against the budget approved in 2006-07 are totally given as following:

- 1- Increase in salary and wage expenses, mainly from increase in employer's share of expenses for saving and retirement of employees resulted from consideration of specific allowance and workshop under the benefits covered by retirement.
- 2- Decrease in other expenses of the employees mainly form decrease in production reward for the decrease in production of items
- 3- Decrease in goods and consuming goods expenses mainly form decrease in expenses for other materials and miscellaneous goods.
- 4- Increase in spare parts expenses from overhauls in producing units.

5- Increase in expenses for performed services to third parties mainly form increase in number of employees delegated to other companies.

6- Increase in expenses for consumed water mainly form increase in the quantity for installation of counter by Water Organization and exact measurement of consumed water.

**28-2** Comparison of true income with the approved budget:

	<b>True income 2006-07</b>	<b>Approved budget 2006-07</b>	<b>Difference between true income and approved budget</b>
	<b>Million Rials</b>	<b>Million Rials</b>	<b>Million Rials</b>
Phosphor	104,053	123,730	(19,677)
Ammonium	772,803	597,451	175,352
Sulphuric acid	31,520	36,779	(5,259)
Urea	69,905	140,700	(70,795)
Di-Ammonium phosphate	330,316	354,239	(23,923)
Phosphoric acid	1	0	1
<b>Total</b>	<b>1,308,598</b>	<b>1,252,899</b>	<b>55,699</b>

Increase in income for the year compared with the approved budget is mainly resulted from increase in sale rate for exported products.

**28-4 Comparison of true profit and loss of with budget loss and profit::**

	Note	20065-07 True	2006-07 Approved budget
		Million Rials	Million Rials
Net sale	17	1,308,598	1,252,899
Difference in consumed currency for primary materials		355,577	0
Cost price for the sold goods	18	(1,157,927)	(1,130,863)
Gross profit		506,248	122,036
Is deduced operational expenses:			
Sale, administrative and general expenses	19	(108,256)	(112,043)
Net other incomes (expenses) and operational expenses	20	(192,903)	0
Total operational expenses		(301,159)	(112,043)
Operative profit		205,089	9,993
Is deduced:			
Net other incomes (expenses) and non-operative expenses	21	(56,013)	0
Net profit (loss)		149,076	9,993

**29- Separation of profit and loss statement:**

	Note	Export sale		Domestic sale		2006-07	
		Million Rials	Million Rials	Million Rials	Million Rials	Million Rials	Million Rials
Net sale	17		875,608		432,990		1,308,598
Difference in currency consumed for primary material					355,577		355,577
Cost price for soled good	18		(246,616)		911,311		21,157,927
Gross profit (loss)			628,992		(122,744)		506,248
Is deduced:							
Sale, administrative and general Expenses	19	(56,101)		(52,155)		(108,256)	
Net other operational incomes (expenses )		(51,890)		(51,890)		(192,903)	
			(107,991)		(193,168)		(301,159)
Operational profit (loss)			521,001		(315,912)		205,089
Is added (deduced):							
Net other incomes and non-operational expenses	21	(27,861)		(28,152)		(56,013)	
			(27,861)		(27,152)		(56,013)
Net profit (loss)			493,140		(344,064)		149m076