

[No. 2]

Supplemental Agreement between the Imperial Iranian Government and the Anglo-Iranian Oil Company, Limited, made at Tehran on 17th July, 1949

Whereas on 29th April, 1933, an Agreement (herein called "the Principal Agreement") was entered into between the Imperial Government of Persia (now known as "the Imperial Iranian Government") of the one part and the Anglo-Persian Oil Company, Limited (now known as the "Anglo-Iranian Oil Company, Limited") of the other part which established a Concession for the regulation of the relations between the two parties above mentioned

And whereas the Government and the Company have after full and friendly discussion agreed that in view of the changes in economic conditions brought about by the World War of 1939-1945 the financial benefits accruing to the Government under the Principal Agreement should be increased to the extent and in the manner hereinafter appearing

And whereas for this purpose the parties have agreed to enter into a Supplemental Agreement:—

Now it is hereby agreed between the Imperial Iranian Government and the Anglo-Iranian Oil Company, Limited, as follows:—

1. This Agreement is supplemental to and shall be read with the Principal Agreement.

2. Any of the terms used herein which have been defined in the Principal Agreement shall have the same meaning as in the Principal Agreement, save that, for the purposes of this Agreement, all references in the Principal Agreement to Persia, Persian, the Imperial Government of Persia and the Anglo-Persian Oil Company, Limited, shall be read as references to Iran, Iranian, the Imperial Iranian Government and the Anglo-Iranian Oil Company, Limited, respectively and the references to the Permanent Court of International Justice shall be read as references to the International Court of Justice established by the United Nations.

3.—(a) In respect of the calendar year ended 31st December, 1948, and thereafter, the rate of the annual royalty payable to the Government under sub-clause (I) (a) of Article 10 of the Principal Agreement shall be increased from four shillings to six shillings per ton of petroleum sold for consumption in Iran or exported from Iran.

(b) The Company shall within a period of thirty days from the date of coming into force of this Agreement, pay to the Government the sum of three million three hundred and sixty-four thousand four hundred and fifty-nine pounds sterling (£3,364,459), as a retrospective application to cover the calendar year ended 31st December, 1948, of the modification introduced by sub-clause (a) of this Clause 3, taking into account the provisions of sub-clause (V) (a) of Article 10 of the Principal Agreement.

4.—(a) In order that the Government may receive a greater and more certain and more immediate benefit in respect of amounts placed to the General Reserve of the Anglo-Iranian Oil Company, Limited, than that provided by sub-clause (I) (b) and sub-clause (III) (a) of Article 10 of the Principal Agreement, the Company shall pay to the Government in respect of each amount placed to the General Reserve of the Anglo-Iranian Oil Company, Limited, in respect of each financial period for which the accounts of that company are made up (starting with the financial period ended 31st December, 1948) a sum equal to twenty per cent (20%) of a figure to be arrived at by increasing the amount placed to General Reserve (as shown by the published accounts for the financial period in question) in the same proportion as twenty shillings sterling (s.20/-) bear the difference between twenty shillings sterling (s.20/-) and the Standard Rate of British Income Tax in force at the relevant date.

The relevant date shall be the date of the final distribution to the Ordinary Stockholders in respect of the financial period in question, or, in the event of there being no such final distribution, a date one calendar month after the date of the Annual General Meeting at which the accounts in question were presented.

Examples of the implementation of the principle set out in this sub-clause (a) have been agreed between the parties hereto and are set out in the Schedule to this Agreement.

(b) If in respect of any financial period for which the accounts of the Anglo-Iranian Oil Company, Limited, are made up (starting with the financial period ended 31st December, 1948) the total amount payable by the Company to the Government under sub-clause (a) of this Clause 4 and sub-clause (I) (b) of Article 10 of the Principal Agreement shall be less than four million pounds sterling (£4,000,000) the Company shall pay to the Government the difference between the said total amount and four million pounds sterling (£4,000,000). Provided, however, that if during any such financial period the Company shall have ceased, owing to events outside its control, to export petroleum from Iran, the amount payable by the Company in respect of such period in accordance with the foregoing provisions of this sub-clause (b) shall be

reduced by a sum which bears the same proportion to such amount as the period of such cessation bears to such financial period.

(c) Any sum due to the Government in respect of any financial period under sub-clause (a) or sub-clause (b) of this Clause 4 shall be paid on the relevant date appropriate to that financial period.

(d) The provisions of Clause (V) of Article 10 of the Principal Agreement shall not apply to any payments made by the Company to the Government in accordance with sub-clause (a) or sub-clause (b) of this Clause 4.

5.—(a) In respect of the sum of fourteen million pounds sterling (£14,000,000) shown in the Balance Sheet of the Anglo-Iranian Oil Company, Limited, dated 31st December, 1947, as constituting the General Reserve of that company, the Company shall, within a period of thirty days from the date of coming into force of this Agreement, pay to the Government the sum of five million and ninety thousand nine hundred and nine pounds sterling (£5,090,909).

(b) The provisions of Clause (V) of Article 10 of the Principal Agreement shall not apply to the payment to be made by the Company in accordance with sub-clause (a) of this Clause 5.

6. The payments to be made by the Company under Clauses 4 and 5 of this Agreement shall be in lieu of and in substitution for—

- (i) any payments to the Government under sub-clause (I) (b) of Article 10 of the Principal Agreement in respect of any distribution relating to the General Reserve of the Company, and
- (ii) any payment which might become payable by the Company to the Government in respect of the General Reserve under sub-clause (III) (a) of Article 10 of the Principal Agreement on the expiration of the Concession or in the case of surrender by the Company under Article 25 of the Principal Agreement.

7.—(a) In respect of the calendar year ended 31st December, 1948, and thereafter, the rate of payment to be made by the Company to the Government in accordance with sub-clause (I) (c) of Article 11 of the Principal Agreement which relates to the payment to be made in respect of the excess over 6,000,000 tons shall be increased from ninepence to one shilling.

(b) The Company shall, within a period of thirty days from the date of coming into force of this Agreement, pay to the Government the sum of three hundred and twelve thousand nine hundred pounds sterling (£312,900), as a retrospective application to cover the calendar year ended 31st December, 1948, of the modification introduced by sub-clause (a) of this Clause 7, taking into account the provisions of sub-clause (V) of Article 10 of the Principal Agreement.

8.—(a) At the end of sub-clause (a) of Article 19 of the Principal Agreement there shall be added a paragraph in the following terms: "If at any time either party shall consider that either Roumanian prices or Gulf of Mexico prices no longer provide suitable standards for fixing 'basic prices,' then the 'basic prices' shall be determined by mutual agreement of the parties, or in default of such agreement by arbitration under the provisions of Article 22. The 'basic prices' so determined shall become binding on both parties by an agreement effected by exchange of letters between the Government (which shall have full capacity to enter into such an agreement) and the Company."

(b) As from 1st June, 1949, the prices at which the Company shall sell motor spirit, kerosene and fuel oil, produced from Iranian petroleum to consumers other than the Government for internal consumption in Iran, shall be the basic prices with a deduction of twenty-five per cent. (25%), instead of a deduction of ten per cent (10%) as provided in sub-clause (b) of Article 19 of the Principal Agreement.

9. In consideration of the payment of the above sums by the Company the Government and the Company agree that all their obligations one to another accrued up to 31st December, 1948, in respect of sub-clause 1 (a) and sub-clause 1 (b) of Article 10 and in respect of Article 11 of the Principal Agreement and also in respect of the General Reserve have been fully discharged.

10. Subject to the provisions of this Agreement, the provisions of the Principal Agreement shall remain in full force and effect.

11. This Agreement shall come into force after ratification by the Majlis and on the date of its promulgation by Decree of His Imperial Majesty the Shah. The Government undertakes to submit this Agreement, as soon as possible, for ratification by the Majlis.

Examples of the Implementation of the Principle set out in Sub-clause (a) of Clause 4 of the Within Written Agreement on the Assumption that £1,000,000 is Placed to General Reserve

	EXAMPLE I	EXAMPLE II	EXAMPLE III																														
1. Standard Rate of British Income Tax ...	10s. in the £1	9s. in the £1	5s. in the £1																														
2. Amount placed to General Reserve as shown by the published accounts for the financial period in question	£1,000,000	£1,000,000	£1,000,000																														
3. The above amount is increased as follows:—																																	
<table border="1"> <thead> <tr> <th>A</th> <th>Standard Rate</th> <th>B</th> <th colspan="2">Proportionate Increase</th> <th></th> </tr> <tr> <th>“Twenty Shillings sterling”</th> <th>of British Income Tax</th> <th>Difference</th> <th>A</th> <th>B</th> <th></th> </tr> </thead> <tbody> <tr> <td>20s.</td> <td>10s.</td> <td>10s.</td> <td>20</td> <td>10</td> <td>£2,000,000</td> </tr> <tr> <td>20s.</td> <td>9s.</td> <td>11s.</td> <td>20</td> <td>11</td> <td>...</td> </tr> <tr> <td>20s.</td> <td>5s.</td> <td>15s.</td> <td>20</td> <td>15</td> <td>...</td> </tr> </tbody> </table>	A	Standard Rate	B	Proportionate Increase			“Twenty Shillings sterling”	of British Income Tax	Difference	A	B		20s.	10s.	10s.	20	10	£2,000,000	20s.	9s.	11s.	20	11	...	20s.	5s.	15s.	20	15	...		£1,818,182	£1,333,333
A	Standard Rate	B	Proportionate Increase																														
“Twenty Shillings sterling”	of British Income Tax	Difference	A	B																													
20s.	10s.	10s.	20	10	£2,000,000																												
20s.	9s.	11s.	20	11	...																												
20s.	5s.	15s.	20	15	...																												
4. The “sum equal to 20%” which is therefore payable to the Iranian Government is	£400,000	£363,636	£266,667																														

Made at Tehran the 17th July, one thousand nine hundred and forty-nine.

For the Imperial Iranian Government:

A. Q. GULSHAYAN.

For and on behalf of the Anglo-Iranian Oil Company, Limited:

N. A. GASS.