

(Translation)

Between the Government of His Imperial Majesty the Shah of Persia of the one part and William Knox D'Arcy of independent means residing in London at No. 42 Grosvenor Square (hereinafter called "the Concessionaire") of the other part, The following has by these presents been agreed on and arranged, viz.:

Article 1

The Government of His Imperial Majesty the Shah grants to the Concessionaire by these presents a special and exclusive privilege to search for, obtain, exploit, develop, render suitable for trade, carry away and sell natural gas, petroleum, asphalt and ozokerite throughout the whole extent of the Persian Empire for a term of 60 years as from the date of these presents.

Article 2

This privilege shall comprise the exclusive right of laying the pipelines necessary from the deposits where there may be found one or several of the said products up to the Persian Gulf, as also the necessary distributing branches. It shall also comprise the right of constructing and maintaining all and any wells, reservoirs, stations and pump services, accumulation services and distribution services, factories and other works and arrangements that may be deemed necessary.

Article 3

The Imperial Persian Government grants gratuitously to the Concessionaire all uncultivated lands belonging to the State which the Concessionaire's engineers may deem necessary for the construction of the whole or any part of the above-mentioned works. As for cultivated lands belonging to the State, the Concessionaire must purchase them at the fair and current price of the Province.

The Government also grants to the Concessionaire the right of acquiring all and any other lands or buildings necessary for the said purpose, with the consent of the proprietors, on such conditions as may be arranged between him and them without their being allowed to make demands of a nature to surcharge the prices ordinarily current for lands situate in their respective localities. Holy places with all their dependencies within a radius of 200 Persian archines are formally excluded.

Article 4

As three petroleum mines situate at Schouster Kasse-Chirine in the Province of Kermanschahan and Daleki near Bouchir are at present let to private persons and produce an annual revenue of two thousand tomans for the benefit of the Government, it has been agreed that the three aforesaid mines shall be comprised in the Deed of Concession in conformity with Article 1, on condition that over and above the 16 per cent mentioned in Article 10 the Concessionaire shall pay every year the fixed sum of 2,000 (two thousand) tomans to the Imperial Government.

Appendices

Article 5

The course of the pipelines shall be fixed by the Concessionaire and his engineers.

Article 6

Notwithstanding what is above set forth, the privilege granted by these presents shall not extend to the Provinces of Azerbadjan, Ghilan, Mazendaran, Asdrabad and Khorassan, but on the express condition that the Persian Imperial Government shall not grant to any other person the right of constructing a pipeline to the southern rivers or to the south coast of Persia.

Article 7

All lands granted by these presents to the Concessionaire or that may be acquired by him in the manner provided for in Articles 3 and 4 of these presents, as also all products exported shall be free of all imposts and taxes during the term of the present Concession. All material and apparatuses necessary for the exploration, working and development of the pipeline shall enter Persia free of all taxes and custom-house duties.

Article 8

The Concessionaire shall immediately send out to Persia and at his own cost one or several experts with a view to their exploring the region in which there exist, as he believes, the said products, and in the event of a satisfactory nature, the latter shall immediately send to Persia and at his own cost all the technical staff necessary with the working plant and machinery required for boring and sinking wells and ascertaining the value of the property.

Article 9

The Imperial Persian Government authorizes the Concessionaire to found one or several companies for the working of the Concession.

The names, "statutes" and capital of the said companies shall be fixed by the Concessionaire, and the directors shall be chosen by him on the express condition that on the formation of each company the Concessionaire shall give official notice of such formation to the Imperial Government through the medium of the Imperial Commissioner and shall forward the "statutes" with information as to the places at which such company is to operate. Such company or companies shall enjoy all the rights and privileges granted to the Concessionaire, but they must assume all his engagements and responsibilities.

Article 10

It shall be stipulated in the contract between the Concessionaire of the one part and the Company of the other part that the latter is within the term of one month as from the date of the formation of the first exploitation company to pay the Imperial Persian Government the sum of £20,000 sterling in cash and an additional sum of £10,000 sterling in paid-up shares of the first company founded by virtue of the foregoing Article. It shall also pay the said Government annually a sum equal to 16 per cent of the annual net profits of any company or companies that may be formed in accordance with the said Article.

Article 11

The said Government shall be free to appoint an Imperial Commissioner who shall be consulted by the Concessionaire and the directors of the companies to be formed. He shall supply all and any useful information at his disposal and he shall inform them of the best course to be adopted in the interest of the undertaking. He shall establish by agreement with the Concessionaire such supervision as he may deem expedient to safeguard the interests of the Imperial Government.

The aforesaid powers of the Imperial Commissioner shall be set forth in the "statutes" of the companies to be created.

The Concessionaire shall pay the Commissioner thus appointed an annual sum of £1,000 sterling for his services as from the date of the formation of the first company.

Article 12

The workmen employed in the service of the Company shall be subjects of His Imperial Majesty the Shah, except the technical staff such as the managers, engineers, borers and foremen.

Article 13

At any place in which it may be proved that the inhabitants of the country now obtain petroleum for their own use, the Company must supply them gratuitously with the quantity of petroleum that they themselves got previously.

Such quantity shall be fixed according to their own declarations, subject to the supervision of the local authority.

Article 14

The Imperial Government binds itself to take all and any necessary measures to secure the safety and the carrying out of the object of this Concession, of the plant and of the apparatuses of which mention is made for the purpose of the undertaking of the Company and to protect the representatives, agents and servants of the Company. The Imperial Government having thus fulfilled its engagements, the Concessionaire and the companies created by him shall not have power under any pretext whatever to claim damages from the Persian Government.

Article 15

On the expiration of the term of the present Concession, all materials, buildings and apparatuses then used by the Company for the exploitation of its industry shall become the property of the said Government, and the Company shall have no right to any indemnity in this connection.

Article 16

If within the term of two years as from the present date the Concessionaire shall not have established the first of the said companies authorized by Article 9 of the present Agreement, the present Concession shall become null and void.

Article 17

In the event of there arising between the parties to the present Concession any dispute or difference in respect of its interpretation or the rights or responsibilities of one or the other of the parties therefrom resulting, such dispute or difference shall be submitted to two arbitrators at Teheran, one of whom shall be named by each of the parties, and to an Umpire who shall be appointed by the arbitrators before they proceed to arbitrate. The decision of the arbitrators or, in the event of the latter disagreeing that of the umpire, shall be final.

Article 18

This Act of Concession made in duplicate is written in the French language and translated into Persian with the same meaning.

But in the event of there being any dispute in relation to such meaning, the French text shall alone prevail. Teheran Sefer 1319 of the Hegine, that is to say May 1901.

(Signed) WILLIAM KNOX D'ARCY,
By his Attorney,
(Signed) ALFRED L. MARRIOTT.

Certified that the above signatures were affixed in my presence at the British Consulate General at Gulaket near Teheran, on this 4th day of the month of June 1901 by Alfred Lytelton Marriott, Attorney of William Knox D'Arcy, in accordance with the Notarial Act dated 21st March 1901, and seen by me.

(Signed) GEORGE GRAHAME,
Vice-Consul.

This is far translation.

Here follows in English.

Certified that the writing in the Persian and French languages on this and the preceding seven pages were registered in the Archives (Register Book) of H.M.'s Legation, Teheran, on pages 117 to 124, on the 5th June 1901.

Dated at Gulaket near Teheran this 6th day of June 1901.
(Signed) GEORGE GRAHAME,
Vice-Consul.

Appendix 3.1. Definition of financial terms and an explanation of the basis of the consolidated accounts

(a) Ordinary Shares/Dividend

A company needing money can issue (sell) ordinary shares (stock) to investors in exchange for cash. An investor buying such shares takes an equity risk in the company's fortunes. Generally speaking, ordinary shares represent the most junior and permanent form of capital and the investor is unlikely to get much of his money back if the company runs into trouble. He can of course sell the shares in the market more or less at his own choosing. Owning ordinary shares gives the investor the right to vote at shareholders' meetings and therefore gives a limited say in the running of the company.

Income on ordinary shares arises when a company pays a dividend. In general dividends can only be paid to investors if the company has made a profit in a given