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ES CLAIMS TRIBUNAL

دیوان داوری دعاوی ایران - ایالات متحدہ

ORIGINAL DOCUMENTS IN SAFE

Case No. 129

Date of filing: 7 July 1987

** AWARD - Type of Award _____
- Date of Award _____
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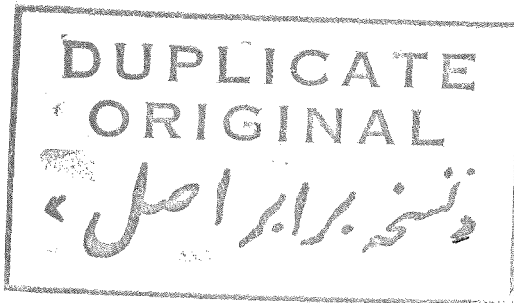
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** DISSENTING OPINION of _____
- Date _____
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** OTHER; Nature of document: Statement of Judge Ansari for
Concerning his Reasons for not Signing
the Award
- Date _____
2 pages in English 2 pages in Farsi



In the Name of God

CASE NO.129

CHAMBER THREE

AWARD NO.309-129-3

SEDCO, INC.,

Claimant,

and

NATIONAL IRANIAN OIL COMPANY
and the ISLAMIC REPUBLIC OF IRAN,
Respondents.

IRAN UNITED STATES CLAIMS TRIBUNAL		دادگاه دآوری دعاوی ایران - ایالات متحده
ثبت شد - FILED		
Date	7 JUL 1987	تاریخ
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No.	129	شماره

129-440

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STATEMENT BY JUDGE PARVIZ ANSARI CONCERNING HIS REASONS
FOR NOT SIGNING THE AWARD IN CASE NO.129

The present document, which the former Chairman of this Chamber has issued as an "arbitral award" for the purpose of paying millions of dollars to the Claimant, is based upon numerous incorrect premises. These incorrect premises, which include diverse substantive and fundamental errors, totally divest this "award" of value and validity. I repeatedly directed the attention of the former Chairman to various instances of these incorrect premises and substantive and fundamental errors but he unfortunately

refused, on specious grounds, to accept these views and to correct the errors. Such a blatantly biased practice on his part, aimed at awarding American claimants the greatest possible amount of money, deprives such an "award" of all value and validity, as to both its substance and its enforcement. It would be improper to sign such an "award," which fails to reflect just and equitable rules of arbitration in the slightest; and I therefore refuse to sign the present document, which I would not characterize as an award. In view of the duties and legal responsibility vested in the Escrow Agent, and in taking into account the principle that this arbitration should be conducted in good faith (as to both issuance of awards and their enforceability), I believe and would hope that the Escrow Agent will refuse to issue an order for payment of such an unenforceable "award."

In an annex to this Statement, I shall set forth some of my views as to the substantive and fundamental errors to be found in the present "award." In the future, I will also elaborate more fully on these views, and file them as a Dissenting Opinion.

The Hague,
6 July, 1987

A handwritten signature in dark ink, appearing to read 'Ansari', followed by a long, sweeping horizontal stroke that curves upwards at the end.

Parviz Ansari

ACCOUNTING AND FINANCIAL REVIEW
OF THE TRIBUNAL'S AWARD CASE NO. 129

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IV	SEDIRAN Drilling Company Balance Sheet As at 22 November 1979 As Per Valuations of the Tribunal's Award and the corrections
V	Section "F" of SEDCO Insurance Policy for Land Drilling Rigs: Extract from Claimant's Submission in Support of Claim Relating to the Appropriation of Drilling Rigs Exhibit "54", Volume IV of IV.
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VII	SEDIRAN Drilling Co. Balance Sheet As at 30 June 1979: Extract From Claimant's Submission in Support of Claim Relating to Appropriation of Drilling Rigs - Exhibit "D", Volume I of IV

ACCOUNTING AND FINANCIAL REVIEW OF THE
TRIBUNAL AWARD

INTRODUCTION

1. The Tribunal Award for Case No. 129 for SISA and Sediran is reviewed from accounting and financial aspect to show the substantive errors in it. The comments are categorized into two sections: Section I is dealing with Sediran and in Section II SISA is dealt with. Section I on Sediran is divided into two parts. Part A covers comments, in particular, on the income and expenditure of Sediran for the period from 1 July, 1979 to 22 November, 1979. Part B covers comments in the balance sheet and evaluation of the Tribunal decisions in the Award limited to the data presented to the Tribunal by the Claimant and the Respondent. In case of some minor discrepancies in the figures, that is due to the last minute changes in the Award.

SECTION I: SEDIRAN

Part A: Income and Expenditure for the
Period Ending 22 November, 1979

2. In its Interlocutory Award No. ITL55-129-3, Chamber 3 determined that Sediran Drilling Co. had been expropriated as at 22 November 1979, the date temporary directors were appointed to manage the company. Following this Interlocutory Award Sedco calculated liquidation value of Sediran as at 22 November 1979 and submitted this to the Tribunal on 10 December 1985. In this submission Sedco calculates the Sediran's stockholders' equity as at 22 November 1979 at \$96,493,476 (Attachment I) which is an

increase of \$12,318,767 from its calculation as at June 30, 1979.

3. \$8,407,355 of the \$12,318,767 (increase in equity for 145 days period from 1 July 1979 to 22 November 1979) is considered as net profit for this period based on data submitted by Sedco. I reconstruct an income and expenditure account for this period under three different conditions: (a) Data submitted by Sedco, (b) The Tribunal Award and (c) Corrections and adjustments as under:

RECONSTRUCTED INCOME AND EXPENDITURE
ACCOUNT

(All figures in US\$)

	<u>Sedco</u>	<u>Tribunal</u>	<u>Corrections and Adjustment</u>
Revenue	18,694,001	10,594,004	10,594,004
3 Rigs income (para. 33)	-	-	916,545
	18,694,001	10,594,004	11,510,549
Labour cost	4,662,274	3,520,727	4,662,274
Materials cost	5,624,372	2,966,321	2,966,321
Depreciation	-	-	3,199,087
Net Profit (Before tax)	8,407,355	4,106,956	682,867
	18,696,001	10,594,004	11,510,549

4. Prior years profits, before tax, of Sediran as per Sedco submission for the financial years ended (for the sake of comparison) are:

	\$
1974/75	4,909,622

1975/76	7,193,666
1976/77	3,519,275
1977/78	9,625,340
1978/79	7,512,700 (Unaudited, as admitted by Sedco)

5. This clearly shows Sedco's overestimation of profit by over valuation of revenue and underestimation or exclusion of expenses. Net profit of \$4,106,956 of the Tribunal Award is arrived at by reducing, erroneously Sediran expenditure in connection with the incurrence of labour cost, depreciation and administrative costs for the entire Sediran particularly its work force. However, it should be noted that administrative costs are not included here and its inclusion will further reduce the above net profit. My detailed comments on the amounts entered under the corrections column of the above Income and Expenditure Account is reflected under the following paras.:

Labour Cost

6. Sedco's computed labour cost is claimed to be based on actual amounts for the months of May and June 1979 and it is not varied with the volume of revenue as Sediran Employees are to be paid while employed. Sediran labour cost is reduced in the Award without regard to the fact that Sediran has to pay the work force of idle rigs as well as the active ones.

Materials Cost

7. Materials cost is included in the amount of \$2,966,321 as considered in the Award and consistent with the activities of the Rigs.

Depreciation

8. Depreciation for the 12 months ended 30 June 1979 as per Sedco is \$8,052,875 (Exhibit "D" volume I of IV of submission relating to the appropriation of Rigs). No. of days from 1 July 79 to 22 Nov. 1979 is 145 days. Therefore depreciation for the 145 days ended 22 Nov. 1979 is approximated at: $(145/365) \times 8,052,875 = \$3,199,087$ (page 3 of Attachment VII). The Award under para. 458 states that the Tribunal does not agree entirely with Claimant's Claim of Sediran's revenue entitlement for the period, however, and it is true, as NIOC pointed out, that Claimant's figures do not match its described calculations.

9. The Award under para. 574 states that "NIOC contested the validity of the 52% costs to revenue Ratio, stating that Claimant had included as costs only direct drilling and related operations expenses and had omitted such costs as "General and Administrative (\$431,965), depreciation (\$7,827,178) and interest (\$3,652,789)". The Award states further that "adding these expenses, according to NIOC, increases the ratio of cost to revenue to 80%. The expenses which NIOC seeks to add to the cost of producing revenue, however, appear already to be reflected elsewhere on the balance sheet and therefore not be added in again here as a factor".

10. It is clear from the Award that depreciation, general admin. and interests are considered as legitimate items of costs. It is accepted that interest on Iranian bank loans is considered (although its accuracy cannot be substantiated). However, I could not trace inclusion of depreciation either in the Award or in SEDCO submission of 10 December 1985 (calculating liquidation value of SEDIRAN Drilling Co. as at 22 Nov. 1979).

PART B: COMMENTS ON THE BALANCE SHEET
ITEMS IN THE AWARD

VALUATION OF SEDIRAN RIGS

INSURED VALUE

11. The Tribunal in its Award (para. 295) is of the opinion that NIOC's appraised values were based on several incorrect assumptions which render the values reached unreliable as a guide to actual values. Under para. 296 it is further stated that "the Tribunal is deprived, in respect of the Sediran rigs, of data on which it relied in valuing the SISA rigs, namely assertedly accurate insured values". The Claimant's assertion that its personnel mistakenly failed to include certain equipment when insuring the rigs is recorded and the Tribunal in its Award states that "the precise scope of this error is not related in the record before us". The Tribunal states that "if the Sediran rigs had been insured at 88% of claimed value, as the SISA Rigs were, the total insured value would have been \$67,408,000. If on the other hand, the total actual insured value of \$57,623,419 were in fact 88% of the actual value, that value would be \$65,481,158". The Tribunal from this argument concludes that "these figures, given the state of the record in this case, provide relevant guide for the Tribunal".

CURRENT COST ACCOUNTING

12. Under para. 297 of the Award it is stated that "Claimant has introduced an additional factor in respect of the Sediran rigs to which for unexplained reasons, it did not refer in regard to SISA rigs:

Current cost Accounting in conformity with the guidelines of Statement of Financial Accounting Standards No. 33 (SFAS No. 33) entitled Financial Reporting and Changing Prices".

13. The Tribunal notes that "in purported application of SFAS No. 33 Claimant originally calculated the current net book value of the Sediran rigs as \$70,277,304 or approximately 91.7 percent of the claimed value of \$76,600,000. When Claimant's calculation was challenged by NIOC, however, Claimant conceded that based on an expert consultation with the accounting firm of Deloitte Haskins & Sells it had commissioned in the meantime the current figure was not \$70,277,304, but rather \$57,276,370". The Tribunal concludes that neither Claimant nor its expert has suggested that the basic relationship of current net book value thus calculated to actual value is any different than originally alleged".

14. Surprisingly the Tribunal decides that on the basis of current net book value representing approximately 91.7 percent of actual value, the resulting value of the Sediran rigs would have to be revised from \$76,600,000 to approximately \$62,500,000. In view of the record the Tribunal finds \$62,500,000 to be the appropriate valuation of the Sediran rigs.

15. The Tribunal under para. 297 of its states that "Claimant has introduced an additional factor in respect of Sediran rigs to which, for unexplained reasons, it did not refer in regard to the SISA rigs". The Tribunal, however, should note that because of the old ages of the SISA rigs their net book values were either "nill" or negligible and as a result could not be introduced as an additional indication of the reasonableness of Mr. Thorne's appraised value. Certainly, had Sedco known the correct current net book value of the Sediran rigs (\$57,276,370) it would not have submitted it to the Tribunal, originally, as an indication of the reasonableness of Mr. Thorne's appraised value.

16. The Tribunal in its Award is aware of the fact that current net book values are submitted by Sedco as yet another measure to prove Mr. Thorne's appraised value. Therefore, it is surprising to note the Tribunal decision in its Award (para. 286) where it states that "Claimant, has not however, stated whether the recalculated and substantially lower figures subsequently provided affect the reasonableness of Mr. Thorne's valuation". It is clear, based on the data submitted by Sedco that the current net book value does not support the reasonableness of Mr. Thorne's valuation. This is yet another indication of unreasonableness of Mr. Thorne's valuation in addition to that of insurance values.

CRITICISM OF THE AWARD ON DRILLING RIGS VALUATION

17. The Tribunal in arriving at actual value of Sediran rigs assumes that current net book value is 91.7% of the actual value.

18. Firstly, 91.7% is obtained from initially erroneous current net book value of \$70,277,304 as a percentage of \$76,600,000 (Mr. Thorne appraised value). The question is if this erroneous net book value of \$70,277,304 was not presented to the Tribunal ab-initio and the net book value of \$57,276,370 was presented instead, what measures or choice the Tribunal could have at its disposal?

19. Secondly, the Tribunal appears to be confused as to the intention of the Claimant in its presentation of the net book value as a measure to support the so-called appraised value of Mr. Thorne! Thus, the current net book value has failed as a supportive measure of Mr. Thorne's valuation.

20. Thirdly, the Tribunal states that "it is deprived, in respect of the Sediran rigs, of supporting data, on

which it relied in valuing the SISA rigs, namely assertedly the accurate insurance values". Sedco claims that the insurance value of \$57,623,419 is low because of two reasons:

- a) a mistake by their accountant.
- b) as policy to under-insure!

and the Tribunal appears to believe the first argument, although, it admits, that the precise scope of this error/mistake is not before it. Sedco, knowing that Iranian Insurance Company (Bimeh Omid) having the record of Sediran Insurance policy had to disclose insurance data on Sediran and advance reasons to discredit the insurance value; as at \$57,623,419 discredited the reliability of Mr. Thorne's appraised value.

21. Fourthly, the Tribunal under para. 76 of its Award states thus: "as to the SISA rigs the insured value gives a helpful and independent indication of actual value". The Tribunal under para. 52 of its Award notes a quotation by NIOC Of clause 6 of the insurance policy between Sediran and Bimeh Omid (an Iranian insurance company) as under:

"It is hereby understood and agreed that in respect of the property insured all costs of repair and replacement for which the company may be liable shall be on the basis of new for old with no deduction for depreciation".

22. It should be noted that this insurance policy is discussed in Mr. Arya's affidavits (first and third affidavits: Refer to NIOC submission Pre-hearing memorial 11-12 March, 1985). In these affidavits all points discussed relate to points raised pertinent to the

various valuation methods. Therefore, it cannot be considered prudent to assume that this insurance policy has no relevance to the issue in front of the Tribunal.

23. Furthermore, the Tribunal should refer to Exhibit 54 Volume IV of IV of Claimant's submission relating to the appropriation of Drilling rigs which includes information on insurance of drilling rigs including that of Sediran rigs. Section F of the policy includes land rigs of SISA and Sediran (ATTACHMENT "V"). Incidentally, clause 6 of Section 6 of this policy includes exactly the same clause as noted in Mr. Arya's affidavits:

"It is hereby understood and agreed that in respect of the property insured all costs of repair and replacement for which underwriters may be liable shall be on the basis of new for old with no deduction for depreciation".

24. Under para. 43 of the Award arguments advanced by Sedco to explain the difference between the insured value and appraised value of Mr. Thorne (\$25,940,455.98 and \$29,430,000 respectively for the six SISA rigs) are enumerated as below:

- a) Sedco conclusion that in case of a casualty much of the equipment would likely remain undamaged (1984 Hearing notes at 21)
- b) Oil Field insurers encourage a margin of uninsured value as an incentive to careful operations.

As to the argument under "a" above insurance companies calculate their insurance premium on the basis of the risk they take which depends on the nature of the equipment, job performed, location, safety requirements/regulations and inherent hazards involved and the degree of various risks taken from small

incidents up to total catastrophe. As to the argument advanced under "b" above, the incentive for safe, careful and profitable operation is to keep the rigs in good working condition so that income producing ability is maintained which is a real incentive to the rig owners' and not that of insurance money!

PURCHASE OPTION

25. Purchase option in the contract between Sediran and OSCO places \$6,000,000 for each of the 8 rigs under contract with OSCO. The effective date of OSCO/Sediran contract is 1 April 1977. Assuming the option was exercised on 1 November 1979, the contract price should be depreciated for 2 years and seven months at the annual depreciation rate of 12½% as stipulated in the contract as under:

8 OSCO Rigs

	\$
Original contract price (8 x 6,000,000)	48,000,000
less depreciation for 31 months (31 x 48,000,000) : 12) x 0.125	15,500,000
	<u>32,500,000</u>

2 NIOC Rigs (Assuming Purchase Option)

Using insurance value as stated by Sedco. As these rigs were almost new no depreciation is considered	11,524,000
Proposed actual value for the 10 rigs	<u>44,024,000</u>

CONCLUSION

26. It is evident that while the insured value gives the most directly relevant evidence or a helpful and independent indication of actual value (the Tribunal Award para. 76), it should not be inflated to reflect the actual value. Rather, in consideration of Clause 6 referred above the insurance value should be discounted (for age, condition, location, particular market, economical and political situation in Iran) to arrive at the actual value of the 10 rigs. It is believed that discounting insurance value would render an actual value comparable to the purchase option.

27. The actual value for the 3 Sediran rigs is included in the amount of \$16,196,190. It is true that these values reflect 1981 prices, when rig prices were at their peak. However, hence this is the amount materialized by Sedco it is included as actual value for the 3 rigs.

WAREHOUSE STOCK

28. Claimant has asserted the value of Sediran warehouse stock at the time Sediran was expropriated amounts to \$7,152,950. Under para. 315 of the Tribunal's Award it is noted that NIOC filed a reconstructed Sediran balance sheet for 30 June 1979. In this same para. the Tribunal concludes that "While NIOC responded that it was not vouching for the accuracy of those figures and merely had relied on them to show that Sediran liabilities exceeded its assets, it is significant that it did rely on those figures as proof of one of its major contentions in this case, i.e., Sediran's alleged insolvency".

29. The Tribunal should be reminded that the balance sheet referred to was originally submitted by the Claimant which included inflated amounts on the value of Sediran rigs with the intention of showing Sediran

stockholders' equity in total and the value of its 50% shareholding.

30. Naturally, NIOC not being in possession of Sediran records had to evaluate Sedco claim on the valuation of Sediran rigs based on data submitted by Sedco and Court rulings it received on termination benefits, invoices/- notices received from SIO authorities and sometimes rely on data supplied by Sediran employees. Therefore, with the limited amount of information at the disposal of NIOC, which is evident from the records before the Tribunal and NIOC's warning on the use of the balance sheet submitted by Sedco, for the sake of demonstrating a particular point, with the assumption that Sedco being required to substantiate the validity of other items on the balance sheet, it is surprising to note the Tribunal conclusion as to NIOC admission to a particular value! It is strongly believed that the onus of proving the validity of balance sheet items submitted by Sedco should be placed on Sedco entirely.

31. It should be noted that, according to submissions to the Tribunal by Sedco at a point (during the late months of 78 or early months of 1979: the exact timing of which is known by Sedco). It has placed no new orders for purchase of materials and according to information before the Tribunal (again submitted by Sedco) even some of the consignments in transit to Iran for Sediran were re-routed by Sedco. Therefore, it is mandatory to deduct from stock materials consumption of the rigs after 30 June 1979. The materials costs considered by the Tribunal for the period from 1 July 1979 to 22 November 1979 is \$2,966,321 which should be deducted from the stock. On the other hand, as there were no purchases, there should be no increase in the amount of trade creditors. Eventually, Sedco should be required to substantiate the accuracy of all items on balance sheet including that of

stocks. On determination of the stock value at 30 June 1979, it should be reduced by \$2,966,321 to reflect stock at 22 November 1979.

32. As NIOC does not have a substantiated stock value of 30 June 1979, has no option but for sake of argument to arrive at stock on 22 November 1979 by deducting \$2,966,321 from \$7,152,950. Accordingly, stock value on 22 November 1979 is \$4,186,629.

INCOME OF THREE RIGS

33. Rigs 12, 16 and 17 as conceded by Sedco were at its disposal and therefore it should be required to account for its income. Sedco has claimed \$5,000 per day as average daily income. NIOC has shown that average daily profit per rig is \$2,107 as per Sedco's own records. The Tribunal in awarding loss of revenue for SISA, has determined \$3,787 as a loss of revenue, of course, erroneously by exclusion of depreciation. Therefore, it is considered that Sedco should account for the income of those three rigs from 1 July 1979 to 22 November 1979 (145 days) in the amount of \$916,545 (3 x 145 x 2,107). This amount should be added to the accounts receivable (Associated Companies) and added to income earned after 30 June 1979 (para. 3). It is also worthy to note that NIOC is not confident that the income of the three rigs are accounted for by Sedco for the year ended 30 June 1979 and as a result this is an item which remains, among other items, for verification.

OTHER ASSETS AND LIABILITIES CLAIMED ON BALANCE SHEET BY SEDCO

34. The Tribunal in its Award under para. 463 states that Claimant alleged the existence of certain current assets not described elsewhere, specially as follows:

<u>Current Assets</u>	<u>\$</u>	<u>\$</u>
Cash	626,999	
Temporary Cash investment	2,400,142	
Restricted cash-current	338,462	
Accounts Receivable:		
Associated companies	543,119	
Other	198,488	
Prepaid expenses	18,324	4,125,534
<u>Other Assets</u>		
Gain on Forward Contracts	428,833	
Restricted Non-current	56,956	
Refundable taxes	148,317	
Deferred charges	161,113	
Deposits	<u>1,142,887</u>	<u>1,938,106</u>
		\$6,063,640

35. The Tribunal under para. 464 acknowledges NIOC objection to the inclusion of those amounts as unsupported and its demand that Sediran/Sedco are responsible to substantiate the existence of those assets. The Tribunal further quotes "The analysis of the company's books done by NIOC's English accountant rejects the value of cash and receivable entirely, stating that in view of the pressure by the creditors, all cash resources existing on 30 June, 1979 would have been utilized to pay expenses and other liabilities by 30 November, 1979. For this reason, no cash amounts or temporary cash investments are included in the current assets". The Tribunal further states that "other than this assumption by its accountant NIOC has provided no proof that the assets were in fact

consumed and it nowhere has denied their existence". It is also worthy to note that NIOC's English Account analysis is based on the limited data available and consideration of circumstances prevailed at the time.

36. Once again the Tribunal appears to be confused in assuming that it is not the responsibility of Sedco to prove its claim and if NIOC (without Tribunal's regard to the circumstances prevailed) is not able to disprove a claim it is considered as valid! It is evident from the records before the Tribunal that books of accounts, documents and records supporting balance sheet items are not presented to the Tribunal and they are not verified by the Tribunal and therefore the resulting items in the balance sheet require substantiation.

37. Further, NIOC is not in possession of Sediran records and it is unfair of the Tribunal to require NIOC to disprove validity of balance sheet items. However, NIOC from the analysis of information supplied by Sedco has pointed out inconsistencies and errors in the presented data.

38. Sedco has produced voluminous end result information which could not have been presented if it did not have the books of accounts at its disposal. Therefore, it is evident that it should be requested to provide documentary evidence.

39. NIOC objection to the inclusion of those amounts are based on factual information as under:

- a. A letter sent by Sediran's Deputy Managing Director, Mr. Dehghan to NIOC on 5 September 1979 in which Sediran admitted SSO and tax debt of Rls. 130,000,000 as of that date. This is also acknowledged in the Award (para. 496).

- b. 34 dishonoured cheques of Sediran, which indicates that the Sediran cash at bank was either "Nill" or lower than the amount of any single 34 cheques.

Therefore, the Tribunal conclusion that "Other than this assumption by its accountant, NIOC has provided no proof that the assets were in fact consumed, and it nowhere has denied their existence" is surprising! NIOC has demanded substantiation of the items in balance sheet and this cannot be done unless the books of accounts with supporting documents are made available for examination.

40. The Tribunal in its Award under para. 465 states that "it is obvious that if Sediran's cash and other assets were utilized to pay liabilities, the listed liabilities on the other side of the balance sheet would have to reflect that fact as well. Claimant has shown all liabilities for the period as outstanding and unpaid. Under the circumstances it would be improper to reduce the amount of current assets listed on the balance sheet without reducing the amount of liabilities as well". The Tribunal concludes that "We therefore, accept Claimant's figures as regards current assets and other assets not otherwise discussed in the award".

41. The Tribunal is correct in stating that if assets were utilized to pay liabilities, the listed liabilities on the other side of the balance sheet would have to reflect that fact. On the other hand, it should be noted that Sedco has submitted end-result information without providing supporting documents and records to substantiate items in the balance sheet. Sedco, however, arrived at different valuation by alteration of figures in the balance sheet and treated the remaining balance as stockholders' equity; whereas the Tribunal understanding

is that of a "double entry" book keeping which is absent in Sedco's presentation to the Tribunal.

Tax Computation

42. According to Article 85 of Iran Tax Law the basis of tax computation for legal entities undergoing liquidation for the last financial period ending the liquidation date is based on the value of its assets minus its liabilities, its paid-up capital and all reserves on which tax has been paid earlier. It is further stated that the value of assets is based on sales price for the items sold and for the rest of assets is the value at the date of liquidation. This determined taxable amount is subject to tax in accordance with the Table in Article 134 of Iran Tax Law. For ease of reference Articles 85 and 134 are shown under Attachment II.

43. In Attachment II I have computed taxable amount and tax amount based on the valuation of \$84,008,683 as determined by the Tribunal for drilling rigs, equipment, land and buildings. Tax computed for total assets of \$116,297,116 (Attachment IV) after deduction of current liabilities, long term loans, stockholders' equity and retained earnings is \$19,569,369.

44. In Attachment III I have computed tax based on total assets of \$99,289,425 (Attachment IV). The value taken for property and equipment is arrived as under which forms a major part of the total assets.

US\$

(a) Valuation of 10 drilling rigs
(Purchase option - para. 25)

44,024,000

(b) Three Sediran rigs as deter-

mined by the Tribunal	16,196,190
(c) Land and buildings as determined by the Tribunal	5,312,493
	\$65,532,683

Tax computed for total assets of \$99,289,425 after deducting current liabilities, long term loans, stockholders' equity and retained earnings is \$10,459,619.

Termination Benefits

45. Termination benefits are discussed under paras. 483-488 in Award of the Tribunal. The Tribunal in paragraph 488 states the following:

- (a) "The law upon which the alleged liability is based states that if an employee is dismissed without cause an employer must grant termination notice pay in the amount of 15 days for each year of work".
- (b) "At the time of expropriation no labour decree had been issued increasing the basic notice pay for an employee. Thus the only liability with which Sediran was faced at the time of expropriation was the basic 15 days per year".

The Tribunal finally concludes that "the liability asserted is based entirely on the subsequent decree and is thus not relevant to Sediran's valuation at the time of expropriation".

46. As to "a" in para. 45 above the requirement of the law under Labour Law, Article 33 is a minimum of 15 days pay for each year of service.

47. As to "b" in para. 45 above that hence there was no decree at or prior to the date of expropriation there is thus no liability is not a correct assumption. It should be noted that an amount of \$2,813,094 is shown as accrued termination benefits by Sedco and in para. 580 of the Tribunal's Award. We should note that this amount is a provision for benefits that is to be paid to employees on termination, liquidation of Sediran or to the company taking over Sediran's employees.

48. Thus the issue before the Tribunal is to evaluate the reasonableness of values placed on assets and liabilities in the balance sheet and in this case is to decide whether the provision is adequate or not. To decide this we should pay attention to the following:

(a) The affidavit of Mr. Arya under Exhibit B of NIOC's reply to Claimant's liquidation valuation of Sediran Drilling Co. as at 22 November 1979 submitted to the Tribunal on 14 March 1986. Schedule II to Mr. Arya's affidavit is a translated copy of report of legal inspector to shareholders of Sediran Drilling Co. Note 2-5 of this schedule under the heading of "severance allowance and benefits" states thus: "According to the company's practice, provision is made for severance allowances and benefits for all Iranian workers in an amount equivalent to 20 days' salary for each year of service". Therefore, it is noted that, as conceded by Sedco, that termination benefits are calculated based on 15 days termination benefits for each year of service which is contrary to Sediran policy (noting the legal inspector's report).

(b) Labour Law, Article 33 requires a minimum of 15 days termination benefits for each year of service.

(c) Examples of actual termination benefits paid by Sedco are submitted by the Respondent to Tribunal which

show a minimum of thirty days termination benefits paid to terminated employees.

49. Noting the above three points bearing in mind that the accrued termination benefits reflected in the balance sheet is only a provision against incurrence of a liability in future, I conclude that the amount provided by Sediran/Sedco for termination benefits is not adequate. I consider a provision of thirty days termination benefit for each year of service is a conservative minimum and in line with what Sedco/Sediran paid before the Islamic Revolution. Therefore, the accrued termination benefit of \$2,813,094 (15 days for each year of service) is increased to \$5,626,188 to provide for thirty days termination benefit for each year of service.

Associated Companies

50. \$543,119 is shown as accounts receivable and \$1,723,420 as accounts payable for the associated companies in para. 580 of the Tribunal's Award. The amount of associated companies' debt under accounts receivable should be increased to \$4,977,749 to account for the income of three rigs and the excess of the sale price of the said rigs over the principal amount of the foreign bank loans settled (Note 1, page 3 of Attachment IV).

51. Associated companies of Sediran by definition are those companies that are under the control of Sedco and as such it should be required to account for this debt and in settlement of this debt, it should be given credit for the balance in accounts payable for associated companies. Therefore, the net amount payable by Sedco is:

	\$
Accounts receivable: associated companies	<u>4,977,749</u>
Less: Accounts payable - associated companies	<u>1,723,420</u>
Amount required to be paid by Sedco deducted from its 50% stockholders' equity	<u>\$ 3,254,329</u>

The Tribunal is not aware of details of inter-company transactions and therefore the points discussed here are based on limited data submitted by Sedco and our knowledge of the three rigs being with Sedco.

52. It should be emphasized that details of inter-company transactions require careful scrutiny to determine the balance of accounts under the heading of associated companies. It is also significant to note that the revenue of the three rigs is included in total revenue for the financial year ended 30 June 1979, but we have no record before us to ensure that while revenues are included in the income and expenditure account, they are accounted for by Sedco through recording the transactions in the accounts of associated companies. The effect of this is that while Sedco has taken 50 percent of the profit on the operation of these rigs through increase in stockholders' equity, it has also retained 100% of this profit to itself without being accounted for.

Stockholders' Equity

53. Stockholders' equity as at 22 Nov. 1979 is calculated by SEDCO at \$96,493,476 which is an increase of \$12,318,767 over their calculated stockholders' equity as at 30 June 1979. Under paras. 2-10 I examined this

increase and indicated that \$8,407,355 was in effect net profit for the period from 1 July 1979 to 22 November 1979, which was a profit more than double, for the same period, of Sediran's best year.

54. The Tribunal in its Award has determined Sediran's stockholders' equity at \$61,566,179.

55. By reviewing the Tribunal's Award and with consideration of circumstances of the case based on the limited data before the Tribunal and application of the relevant Iran Tax Law for the legal entities undergoing liquidation, one can arrive at \$33,110,549 for Sediran's stockholders' equity. Major adjustments and corrections made compared to the Tribunal Award are:

- (a) Valuation of Sediran Drilling rigs (paras. 11-27)
- (b) Application of Iran Tax Law for legal entities undergoing liquidation (paras. 42-44)
- (c) Income of the three rigs (para. 33)
- (d) Termination benefits (paras. 45-49).

56. Accordingly, Sedco's share in Sediran (50% of stockholders' equity) is calculated at \$16,555,274. This amount should be reduced by \$3,254,329 for the settlement of accounts under the heading of Associated Companies (paras. 50-52). Of course, this evaluation is hampered by the lack of adequate information before the Tribunal. In determining the value of stockholders' equity neither the Tribunal nor the Claimant followed a logical business and finance like approach in determination of the value of stockholders' equity. In the following paras. I discuss the areas in which the Tribunal requires additional information for a reasonable evaluation of a business undergoing liquidation.

57. The Tribunal's evaluation of stockholders' equity is based heavily on the limited and incomplete information supplied by Sedco and my evaluation is also effected accordingly.

58. From the facts before the Tribunal I have established instances whereby Sedco has submitted either erroneous or inadequate information which is damaging in determination of stockholders' equity. This conclusion is based on inconsistency in the submitted data. Examples are:

- (a) Net book value originally was claimed at \$70,277,304 which, after NIOC criticism of calculation, it was reduced to \$57,276,370.
- (b) In calculation of loss of revenue, Sedco submitted an income figure of \$5,000 per day as opposed to its average income of \$2,107 as pointed out by NIOC or \$3,787 as determined by the Tribunal. The Tribunal's figure erroneously excludes depreciation.
- (c) Sale of three rigs submitted as examples of market value included warehouse stock, a carriage and the sale of a contract attached to the sale of each rig. Sedco has not quantified the values of these additional elements and unfortunately the Tribunal has not paid sufficient attention to this matter.
- (d) Sedco has claimed \$19,782,012 for invoices after 30 June 1979. This is based on Sedco's own assumption amounted to revenue of \$17,877 for OSCO contract and \$16,142 for NIOC contract as opposed to contract daily rates of \$9,920 and \$12,073 respectively for the respective contracts.
- (e) Sedco has included in Sediran's balance sheet for the period from 1 July 1979 to 22 November 1979 (145 days) \$8,407,355 as net profit.

- (f) Income of three rigs are not accounted for by Sedco while it has increased its share of stockholders' equity by inclusion of this income in Income and Expenditure Account of Sediran.
- (g) The Tribunal has no proof before it to ensure that tax on financial year ending 30 June 1978 has been paid. The Tribunal, further, from the facts before it, is aware that Sediran has not obtained Tax Clearance Certificate which is a requirement of the law to prove the settlement of its tax liability. Furthermore, Sediran does not have SSO Clearance Certificate.
- (h) Sedco, without accounting for the income of three rigs and without disclosing the inter-company transactions attempted to eliminate balance of associated companies under accounts receivable and also the deferred income and thereby increasing further the stockholders' equity by over \$4.5 million.

For the reasons enumerated above I am of the opinion that the Tribunal cannot place reliance on Sedco submitted data in calculation of stockholders' equity, particularly I notice that a double entry book-keeping approach is not evident and the remaining balance in the balance sheet has always been treated as stockholders' equity.

59. In addition to points raised in this evaluation I am of the opinion that the following information is required for consideration and evaluation:

- (a) Details of Inter-company Transactions
- (b) Bank statements regarding foreign loans

- (c) Receipt and payment statement of Interfirst Bank of Dallas in order to reconcile the amount of cash lodged from revenue earned from contracts (OSCO and NIOC) and the amounts drawn for procurement and other expenses.
- (d) Details of residual value of assets disposed of (for tax purposes) from which Sediran has received the specified sum of:

	US\$
1976	3,285,412
1977	3,200,567
1978	1,264,918
	<u>\$7,750,897</u>

- (e) Sediran's book of accounts to substantiate the balance sheets items with balances in their respective accounts, recorded transactions and their supporting documents.

60. Considering the foregoing paras. and evaluating various affidavits submitted by the Claimant and Respondent I am strongly of the opinion that an independent reputable firm of accountants should be requested to evaluate stockholders' equity of Sediran for submission to the Tribunal.

SECTION II: SISA

VALUATION OF SISA RIGS

INSURANCE VALUE

61. In para. 63 of the Award it is stated that "having

reviewed the valuations and supporting documents and arguments of both sides, the Tribunal determines that the valuation submitted by Claimant more reasonably and accurately reflects the full value of SISA's rigs". It is further stated that NIOC's expert valuation is not acceptable for certain fundamental assumptions and factual errors.

Various valuations submitted by the Claimant are discussed in the Award and it concludes in para. 75 that "although for these reasons the Tribunal is persuaded that Claimant's valuation forms a more credible basis for a determination of the fair market value of the six SISA rigs than the valuation offered by NIOC, nevertheless Claimant's appraisal must be approached with some caution".

62. The Tribunal finally concludes that "as to the SISA rigs the insured value gives a helpful and independent indication of actual value. While Claimant alleges that this value, a total of \$25,946,456, is only a percentage of actual value in conformity with the practice of both the Claimant's and its insurers. The Tribunal has not been informed in this case of what conventionally or usually such percentage should be" (para. 76 of Award). Accordingly, the Tribunal in its Award held that a total amount of \$26,000,000 represents a prudent estimate of the value of the six SISA rigs at the dates in 1979 when according to Claimant the taking took place.

63. As the Tribunal determined that the taking took place in August 1980, it concluded that "under the circumstances the Tribunal does not find that its determination of 2 August 1980 as the proper valuation date warrants any amendment of its previous estimate. Accordingly, Claimant is awarded the amount of \$26,000,000 for the six SISA rigs appropriated by NIOC" (para. 77 of Award).

64. As stated above the Tribunal in its Award concluded that "as to the SISA rigs the insured value gives a helpful and independent indication in actual value" and accordingly accepts the insurance value as the actual value. However, the Tribunal in paras. 52 and 53 of its Award evaluates NIOC discussion on insurance value. To avoid repetition, NIOC discussion and the Tribunal conclusion are in paras. 20-24 above.

65. In brief, the Tribunal in para. 53 of its Award concludes that However, in support of NIOC reasoning under para. 21 above "Section F" of Insurance Policy of Sedco contains this same clause. Therefore, the Tribunal should reconsider its valuation in the light of this undisputed information and discounts the insurance value to account for age, usage and wear and tear.

PURCHASE OPTION

66. The option prices set forth in Sedco contract over period of time have changed in terms and value (See Respondents' counter memorial filed 31 August 1983 supplement to Mr. Fakhraie's affidavit). It is evident that SISA was aware of the significance and implication of this clause in its contract with OSCO. Therefore, it is prudent and logical to assume that values placed on these rigs under the "purchase option" were selected in such a manner that SISA would not be suffering losses in case of its enforcement by OSCO.

67. The Tribunal in its Award states that "the option set a purchase price of \$4.5 million each for the SISA rigs and \$6 million each for the Sediran rigs, less depreciation of 12½% per year from the effective date of the contract". The Tribunal in its Award (footnote 18) assuming termination 1½ years after signing of the contract on 30 January 1978 places an approximate value

of \$3.5 million for each SISA rig. The total valuation of the six SISA rigs thus amounts to \$21 million approximately.

68. It is believed that while the insured values are given the most directly relevant evidence and a helpful and independent indication of actual value, it should not be inflated to reflect the actual value. Rather in the light of Clause 6 referred in Sedco's Insurance policy, the insurance value should be discounted to account for age and condition.

WAREHOUSE STOCK

69. In para. 88 of the Tribunal's Award it is stated that "Claimant reduced the amount of its claims for SISA warehouse stock by \$94,052 to \$2,116,007. This is considered to be the stock for end of June 1979". The Tribunal in its Award (para. 91) stated that while NIOC has demanded the submission of further documentary evidence as to the existence of the warehouse stock goods, it is clear that such evidence, if it exists, is within NIOC's control. Sedco has submitted to the Tribunal stock records of SISA warehouse. Claimant has also submitted June 1979 warehouse reports covering SISA's warehouse stocks. These two documents are referred to in para. 89 of the Award.

70. It should also be noted that almost all materials and equipment for SISA and Sediran are procured by Sedco outside Iran and they are paid by Sedco through bank accounts maintained overseas. Therefore, Sedco submitting such detailed data on stock records and reports can provide supportive evidence of procurement and consumption as well. On the other hand, the Tribunal should attempt to judge the accuracy of these amounts by examination of bank statements or invoices that, in the

normal course of business, are in the possession of Sedco. As a result the Tribunal will be able to arrive at a more realistic appraisal than the one already drawn.

71. In para. 91 of the Award it is stated that "therefore we agree that SISA's documents, apparently prepared in the ordinary course of business, adequately substantiate the existence of the goods in the SISA warehouse in the amounts claimed as of June 1979". The Tribunal has further determined that "also the SISA warehouse stock was appropriated by NIOC on 2 August 1980" (para. 92 of the Award). Surprisingly under para. 95 of the Award it is concluded that "we therefore find that Sedco is entitled to recover from NIOC for the taking of SISA warehouse stock in the amount of \$2,116,007" which is the amount determined as at 30 June 1979, while the Tribunal is aware that the rigs were working after 30 June 1979 and it is obvious that we should assume that the operating rigs for their operation should have drawn from the stock claimed as at 30 June 1979.

72. To approximate consumption of the five operating SISA rigs after 30 June 1979 there remains no choice for the Tribunal but to resort to Sedco submitted data. To avoid repetition, it is recommended to refer to paras. 28-32 above where warehouse stock of Sediran is discussed.

73. Sedco in its submission relating to liquidation value of Sediran Drilling Company as at 22 November 1979 (Exhibit I of Mr. Malone affidavit) claims \$19,782,012 for invoices and estimates labour cost and material cost at 52% of the revenue. He further, claims the amount of labour cost in this respect, based on actual May and June 1979 payroll to be \$4,676,054. 52% of the revenue calculated by Mr. Malone is \$10,286,646 from which he deducted the amount of \$4,662,274 (labour cost) to arrive

at the amount of \$5,624,372 for the cost of material and supplies. This is 28.43% of revenue approximately.

74. The estimation of the rig revenues for the period from 1 July 1979 to 29 August 1979, the date that is determined in the Award as contract termination date is as under:

- (1) Number of days from 1 July 1979 to 29 August 1979 is 60 days (31 days in July and 29 days in August).
- (2) Five rigs were assumed to have been operated which amounts to a total of 300 days for the five rigs at the rate of \$9,726 (footnote 38 of the Award) amounts to \$2,917,800.
- (3) Further the Tribunal in its Award under para. 148 determined, for the two rigs operated in October and November 1979 invoices for rigs 52 and 77, an Award of \$1,029,398.

Therefore, total work done and paid for the period subsequent to 30 June 1979 is the total amounts under (2) and (3) above which is \$3,947,398.

75. As a result of approximating the cost of the material and supplies at 28.43% of revenue I arrived at an amount of \$1,122,188 which should be deducted from warehouse stock of \$2,116,007 (para. 95 of the Award). Therefore, warehouse stock as at 2 August 1980 at the most is \$993,819 (\$2,116,007 - 1,122,188).

EXTRACT FROM CLAIMANT'S SUBMISSION CALCULATING LIQUIDATION VALUE
OF SEDIRAN DRILLING COMPANY

Attachment 1

Page 1

Sediran Drilling Co. Balance Sheet As at 22 Nov. 1979
(All figures in US\$)

<u>ASSETS</u>	<u>30 June 79</u> <u>(Unaudited)</u>	<u>30 June 79</u> <u>(Recons.)</u>	<u>Adjustments</u>	<u>22 Nov 79</u> <u>(Recons.)</u>
CURRENT ASSETS:				
Cash.....	626,999	626,999		626,999
Temporary cash investments.....	2,400,142	2,400,142		2,400,142
Restricted cash - current.....	338,462	338,462		338,462
Accounts receivable:				
Trade.....	16,034,616	18,439,284(a)	14,017,947(1)	32,457,231
Associated companies.....	543,119	543,119		543,119
Other.....	198,488	198,488		198,488
Warehouse stock.....	8,204,216	7,152,950(b)		7,152,950
Prepaid expenses.....	18,324	18,324		18,324
TOTAL CURRENT ASSETS.....	28,364,366	29,717,768	14,017,947	43,735,715
PROPERTY AND EQUIPMENT:				
Drilling equipment.....	57,036,473	76,600,000(c)		76,600,000
Transportation equipment.....	8,172,771			
Land, buildings, camp facilities, etc.	8,063,525	5,263,022(d)	139,953(2)	5,402,975
Construction in progress.....	293,696			
Less: accumulated depreciation.....	(26,970,890)			
TOTAL PROPERTY & EQUIPMENT	46,595,575	81,863,022	139,953	82,002,975
OTHER ASSETS:				
Restricted - non-current.....	56,956	56,956		56,956
Refundable taxes.....	148,317	148,317		148,317
Deferred charges.....	217,787	217,787	(56,674)(3)	161,113
Deposits.....	1,142,887	1,142,887		1,142,887
Gain on forward contracts.....	428,833	-0- (e)		
TOTAL OTHER ASSETS.....	1,994,780	1,565,947	(56,674)	1,509,273
TOTAL.....	76,954,721	113,146,737	14,101,226	127,247,963

Sediran Drilling Company
Balance Sheet
(All figures in U.S. Dollars)

Attachment I

Page 2

<u>LIABILITIES</u>	<u>30 June 79</u> <u>(Unaudited)</u>	<u>30 June 79</u> <u>(Recons.)</u>	<u>Adjustments</u>	<u>22 Nov 79</u> <u>(Recons.)</u>
CURRENT LIABILITIES:				
Current maturities of long-term debt.....	9,467,363	3,701,190(f)	1,480,480 (4)	5,181,670
Accounts payable:				
Trade.....	2,664,324	2,664,324	5,438,274 (5)	8,102,598
Associated companies.....	1,723,420	1,723,420	(1,723,420) (6)	-0-
Deferred income.....	2,878,652	2,878,652	(2,878,652) (7)	-0-
Accrued liabilities:				
Forward contract.....	370,992	-0- (g)		
Accrued interest.....	543,628	436,244(f)	286,226 (8)	722,470
Interest - overdraft facility....	124,817	124,817	387,221 (9)	512,038
Salary and employee benefits.....	1,384,529	1,384,529	(13,780) (10)	1,370,749
Local income taxes.....	587,350	587,350	100,492 (11)	687,842
Provision for contingent tax liability.....	<u>180,912</u>	<u>180,912</u>		<u>180,912</u>
TOTAL CURRENT LIABILITIES....	<u>19,925,987</u>	<u>13,681,438</u>	<u>3,076,841</u>	<u>16,758,279</u>
LONG-TERM LIABILITIES:				
Long-term debts - less current maturities.....	15,324,015	5,181,680(f)	(1,480,480) (12)	3,701,200
Overdraft facility - less current portion.....	7,395,208	7,395,208		7,395,208
Accrued termination benefits.....	<u>2,713,702</u>	<u>2,713,702</u>	<u>186,098</u> (13)	<u>2,899,800</u>
TOTAL LONG-TERM LIABILITIES..	<u>25,432,925</u>	<u>15,290,590</u>	<u>(1,294,382)</u>	<u>13,996,208</u>
STOCKHOLDERS EQUITY:				
Capital stock.....	15,512,214	15,512,214		15,512,214
Retained earnings.....	<u>16,083,595</u>	<u>68,662,495</u>	<u>12,318,767</u>	<u>80,981,262</u>
TOTAL STOCKHOLDERS EQUITY....	<u>31,595,809</u>	<u>84,174,709</u>	<u>12,318,767</u>	<u>96,493,476</u>
TOTAL.....	<u>76,954,721</u>	<u>113,146,737</u>	<u>14,101,226</u>	<u>127,247,963</u>

TAX COMPUTATION BASED ON EXCESS OF ASSETS OVER LIABILITIES,
PAID-UP CAPITAL AND RESERVES SUBJECT TO ARTICLES 85 AND 134
BASED ON LIQUIDATION DATE OF 22 NOVEMBER, 1979

Total assets as per	award		\$
			116,297,116
less:			
Current liabilities		\$	30,679,100
+ Long Term loans	\$		21,238,743
* Stockholder's equity	15,512,214		
* Retained earnings	<u>16,083,595</u>	<u>31,595,809</u>	<u>83,513,652</u>
Amount subject to tax			\$ <u>32,783,464</u>
Conversion of taxable amount to Rials at the rate of 70.5		Rls.	<u>2,311,234,212</u>
Tax amount as per att- ached tax computation		Rls.	<u>1,260,646,651</u>
Tax amount converted to dollar at the rate of 70.5		\$	<u>19,569,369</u>

- * Stockholders' equity and retained earnings are considered as paid-up capital and reserves on which tax has been paid earlier respectively as reported by Sedco (Attachment "II")
- + Long term loans are reduced by \$2,813,094 for accrued termination benefits which is a reserve on which tax has not been paid earlier.

TAX COMPUTATION AS PER ARTICLE 134
ON RLS. 2,279,493,067 EXCESS OF TOTAL ASSETS OVER LIABILITIES ,
PAID-UP CAPITAL AND RESERVES AS PER AWARD

Accumulated Taxable Income	Taxable Income	Tax Rate	Tax Amount	Accumulated Tax Amount
400,000	400,000	15	60,000	60,000
600,000	200,000	18	36,000	96,000
800,000	200,000	20	40,000	136,000
1,000,000	200,000	22	44,000	180,000
2,000,000	1,000,000	24	240,000	420,000
4,000,000	2,000,000	26	520,000	940,000
6,000,000	2,000,000	28	560,000	1,500,000
9,000,000	3,000,000	30	900,000	2,400,000
12,000,000	3,000,000	35	1,050,000	3,450,000
15,000,000	3,000,000	40	1,200,000	4,650,000
20,000,000	5,000,000	45	2,250,000	6,900,000
30,000,000	10,000,000	50	5,000,000	11,900,000
50,000,000	20,000,000	55	11,000,000	22,900,000
2,311,234,212	2,261,234,212	60	1,356,740,527	1,379,640,527

فعالیت‌های کشاورزی تشکیل می‌شود و سهام آنها کلّاً با جزئیات متعلق به دولت می‌باشد مشمول معافیت موضوع ماده ۱۰۹ خواهند بود .

ب- در مورد اشخاص حقوقی ایرانی غیرتجارتی که به منظور تقسیم سود بین شرکاء تشکیل نشده‌اند در صورتی که دارای فعالیت انتفاعی باشند از مایند کل درآمد مشمول مالیات آنها که از منابع ایران یا خارج تحصیل می‌شود به نرخ مذکور در ماده ۱۳۳ .

حکم این بند ناظر به مواردی است که مؤسسه در جمع فعالیت خود سود داشته باشد .

لاپ- در مورد اشخاص حقوقی خارجی و مؤسسات منیم خارج از ایران (به استثناء مشمولین ماده ۹) از مایند کل درآمد مشمول مالیاتی که از بهره‌برداری سرمایه در ایران یا از فعالیت‌هایی که مستقیماً یا وسیله نمایندگی از قبیل شنبه - نمایندگی - کارگزار و امثال آن در ایران انجام می‌دهند یا از واگذاری امتیازات و سایر حقوق خود یا دادن تعلیمات و کمک‌های فنی از ایران تحصیل می‌کنند به نرخ مذکور در ماده ۱۳۳ .

اشخاص و مؤسسات مذکور باید برای درآمدهای خود در ایران حساب جداگانه نگامداری نمایند و در محاسبه مزیندهای عادی و اداری فقط مزیندهایی که مربوط به عملیات آنها در ایران است قابل قبول خواهد بود (نمایندگان اشخاص و مؤسسات خارجی در ایران نسبت به درآمدهایی که به هر عنوان به حساب خود تحصیل می‌کنند طبق مقررات مربوط این قانون مشمول مالیات می‌باشند).

اشخاص حقوقی ۵۱۱

تأسیسات فنی و صنعتی مادام که حسابرسی مذکور در ماده ۷۸۰ آماردو از طریق وزارت دارائی اعلان نشده است در تمام موارد عبارت است از هشت درصد در یافتنی سالانه .

ب- در مورد بهمانگونه دست دوم نسبت درآمد مشمول مالیات عبارت است از نصف ضربه به مذکور در این ماده .

ب- ۲۵ - يك و نیم درصد از مبلغ پرداختی به بهمانگونه که به شرح ماده ۵۲۴ و شی و شیله کارفرما کسر و به اداره دارائی محل پرداخت شده است در موقع احتساب مالیات مشمولین ماده مزبور از مالیات متعلق کسر خواهد شد .

بخش هفتم - در آمد اشخاص حقوقی

ماده ۸۰۵ - ا- جمع در آمد شرکها و درآمد ناشی از فعالیت‌های انتفاعی سایر اشخاص حقوقی که از منابع مختلف در ایران یا خارج تحصیل شود پس از کسر معافیت‌های مقرر در این قانون به ترتیب زیر مشمول مالیات خواهد بود :

الف- در مورد شرکتهایی که تمام سرمایه آن به طور مستقیم یا با واسطه دولت یا شهر داروها می‌باشد از مایند کل درآمد مشمول مالیات بدون رعایت معافیت‌های مقرر در این قانون به نرخ مذکور در ماده ۱۳۳ و در صورتی که قسمتی از سرمایه آنها متعلق به دولت و شهر داری است حکم این بند نسبت به سود پرداختی یا تخصیصی به دولت یا شهر داروها جاری خواهد بود و نسبت به بقیه درآمد مشمول مالیات مقررات بندت این ماده اجراء خواهد شد .

ب- شرکتهایی که از اول سال ۱۳۵۲ بید برای

۵۰۵ مالیات‌های مستقیم

اولاً- سهام شرکت با نام باشند.

ثانیاً- در بورس پذیرفته شده باشند.

ثالثاً- تعداد سهامداران آن از سیصد نفر کمتر نباشد.

رابعاً- سهام هیچک از صاحبان سهام از ده درصد جمع سهام شرکت بیشتر نباشد.

سود تقسیم نشده شرکت تا معادل بیست درصد سرمایه پرداخت شده به نرخ بیست و پنج درصد مشمول مالیات است و نسبت بهائزاد نرخیهای مربوط مذکور در فوق اعمال خواهد شد.

نرخیهای جدید شامل درآمد اشخاص حقوقی مربوط به سال مالی که در سال ۱۳۵۲ بهمنجامه میباشد خواهد بود.

۴- در مورد سایر اشخاص حقوقی به نسبتی از سود مشمول مالیات که طبق اساسنامه شخص حقوقی به هر يك از صاحبان سرمایه یا اعضا شخص حقوقی تعلق می گیرد نرخ منور در ماده ۱۳۳.

تبصره ۱- در موق احتساب مالیات بر درآمد اشخاص حقوقی اعم از ایرانی یا خارجی مالیاتهای که قبل از پرداخت شده و همچنین مالیاتی که اشخاص حقوقی دیگر بابت سود سهام یا سهم الشرکه پرداختی به آنها پرداخت نموده اند از مالیات متعلق کسر خواهد شد.

تبصره ۲- سود سهام با سهم الشرکه اگر به صورت غیر نقد از اموال یا موجودی کالای شرکت تعویذ و یا تخصیص داده شود از لحاظ پرداخت مالیات باید بهای آن به قیمت روز تعویذ یا تخصیص محاسبه شود.

تبصره ۳- دفاتر و ترازنامه و حساب سود و زیان اشخاص حقوقی ۵۴۱

ف- جمع درآمد مشمول مالیات سایر اشخاص حقوقی پس از کسر مالیاتی به نرخ ده درصد که به عنوان مالیات شرکت از درآمدهای غیر مشمول ماده ۷۰ و تبصره آن محاسبه و وصول خواهد شد و همچنین کسر مالیات اضافی موضوع ماده ۱۴۰ به شرح زیر مشمول مالیات است.

در مورد بهائزانی که پیشنهاد آن از اول سال ۱۳۵۲ بید تسلیم شده باشد درآمدهای مشمول ماده ۷۰ و تبصره آن کماکان از ده درصد مالیات شرکت معاف میبایند ولی کل درآمد بشرح زیر مشمول مالیات خواهد بود.

۱- در مورد شرکتهای سهامی و مختلط سهامی نسبت بآن قسمت از درآمد که طبق تصمیم ارکان حلا جیدار شرکت برای تقسیم بین صاحبان سهام با نام و شرکه خاصن تخصیص داده میشود به نرخ پانزده درصد و نسبت بآن قسمت که به حساب اندوختههای شرکت منظور میشود به نرخ بیست و پنج درصد بقیه درآمد مشمول مالیات شرکت اعم از سود پرداختی به صاحبان سهام بی نام و سود تقسیم نشده شرکت تا بیست میلیون ریال به نرخ بیست و پنج درصد و نسبت بهائزاد بیست میلیون ریال تا چهل میلیون ریال به نرخ سی درصد و نسبت بهائزاد چهل میلیون ریال تا شصت میلیون ریال تا هشتاد میلیون ریال به نرخ چهل درصد و نسبت بهائزاد هشتاد میلیون ریال تا یکصد میلیون ریال به نرخ چهل و پنج درصد و نسبت بهائزاد یکصد میلیون ریال تا دو بیست میلیون ریال به نرخ پنجاه درصد و نسبت بهائزاد دو بیست میلیون ریال به نرخ پنجاه و پنج درصد مشمول مالیات خواهد بود و در صورت امر از شرط زیر:

۵۲/ اعمال پایهای مستقیم

مالیات موکول به آنست که طرف یکماه از تاریخ تسلیم ترازنامه

و حساب سود و زیان ، مسموم به مجموع عمومی هموزده مالیاتی تسلیم شود.

ماده ۸۴۵۵- آخرین مدیر یا مدیران شخص حقوقی - مشترکا موظفند قبل از تاریخ تشکیل مجمع عمومی یا سایر ارکان صلاحیتدار شرکت که برای اتخاذ تصمیم نسبت به انحلال شخص حقوقی دعوت شده است اظهارنامه حاوی صورت دارائی و بدهی شخص حقوقی در تاریخ دعوت روی نمونه ای که بدین منظور از طرف وزارت دارائی تهیه می گردد تنظیم و بدفتر معیزی مالیاتی مربوط تسلیم نمایند.

ماده ۸۵۵۵- مانند محاسبه مالیات آخرین دوره عملیات اشخاص حقوقی که متعلق می شوند ارزش دارائی شخص حقوقی است منهای بدهی ها و سرمایه پرداخت شده و ذخیره ها می که مالیات آن قبلا پرداخت گردیده است.

نیمه ۵- ارزش دارائی شخص حقوقی نسبت به آنچه فروش رفته بر اساس بهای فروش و نسبت به بقیه بر اساس بهای روز انحلال تعیین می شود.

ماده ۸۶۵۵- مدیران تصمیمیه اشخاص حقوقی مکلفند ظرف شش ماه از تاریخ انحلال اظهار نامه مالیاتی مربوط به آخرین دوره عملیات شرکت را بر اساس ماده ۸۵ تنظیم و بدفتر معیزی مالیاتی مربوط تسلیم و ترتیب پرداخت مالیات متعلق را بپذیرند.

ماده ۸۷۵۵- معیز مالیاتی مکلف است به اظهار نامه مربوط به آخرین دوره عملیات اشخاص حقوقی خارج از نوبت رسیدگی نموده و در صورتی که به مندرجات آن اعتراضی داشته باشد متعقی طرف پلستال از تاریخ تسلیم اظهار نامه مالیات متعلق را بدو جنبه بزرگ تشخیص تعیین و ابلاغ نماید و گرنه مالیات متعلق به

اشخاص حقوقی ماده ۹۴

نظر آن است .

نیمه ۱- در مورد اشخاص حقوقی ایرانی صورت - جلسه مجمع عمومی راجع به در تقسیم سود و فهرست شرکا و صاحبان سهام بانام شرکت بامین سود پرداختی یا تخصیصی به آنان به تفکیک و نشانی آنها نیز باید به ضمیمه اظهار نامه تسلیم گردد .

نیمه ۲- شرکتها و مؤسسات موضوع تبصره ۴ ماده ۸۵ مکلفند ترازنامه و حساب سود و زیان خود را در مهلت مقرر در این ماده به وزارت دارائی تسلیم نمایند، مهلت مذکور بالا را نه دلالی که مورد قبول وزارت دارائی باشد قابل تمدید است.

نیمه ۳- در مورد دارخانه های مشمول قانون حمایت صنعتی و جلوگیری از تعطیل ۱۲ دارخانه های کشور مصوب خرداد ماه ۱۳۴۳ تسلیم اظهارنامه و ترازنامه و حساب سود و زیان بهمه شخص یا اشخاصی است که بموجب ماده ۲ قانون مزبور از طرف هیئت حمایت صنایع بعنوان مدیر کارخانه تعیین شده اند و بدی های مالیاتی مربوط به دتی که کارخانه تحت حمایت صنعتی قرار دارد اعم از مالیات های متعلق بدرآمد کارخانه یا مزینیه های عادی و جاری مذکور در ماده ۷ قانون فوق الذکر قابل پرداخت خواهد بود. کارخانه های موضوع این ماده مشمول مقررات موضوع تبصره ۴ ماده ۸۵ و تبصره ۲ ماده ۸۴ خواهد بود.

نیمه ۴- در صورتیکه ترازنامه و حساب سود و زیان که در موعد مقرر تسلیم میشود بتصویب مجمع عمومی شخص حقوقی نرسیده باشد قبول آن برای تشخیص درآمد مشمول

۹۴/ اظهاراتهای مستقیم

تعمیه شده تلقی می شود مگر در مورد استخاف می نویسد:

- ۱- هر شخصی حقوقی که جمیع درآمد مشمول مالیات اوراق را بچند منبع از چهار صد هزار ریال در سال تجاوز زیاده وزارت - دارایی در موارد دیگر درآمد استخاف می حقوقی آنک محل در سالک منبع تحصیل و مالیات آن قانوناً به نرخ ماده ۱۳۹ ایران اخت شده است استخاف می شود از تسلیم اظهارنامه موضوع ماده ۱۳۴ - معاف خواهد بود .

۱- هر شخصی حقوقی مشمول مالیات که در جمیع حقوق و مواای سالانه کمتر از نوزدهای می رود و ماده ۶ و تبصره بند آن - مالیات پرداخته با بیش از نوزدهای می شود و مواد ۶ و ۱۳۴ از حد اقل بشود کی استفاده کرده باشد .^{۱۱۰}

۲- هر شخصی حقوقی ایرانی شتم ایران که درآمد خود - خارج از کشور تحصیل کرده باشد .

ماده ۱۳۲ - هر يك از اشخاص مذکور رینده های مصاد ۱۳۱ كلینده تا آخر تیر ماه هر سال يك اظهارنامه تكمیل حسابی جمیع كل درآمد مشمول مالیات که در سال مالیاتین قبل تحصیل کرده اند تنظیم و به دفتر سرکاری مالیات مشمول سكونت خود تسلیم نمایند و نسبت به جمیع درآمد خود مالیات متعلقه را با پایت بخشود کی حد اقل درآمد مذکور و مواد ۹۳ و طبق نرخهای هر روز یاد شده و تبصره يك آن نسبت به درآمد حقوق و نسبت به درآمد یاد شده های دیگر از درآمد حقوق به آن متعلق دیگر در ماده ۲۴ که در جمیع بعد از درآمد حقوق به آن متعلق دیگر احتساب و می سازد کی سرچشمی که به عنوان مالیات پرداخت می شود در درآمد های مذکور اظهارنامه تقدیم یا از طریق ابطال می شود اجبت کرده اند یا بموجب قانون رسیده اشخاص می بایز از آن گذر شده است تا به نمایند - در موارد دیگر که درینده های درآمد در بگریه اشتباه شده که مشمول معافیت حد اقل درآمد باشند در احتساب مالیات معافیت می شود در وجه اول در جمیع حقوق و در مورد ماده ۶ و تبصره يك آن در جریع شیره به مالیات پرداخت حقوق کبد و یا مان این کتاب چاپ شده .

منظور می شود در صورتیکه مودی بیش از يك درآمد مشمول بشود کی حد اقل درآمد داشته باشد فقط آن یک بخترون کی استناد میکند و اگر درآمد حقوق کمتر از ۱۳۴ هزار ریال باشد و مودی درآمد مشایع با کتا روزی را مودی (م) هم داشته باشد در حساب مالیات بر جمیع درآمد مابه التفاوت تا ۱۳۴ هزار ریال از درآمد مشایع با کتا روزی مودی احتساب خواهد شد .

تبصره ۱- درآمد های مذکور را اظهارنامه تکمیلی نسبت به آنچه در ایران تحصیل شده عبارتست از طبقه معادل درآمد مشمول مالیات طبق مقررات بخش مربوط از فصل دوم باب بی از معافیت های مقروض نسبت به درآمد هایی که اشخاص حقوقی ایرانی شتم خارج از کشور تحصیل کرده اند به ماخذ كل درآمد و به ۲۵- در صورتیکه مودی محل سكونت در ایران نداشته باشد محل تسلیم اظهارنامه تکمیلی را در داری شتم بران خواهد بود .

تبصره ۲- تا سی درصد درآمد مشمول مالیات بران اختیسی اشخاص حقوقی برای معافیت مذکور رینده ۵ بندت ماده ۱۳۴ از جمیع درآمد مذکور را اظهارنامه تکمیلی می شود .

تبصره ۳- مهلت تسلیم اظهارنامه تکمیلی مربوط به درآمد سالهای ۱۳۴۶ تا آخر سال ۱۳۵۱ مودیان مشمول ماده ۱۳۱ تا پایان تیر ماه ۱۳۵۲ اند بد می شود .

ماده ۱۳۳ - سوزنا مالیات مربوط درآمد های مشمول مالیات مشایع مختلف مودی را بدی رینده كبرك تقیمی می رسد با معاف رجات اظهارنامه تکمیلی نظیر مودی در صورتی که اظهارنامه تکمیلی داده نشده باشد مالیات متعلق را محاسبه و با به التفاوت افسران ر صورتی که پرداخت نشده باشد مطالبه می نماید . مطالبه مزبور باید از تاریخ ابلاغ هر برگ تقیمی به سوزك موجب محاسبه مابه التفاوت مالیات می شود طرف یکسال بعمل آید و گریه مشمول موزد سالان خواهد بود .

ماده ۱۳۴ - نرخ مالیات پرداخت به استثنای سوزان در معفییه مالیات ۱۰۵/

לשכת הבריאות
תל אביב 6100

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به تسلیم اظهارنامه می‌باشد هم چنین مشمولین مالیات اراضی
بایر از تسلیم آن در موارد مقرر در این قانون خودداری
کند در صورتی که تمام باقستی از مالیات در سررسیدهای قانونی
پرداخت نشده باشد نسبت به آن مبلغ که پرداخت نشده ۵۰
درصد و نسبت به آن مبلغ که پرداخت شده ده درصد مشمول
جریمه می‌باشد.

جریمه عدم تسلیم اظهارنامه در مورد مشمولین ماده
۴۵ قانون نظام صنفی عبارت است از بیست درصد مالیات
پرداخت نشده.

گنجیه ۵- اشخاصی که مکلف به تسلیم اظهارنامه هستند
باید نام و نام خانوادگی و شماره شناسنامه و محل صدور و سال
تولد آنرا بطور کامل در اظهارنامه قید کنند.

در مورد اشخاص حقوقی این مشخصات عبارت از نام
و شماره ثبت در مراجع قانونی و محل ثبت و روز و ماه و سال
تاریخ ثبت خواهد بود، هم چنین اشخاصی که مکلف به انعقد
پاکسر مالیات هستند مکلف خواهند بود مشخصات فوق‌الذکر
مربوط به خود و مؤدی را اعلام دارند.

و در صورت تخلف مشمول جریمه‌ای معادل یک درصد
درآمد مشمول مالیات خواهند بود.

ماده ۱۳۶- جریمه تسلیم اظهارنامه خلاف واقع
عبارت است از بازدهی درصد مابه‌التفاوت بین مالیات قطعی
شده و رقم مالیاتی که مؤدی ضمن اظهارنامه اظهار نموده
است.

گنجیه ۵- اظهارنامه خلاف واقع اظهارنامه‌ای است
که ثابت شود مؤدی از اظهار درآمد واقعی خودداری کرده
جرائم و مجازات ۱۰۹

شد.
مجاازان درآمد موضوع این تبصره که جمع درآمدها
آنان از چند محل در یک یا چند منبع از منابع مذکور از
ر ۱۳۰۰۰ ریال بیشتر است مکلفند مابه‌التفاوت
آن را در موقع تسلیم اظهارنامه تکمیل موضوع ماده ۱۳۲ به
وزارت دارائی بپردازند.

گنجیه ۴۵- در مورد درآمدهای موقه و استثنائی که
مشاه‌ان لائل پنج سال فعالیت مداوم با نگاهداری دارائی
غیر منقول برای مدت پنج سال یا بیشتر باشد از قبیل حق
تألیف و اختراع و اکتشاف و فروش اسلواک و انتقال حق
واگذاری محل و مستعانات موضوع تبصره ۴ ماده ۲۵ و
درآمدهای مشابه که فهرست آن از طرف وزارت دارائی تهیه
و به تصویب هیات وزیران خواهد رسید درآمد به پنج قسمت
مسواى تقسیم و هر قسمت از آن به سایر درآمدهای سال
تعمیل آن درآمد و هر يك از چهار سال قبل اضافه و براساس
نرخهای متدرج در این ماده مالیات آن محاسبه خواهد شد.
در صورتی که با اجرای حکم این تبصره قسمتی از درآمد به
سالهای قبل از اجرای این قانون مربوط شود مالیات هر يك از
آن قسمتها جداگانه به نرخ مقرر در ماده ۱۳۴ احتساب و وصول
خواهد شد.

فصل هفتم - جرائم و زیان دیر کرد مالیاتی

بخش یکم - جرائم و مجازات مالیاتی

ماده ۱۳۵- در مواردی که مؤدی با نسیبند او که
به موجب مقررات این قانون از بابت پرداخت مالیات مکلف
۱۰۸ جرائم مالیاتی مستقیم

TAX COMPUTATION BASED ON EXCESS OF ASSETS OVER LIABILITIES,
PAID-UP CAPITAL AND RESERVES SUBJECT TO ARTICLES 85 AND 134
BASED ON LIQUIDATION DATE OF 22 NOVEMBER, 1979

Total Assets as per proposed valuation		\$	99,289,425
less:			
+ current liabilities	\$	28,854,326	
x long term loans		21,238,743	
* Stock holders' equity	15,512,214		
* Retained earnings	16,083,595	31,595,809	81,688,878
Amount subject to tax		\$	17,600,547
Conversion of taxable amount to rials at the rate of 70.5		Rls.	1,240,838,563
Tax amount as per attached schedule		Rls.	737,403,138
Conversion of tax amount to dollar at the rate of 70.5		\$	10,459,619
+ Current liabilities is:			
Total as per draft award	30,679,100		
Less decrease in trade creditors	2,966,321		
	27,712,779		
Add increase in salary and benefits	1,141,547		
	28,854,326		

x Long term loans are decreased by \$5,604,542 of accrued termination benefits, a provision on which tax has not been paid earlier (\$26,864,931 - \$ 5,626,188 = 21,238,743).

* Stockholders' equity and retained earnings are considered as paid-up capital and reserves on which tax has been paid earlier.

TAX COMPUTATION AS PER ARTICLE 134
ON RLS. 1,215,422,348 EXCESS OF TOTAL ASSETS OVER LIABILITIES
PAID -UP CAPITAL AND RESERVES ON WHICH TAX HAS BEEN PAID BASED ON
CORRECTIONS

Accumulated Taxable Income	Taxable Income	Tax Rate	Tax Amount	Accumulated Tax Amount
400,000	400,000	15	60,000	60,000
600,000	200,000	18	36,000	96,000
800,000	200,000	20	40,000	136,000
1,000,000	200,000	22	44,000	180,000
2,000,000	1,000,000	24	240,000	420,000
4,000,000	2,000,000	26	520,000	940,000
6,000,000	2,000,000	28	560,000	1,500,000
9,000,000	3,000,000	30	900,000	2,400,000
12,000,000	3,000,000	35	1,050,000	3,450,000
15,000,000	3,000,000	40	1,200,000	4,650,000
20,000,000	5,000,000	45	2,250,000	6,900,000
30,000,000	10,000,000	50	5,000,000	11,900,000
50,000,000	20,000,000	55	11,000,000	22,900,000
1,240,838,563	1,190,838,563	60	714,503,138	737,403,138

SEDIRAN DRILLING COMPANY22 November 1979ASSETS

	Award	Adjust- ments	Adjusted
<u>Current Assets</u>	<u>(in US\$)</u>		
Cash	\$ 626,999	-	626,999
Temporary Cash Investments	2,400,142	-	2,400,142
Restricted Cash - Current	338,462	-	338,462
Trade:			
OSCO Contract	7,924,469	-	7,924,469
NIOC Contract	4,286,647	-	4,286,647
July-Nov. Invoices	6,860,727	-	6,860,727
Associated Companies (Note 1)	543,119	4,434,630	4,977,749
Others	198,488	-	198,488
Warehouse Stock (Note 2)	7,152,950	(2,966,321)	4,186,629
Prepaid Expenses	18,324	-	18,324
	<u>\$ 30,350,327</u>	<u>1,468,309</u>	<u>31,818,636</u>
<u>Property and Equipment</u>			
Drilling Equipment - ten rigs (Note 3)	62,500,000	(18,476,000)	44,024,000
Drilling Equipment three rigs	16,196,190	-	16,196,190
Land and Buildings	5,312,493	-	5,312,493
TOTAL PROPERTY & EQUIPMENT	<u>\$ 84,008,683</u>	<u>(18,476,000)</u>	<u>65,532,683</u>
TOTAL OTHER ASSETS	<u>1,938,106</u>	-	<u>1,938,106</u>
<u>TOTAL ASSETS</u>	<u>\$ 116,297,116</u>	<u>17,007,691</u>	<u>99,289,425</u>

SEDIRAN DRILLING COMPANY
22 NOVEMBER 1979

LIABILITIES

	Award	Adjust- ments	Adjusted
<u>Current Liabilities</u>	<u>(in US\$)</u>		
Current Maturities of Long Term Debt	\$10,947,843	-	10,947,843
Accounts Payable			
Trade (Note 2)	5,576,807	(2,966,321)	2,610,486
Associated Companies	1,723,420	-	1,723,420
Deferred Income	2,878,652	-	2,878,652
Accrued Liabilities			
Forward Contract	370,992	-	370,992
Accrued Interest	829,854	-	829,854
Interest: Bank Bazargani	512,038	-	512,038
Salary and Benefits (Note4)	4,752,727	1,141,547	5,894,274
SSO and Tax Liability (Note 5)	2,680,023	-	2,680,023
Nowrooz Bonus	406,744	-	406,744
TOTAL CURRENT LIABILITIES	<u>\$30,679,100</u>	<u>(1,824,774)</u>	<u>28,854,326</u>
 <u>Long-Term Liabilities</u>			
Long-term Debts (less Current Maturities)	13,843,535	-	13,843,535
Overdraft Facility (less current portion)	7,395,208	-	7,395,208
Accrued Termination Benefits (Note 6)	2,813,094	2,813,094	5,626,188
TOTAL LONG-TERM LIABILIETIES	<u>\$24,051,837</u>	<u>2,813,094</u>	<u>26,864,931</u>
 <u>TOTAL LIABILITIES</u>	 <u>\$54,730,937</u>	 <u>988,320</u>	 <u>55,719,257</u>

SEDIRAN DRILLING COMPANY
22 NOVEMBER 1979

	<u>Award</u>	<u>Adjustments</u>	<u>Adjusted</u>
ASSETS	\$ 116,297,116	17,007,691	\$ 99,289,425
LIABILITIES	<u>\$ (54,730,937)</u>	988,320	<u>(\$55,719,257)</u>
SHAREHOLDERS EQUITY BEFORE TAX	<u>61,566,179</u>	<u>(17,996,011)</u>	<u>43,570,168</u>
Tax Payable on Liquidation			
PARA 43 AND ATTACHMENT II	<u>19,569,369</u>	-	<u>10,459,619</u>
PARA 44 AND ATTACHMENT III			
SHAREHOLDERS EQUITY AFTER TAX	<u>41,996,810</u>	-	<u>33,110,549</u>
SEDICO'S 50% SHARE	<u>20,998,405</u>	-	<u>16,555,274</u>

NOTES TO THE BALANCE SHEET

NOTE 1: ACCOUNTS RECEIVABLE -
ASSOCIATED COMPANIES

The Tribunal in the Award shows \$453,119 as debt of the associated companies to Sediran. Sedco in its submission and the Tribunal in its Award under para. 463 has recorded a debt of \$543,119 for associated companies under current assets. I, therefore, assume \$543,119 as debt of associated companies. Associated companies debt to Sediran has been increased for the income of the three rigs for the period after 30 June 1979 and excess of the sales price of the three rigs over the principal amount of loans paid to the three foreign banks as under:

		US\$
(1)	Amount already admitted by Sedco	543,119
(2)	Income of the three rigs (para. 22)	916,545
(3)	Sale price of the 3 rigs	16,196,190
	Less principal amount of debts (Attachment VI)	12,678,105
		3,518,085
		<u>\$4,977,749</u>

NOTE 2: WAREHOUSE STOCK

According to Sedco submission to the Tribunal no new orders were placed after expatriate personnel left Iran and, in fact, according to Sedco's admission some of the consignments in transit to Iran for Sediran were re-

routed. Therefore, I have reduced the warehouse stock balance by \$2,966,321. Also, I have deducted from trade creditors the sum of \$2,966,321 as there were no new purchases. The net effect of these two adjustments were made in line with what happened in actual operation of Sediran. Warehouse stock is discussed in detail under paras. 28-32.

NOTE 3: VALUATION OF TEN SEDIRAN RIGS

\$44,024,000 value is placed on 10 Sediran rigs assuming purchase option is exercised. This valuation is lower than the Tribunal Award by \$18,476,000 and reduces the stockholders' equity by that amount. This valuation method and the reasons for its adoption is discussed under paras. 11-27 in detail.

NOTE 4: SALARY AND BENEFITS

Sedco computed cost is claimed to be based on actual amounts for the months of May and June 1979. The Tribunal has in its Award determined \$3,520,727 as labour cost as opposed to \$4,662,274 admitted by Sedco. The Tribunal has computed the labour cost as a percentage of revenue; whereas Sediran employees are to be paid while employed regardless of the operation of its rigs.

NOTE 5: TAX LIABILITY

Tax liability has been increased by \$10,459,619 as a requirement of Iran tax law (Articles 85 and 134). I have presented details of my computation with a copy of the relevant part of Iran tax law in Attachment III. This tax is based on the valuation of \$44,024,000 for ten

Sediran rigs based on the assumption of purchase option. However, tax on revaluation of \$62,500,000 as determined by the Tribunal in its Award amounts to \$19,569,369. Details of this computation is shown under Attachment II.

NOTE 6: ACCRUED TERMINATION BENEFITS

Termination benefits are provided by Sediran on the basis of fifteen days for one year service which is a minimum requirement of the law. Sedco's own policy for provision is twenty days for each year of service and Sedco/Sediran have actually paid a minimum of thirty days salary for each year of service and examples of these are before the Tribunal. Therefore, I consider a provision of thirty days termination benefit for each year of service is conservative and as a result I have increased accrued termination benefits by \$2,813,094.

SECTION F
LAND DRILLING RIGS
GENERAL AMENDMENTS

1. SCHEDULE OF PROPERTY INSURED:

<u>ITEM</u>	<u>DESCRIPTION</u>	<u>ASSURED</u>	<u>LOSS PAYABLE</u>	<u>LOCATION</u>	<u>AMOUNT OF INSURANCE AND AGREED VALUE</u>
1	RIG 52 ✓	a	a	a	US\$ 3,500,000.00
2	RIG 17 ✓	a	a	d	US\$ 4,000,000.00
3	RIG 59	a	a	e	US\$ 4,000,000.00
4	RIG 61	a	a	a	US\$ 4,000,000.00
5	RIG 68	a	a	a	US\$ 4,000,000.00
6	RIG 69	a	a	e	US\$ 4,000,000.00
7	RIG 76	a	a	b	US\$ 5,000,000.00 =
8	RIG 77	a	a	a	US\$ 4,000,000.00
9	RIG 83	a	a	a	US\$ 5,000,000.00
10	RIG 87	a	a	a	US\$ 5,000,000.00
11	RIG 91	a	a	c	US\$ 5,500,000.00
12	RIG 92	a	a	c	US\$ 500,000.00
13	RIG 93	a	a	c	US\$ 4,000,000.00
14	RIG 16 ✓	a	a	b	US\$ 5,500,000.00
15	RIG SEDIRAN 1	b	b	a	US\$ 5,000,000.00
16	RIG SEDIRAN 2	b	b	a	US\$ 5,000,000.00
17	RIG SEDIRAN 3	b	b	a	US\$ 5,000,000.00
18	RIG SEDIRAN 4	b	b	a	US\$ 5,000,000.00
19	RIG SEDIRAN 6	b	b	a	US\$ 5,000,000.00
20	RIG SEDIRAN 7	b	b	a	US\$ 5,000,000.00
21	RIG SEDIRAN 8	b	b	a	US\$ 5,000,000.00
22	RIG SEDIRAN 10	b	c	a	US\$ 5,000,000.00
23	RIG SEDIRAN 11	b	c	a	US\$ 5,000,000.00
24	RIG SEDIRAN 12 ✓	b	c	e	US\$ 4,000,000.00
25	RIG SEDIRAN 13	b	c	a	US\$ 5,000,000.00

EACH ITEM DEEMED TO BE A SEPARATE INSURANCE.

\$ 112,000,000

SECTION F, GENERAL AMENDMENTS - LAND DRILLING RIGS, Continued:2. ASSURED:

- a. SEDCO, Inc., and all subsidiary and affiliated companies in which SEDCO, Inc., or a subsidiary, as defined herein, owns 50% or more of the voting stock of said Company.

A subsidiary is any Company in which SEDCO, Inc. owns 50% or more of the voting stock of said Company.

- b. SEDCO, Inc., and SEDIRAN Drilling Co.

3. LOSS PAYABLE:

Loss, if any, hereunder, shall be payable as follows:

- a. SEDCO, International, S.A., or Order.
- b. SEDIRAN Drilling Co., or Order, except that (i) losses in excess of US\$100,000.00 shall be paid to First National Bank in Dallas for distribution to itself, SEDIRAN Drilling Co. and SEDCO, Inc., as their interests may appear, or (ii) if SEDIRAN Drilling Co. shall be in default under the terms of the First National Bank in Dallas Agreement and Said Bank shall have so notified the Insurer in writing to such effect, all losses shall be payable to First National Bank in Dallas for distribution to itself, SEDIRAN Drilling Co. and SEDCO, Inc., as their interests may appear.
- c. SEDIRAN Drilling Co. and Industrial and Mining Development Bank of Iran, or Order.

4. LOCATION:

The property insured hereunder is located as shown below as per schedule and/or in transit on or over land or water, between ports or places therein or in countries or territories adjacent thereto, but excluding Ocean Marine Transit, it being understood that transit by barge within territorial waters shall not be deemed "Ocean Marine Transit" as that term is used herein.

- a. IRAN
- b. SULTANATE OF OMAN
- c. QATAR
- d. PAKISTAN
- e. DUBAI

SECTION F, GENERAL AMENDMENTS - LAND DRILLING RIGS, Continued:

5. The deductible shown in Paragraph 11 of the attached form shall not apply with respect to claims for loss and/or damage resulting from fire, lightning and/or explosion.
6. It is hereby understood and agreed that in respect of the property insured all costs of repair and replacement for which Underwriters may be liable shall be on the basis of NEW for OLD with no deduction for depreciation.

In no event shall Underwriters be liable for any increased cost of repair or reconstruction by reason of law, ordinance, regulation, permit or license regulating construction or repair.

7. It is understood and agreed that with respect to SEDIRAN Rigs No. 10, 11, 12, and 13 only, ten (10) days prior notice of cancellation shall be given to the Industrial and Mining Development Bank of Iran.
8. SUBROGATION:

Except as provided for in sub-paragraphs (a) and (b) below, in the event of any payment hereunder, Underwriters shall be subrogated to all the Assured's rights of recovery therefor against any person, firm, or corporation and the Assured shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. The Assured shall do nothing after a loss to prejudice such rights.

- (a) Underwriters waive right of subrogation against any person, firm or corporation for whom the Assured may be operating, but this waiver shall apply only in respect to the specific contract existing between the Assured and such other person, firm or corporation, and shall not be construed to be a waiver in respect of other operations of such person, firm or corporation in which the Assured has no contractual interest.
- (b) The Assured may grant release from liability with respect to loss of or damage to property insured hereunder to any person, firm or corporation with whom the Assured is operating under contract, provided:
 - (1) the said release is granted prior to loss;
 - (2) the loss or damage subject to said release arises out of or in connection with such operations.

Underwriters agree to waive their rights of subrogation against such person, firm, or corporation having been so released from such liability.

EXTRACT FROM CLAIMANT'S SUBMISSION IN SUPPORT
OF CLAIM RELATING TO APPROPRIATION OF DRILLING
RIGS - EXHIBIT "M" VOLUME I OF IV

IRAN-UNITED STATES CLAIMS TRIBUNAL

Claim No. 129
Chamber No. 3

In the Matter of the Arbitration Between:

SEDCO, INC., for itself and on behalf
of SEDCO INTERNATIONAL, S.A., and
SEDIRAN DRILLING COMPANY,

Claimant,

-and-

NATIONAL IRANIAN OIL COMPANY and
THE ISLAMIC REPUBLIC OF IRAN,

Respondents.

AFFIDAVIT OF JOHN MILEM

Submitted by:

BAKER & MCKENZIE
805 Third Avenue
New York, New York 10022

Attorneys for Claimant

August 31, 1983

AFFIDAVIT OF JOHN MILEM

UNITED STATES OF AMERICA §
STATE OF TEXAS §
COUNTY OF DALLAS §

JOHN MILEM, being duly sworn, stated the following under oath:

1. My name is John Milem. I have been the Vice President-Finance of SEDCO, Inc., ("SEDCO") since 1976. My responsibilities for SEDCO include supervising all matters which relate to both debt and equity financing for SEDCO's worldwide operations. SEDCO often carries on such operations through subsidiaries and joint ventures such as SEDCO International, S.A. ("SISA") and SEDIRAN Drilling Company ("SEDIRAN"). It was my responsibility to monitor SEDIRAN's loan obligations to lenders outside Iran. Among other things, I also supervise SEDCO's treasury department which handles the day-to-day affairs relating to SEDCO's loan obligations to banks and other institutions.

2. I am informed that the National Iranian Oil Company ("NIOC"), in its Statement of Defense to SEDCO's Claim No. 129 filed before the Iran-United States Claims Tribunal, has alleged that three SEDIRAN drilling rigs were located outside of Iran at the time of the Iranian revolution and that the value of these three rigs should be awarded to NIOC in the arbitration proceedings. While three SEDIRAN rigs were located outside Iran at the

time of the Iranian revolution (in Oman and in Pakistan), these rigs were transferred to SEDCO in or about January of 1980 under authority of a license issued to SEDCO by the Secretary of the Treasury of the United States pursuant to Part 535 of Title 31 of the Code of Federal Regulations. These provisions of law permitted companies, such as SEDCO, to obtain licenses permitting the setoff of Iranian property held against claims asserted against Iran.

3. In the course of SEDIRAN's existence, SEDIRAN had borrowed funds from various banks to finance its operations. Three of these banks were the First National Bank of Dallas (now known as InterFirst Bank Dallas), Bayerische Vereinsbank of Munich, West Germany, and Bank Fuer Gemeinwirtschaft Aktiengesellschaft of Frankfurt, West Germany. After the Iranian revolution, SEDIRAN did not have sufficient funds to service its external loans, and SEDCO paid SEDIRAN's debts owed to banks located outside Iran. The total principal paid to these banks by SEDCO was \$12,678,105.00, \$3,164,052.50 to each of the German banks and \$6,350,000 to the First National Bank of Dallas. Additional sums were also paid by SEDCO for SEDIRAN's accounts. These included additional interest expenses on the loans and the cost of currency exchange hedge contracts. These additional expenses totalled \$1,034,607.91. Further, SEDCO also held an inter-company account with SEDIRAN which, as of January 1, 1980, showed a receivable of \$2,483,477.

4. The Treasury Department license referred to above permitted SEDCO to acquire the three rigs owned by SEDIRAN as a setoff against the debt of \$16,196,189.91 described above, owed by SEDIRAN to SEDCO.

5. I am also informed that Herman E. Malone, in an affidavit filed herein, has computed the net worth for SEDIRAN Drilling Company ("SEDIRAN") as of June 30, 1979. The Property and Equipment schedules which he has prepared include only the ten SEDIRAN rigs and related equipment located in Iran on that date. They do not include the three SEDIRAN rigs which were located outside of Iran at the time of the revolution. Further, the balance sheets prepared by Mr. Malone also delete, as liabilities, the bank loans, and other liabilities paid by SEDCO. The computation of the net worth of SEDIRAN is therefore essentially unaffected by the transfer of the three SEDIRAN rigs to SEDCO because SEDCO acquired the three rigs for an effective cancellation of \$16,196,189.91 in SEDIRAN liabilities.

SEDCO'S INTEREST PAYMENTS

6. SEDCO uses debt as one method of financing its continuing worldwide operations. SEDCO generally obtains financing through United States and foreign banks.

Sediran Balance Sheet As At 30th June, 1979

	THIS YEAR	LAST YEAR
	*****	*****
LIABILITIES		
CURRENT LIABILITIES		
CURRENT MATURITIES OF LONG-TERM DEBTS (SCHEDULE M)	\$ 9,467,363	\$ 7,441,153
CURRENT PORTION OF OVERDRAFT FACILITY.....		4,595,931
ACCOUNTS PAYABLE		
TRADE.....	2,664,324	1,723,371
ASSOCIATED COMPANIES (SCHEDULE C).....	1,723,420	428,066
DEFERRED INCOME.....	2,676,052	
ACCUMULATED LIABILITIES		
INTEREST-LIANS.....	543,628	347,916
INTEREST-OVERDRAFT FACILITY.....	124,617	66,280
FORWARD CONTRACT.....	370,992	384,527
SALARY AND EMPLOYEE DEFICITS.....	1,384,529	1,156,906
LEGAL INCOME TAXES.....	587,350	
PROVISION FOR CONTINGENT TAX LIABILITY.....	160,912	1,124,266
TOTAL CURRENT LIABILITIES.....	19,925,967	17,270,416
LONG-TERM LIABILITIES		
LONG-TERM DEBT-LESS CURRENT MATURE (SCHEDULE M)...	15,324,015	24,587,361
OVERDRAFT FACILITY-LESS CURRENT PORTION.....	7,395,208	6,427,523
ACCUMULATED TERMINATION BENEFITS.....	2,713,702	2,177,646
TOTAL LONG TERM LIABILITIES.....	25,432,925	33,192,550
STOCKHOLDERS EQUITY		
CAPITAL STOCK.....	15,512,214	15,512,214
RETAINED EARNINGS.....	10,083,595	11,070,895
TOTAL STOCKHOLDERS EQUITY.....	31,595,809	26,583,109
TOTAL.....	\$ 70,954,721	\$ 77,046,075

SEDIRAN BALANCE SHEET AS AT 30 JUNE 1979

	THIS YEAR =====	LAST YEAR =====
A S S E T S =====		
CURRENT ASSETS		
CASH.....	\$ 626,999 ✓	439,497
TEMPORARY CASH INVESTMENTS.....	2,400,142 ✓	8,619,547
BANKING FUNDS AVAILABLE IN OVERDRAFT FACILITY...		7,114
RESTRICTED CASH - CURRENT.....	338,462 ✓	13,661
ACCOUNTS RECEIVABLE		
TRADE (SCHEDULE A).....	16,034,616	8,582,561
ASSOCIATED COMPANIES (SCHEDULE C).....	543,119 ✓	477,339
OTHER.....	198,468 ✓	212,379
WAREHOUSE STOCK (SCHEDULE D).....	8,204,216	6,995,625
PREPAID EXPENSES.....	16,324	275,811
TOTAL CURRENT ASSETS.....	20,364,366	25,623,734
PROPERTY AND EQUIPMENT (SCHEDULE F)		
DRILLING EQUIPMENT.....	57,036,473 ↔	50,596,949
TRANSPORTATION EQUIPMENT.....	8,172,771	7,575,124
LAND BUILDINGS, CAMP FACILITIES, ETC.....	8,063,525	7,300,343
CONSTRUCTION IN PROGRESS.....	293,696	1,991,964
TOTAL.....	73,566,465	67,470,280
LESS ACCUMULATED DEPRECIATION.....	26,970,890 -	19,751,412 -
TOTAL NET PROPERTY & EQUIPMENT.....	46,595,575 /	47,718,868
OTHER ASSETS (SCHEDULE G)		
RESTRICTED CASH - NONCURRENT.....	56,956	195,705
REFUNDABLE TAXES.....	146,317	140,317
DEFERRED CHARGES.....	217,787	887,880
DEPOSITS.....	1,142,887	1,120,426
GAIN ON FORWARD CONTRACTS.....	420,833	1,351,143
TOTAL OTHER ASSETS.....	1,994,780	3,703,473
TOTAL.....	\$ 76,954,721	\$ 77,046,075