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**KUWAIT NATIONAL PETROLEUM CO. K.S.C.**

Annual Report 1969



CENTRE FOR ARAB GULF STUDIES  
UNIVERSITY OF EXETER



*His Highness Shaikh Sabah Al-Salim Al-Sabah  
Amir of Kuwait*

**KUWAIT NATIONAL PETROLEUM COMPANY (K. S. C.)**

P. O. Box 70 — Kuwait — Arabian Gulf

Cable Address: "KUNPETCO — KUWAIT"

Telex : (006)

**BOARD OF DIRECTORS**

**Ahmad Sayed Omar**  
Chairman & Managing Director

**Sulaiman Abdul-Aziz Al-Fouzan**  
Deputy Chairman

**Abdul-Rahman Al-Sultan**  
Deputy Managing Director

**Ashraf Lutfi**

**Sa'doun Mohammad Al-Jassim**


**Ahmad Abdul-Mohsen Al-Mutair**

**Ibrahim Yali Ahmad**


**Fahad Nayef Al-Dabbous**

**Sulaiman Khalid Al-Ghunaim**

**Abdulla Issa Al-Saleh**



MESSAGE FROM THE CHAIRMAN



During 1969, KNPC concentrated its effort to improve the operational conditions of its Shuaiba Refinery, the effect of which should definitely be reflected on the Company's financial standing. And it was possible, in the course of the year, to overcome many operational difficulties, which had formerly impeded the normal operation of the Refinery units. Crude throughput was thus increased during 1969 to 90450 BPD — a figure which is very close to the full design capacity of the Refinery (95,000 BPD). Moreover, we hope that in 1970 the remainder of such problems will be completely resolved — especially those in the H-Oil unit, which in view of its product quality improvement and desulfurization characteristics is of particular importance to the Company. One of the advantages of this unit is to decrease the production of fuel oil which is of lower price and returns. Also, we have the pleasure to announce that we have already started negotiations with our crude oil suppliers, with a view to obtaining a reasonable crude price. If the negotiations are successfully concluded, there shall be an appreciable decrease of the cost of production.

Our efforts in marketing the Shuaiba products internationally made steady progress in 1969. Special attention was made to diversify our overseas markets, stabilize and reduce freight costs.

With regard to local marketing, we had to conform to the decimal system, which is enforceable in Kuwait, and we consequently adopted the litre in place of the gallon. The number of our filling stations was increased.

As to exploration, the operations of Kuwait Spanish Petroleum Co., a subsidiary of KNPC, were well on the way during 1969 towards achieving their goals, and the first well is expected to be drilled in the second half of 1970.

Through perseverance in the carrying out of our task, coupled by government support, your Management is hopeful to achieve steady progress towards realizing the aims and objects underlying the establishment of the Kuwait National Petroleum Company.

The progress of your Company in 1969 stems from the loyalty and effort of KNPC employees and the interest and support of its shareholders and customers, which we greatly appreciate.

We hope in the following pages to depict the activities of your Company in 1969 as well as the progress it achieved.



Ahmad Sayed Omar  
Chairman & Managing Director

REPORT OF THE BOARD OF DIRECTORS  
OF THE KUWAIT NATIONAL PETROLEUM  
CO. (K.S.C.) FOR THE YEAR ENDED  
31ST DECEMBER 1969.

To: Our Shareholders

We are pleased to submit a review of the operations of the Kuwait National Petroleum Company for 1969 together with the related financial statements.

CAPITAL & SHAREHOLDERS

The following Table shows the situation of Share Capital (KD15,000,000), number of Shareholders for the period 1961 to 1969 and payment of calls-on-shares :

Year	Capital	Percentage of Called Capital	Paid Capital	Unpaid Capital	Number of Shareholders At Year End
	K.D.		K.D.	K.D.	
1961	7,500,000	25	1,873,631	1,369	3,585
1962	7,500,000	50	3,613,069	136,931	3,145
1963	7,500,000	50	3,748,961	1,039	2,903
1964	7,500,000	100	7,337,074	162,926	2,736
1965	7,500,000	100	7,481,736	18,264	2,664
1966	7,500,000	100	7,499,927	73	2,616
1967	15,000,000	100	15,000,000	—	4,913
1968	15,000,000	100	15,000,000	—	4,773
1969	15,000,000	100	15,000,000	—	4,758

## PLANNING

### ECONOMICS

Economics prepared studies and reports dealing with various aspects of present and future operations of the Company. In this connection, its efforts were coordinated with other Departments for the purpose of realizing the overall aims of the Company.

Our Research Library continued its efforts to secure books and documents in the various fields of the oil industry.

## PERSONNEL

### EDUCATION

Activities in education and training in 1969 progressed steadily. Over one hundred and fifty young Kuwaitis benefited from the programs underway.

### AND TRAINING

The completion of the new Training Center in Shuaiba in mid 1969 provided the opportunity to recruit forty new trainees. Three training courses of one and two years duration were organized to provide basic and preparatory training for refinery operators, general fitters, electricians and instrument mechanics.

A course was organized to provide basic training in typing and secretarial work for young Kuwaiti girls.

On-the-job training was an important activity during the year. It included diversified fields such as refinery operation, station overseers and accounting.

A number of Company's Kuwaiti employees were granted study leaves to join academic institutions, while others joined firms to gain practical working experience.

Summer training was provided for one to two months for forty college students at the Shuaiba Refinery.



Training of Kuwaiti girls in secretarial work



Kuwaiti trainees at KNPC Training Centre, Shuaiba

## MANPOWER

The following Table shows the rate of growth in manpower :

MANPOWER 1-6-1961 to 31-12-1969

	NATIONALITY				Total
	Kuwaitis	Other Arabs	Westerners	Others	
1961 No.	6	216	2	14	238
%	2.52	90.76	0.84	5.88	
1962 No.	14	378	4	22	418
%	3.35	90.43	0.96	5.26	
1963 No.	15	429	6	20	470
%	3.19	91.28	1.28	4.25	
1964 No.	27	452	7	20	506
%	5.34	89.33	1.38	3.95	
1965 No.	47	485	16	23	571
%	8.23	84.94	2.80	4.03	
1966 No.	84	513	28	25	650
%	12.92	78.92	4.31	3.85	
1967 No.	116	793	89	51	1049
%	11.06	75.60	8.48	4.86	
1968 No.	142	1223	134	164	1663
%	8.54	73.54	8.06	9.86	
1969 No.	211	1311	128	177	1827
%	11.55	71.76	7.00	9.69	

## LOCAL MARKETING

Sales of all petroleum products, with the exception of Kerosene and Bitumen, registered increases over 1968. Total sales of the three main petroleum products, namely Gasoline, Kerosene and Gas Oil, increased by 5,407,043 Imperial Gallons over 1968, representing an increase of 4.43%.

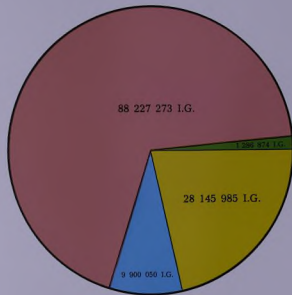
## SALES





The following tabulation presents a comparative analysis of sales of all products marketed locally during the years 1967, 1968 and 1969, together with percentage change in volume of sales in 1968 over 1967 and 1969 over 1968 :

PRODUCT	UNIT	1967	1968	% CHANGE 68 OVER 67	1969	% CHANGE 69 OVER 68
Super Premium	I.G.				1286874	
Premium	I.G.	79232544	85915060	+ 8.43	88227273	+ 2.69
Total Gasoline	I.G.	79232544	85915060	+ 8.43	89514147	+ 4.19
Kerosene	I.G.	11614728	10907035	- 6.09	9900050	- 9.23
Gas Oil	I.G.	27327078	25325697	- 7.32	28143985	+ 11.13
Outboard Motor Fuel	I.G.	5525	4554	- 17.54	4619	+ 1.43
Lube Oils	I.G.	235615	262550	+ 11.43	283521	+ 7.99
Bitumen	L/TON	35809	30163	- 15.77	19182	- 36.40
Residual Oil	L/TON	3323	1267	- 61.87	1818	+ 43.49

**KUWAIT NATIONAL PETROLEUM CO. (K.S.C.)**

Quantities of Main Products Sold Locally During 1969.



QUALITY	
	SUPER
	PREMIUM
	GASOIL
	KEROSENE

NEW

STATIONS

OTHER

ACTIVITIES

Five new stations have been constructed and put into operation in July 1969. Two of these, located in Adilyah and Salmiyah beach, are of the conventional type filling stations, and the other three are of a smaller type, located in the neighborhood centers at Fayha, Kadisiyah and Daiyah.

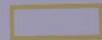
Conversion from the British system of measurement to the metric system was introduced on 16th August, 1969. Prices of Gasoline, Kerosene and Gas Oil were readjusted as of that date.

Super Premium Gasoline (98 RON) produced by our Shuaiba Refinery was introduced into the local market on 1st September, 1969. The availability of this Gasoline provides cars fitted with high compression engines with their requirements of suitable high octane Gasoline.



Adilyah filling station — one of the new installations constructed in 1969





## REFINING

SHUAIBA

REFINERY



Crude oil throughput was increased from 55,157 B/D average for December 1968 to 90,450 B/D average for December 1969. A total of 23,549,788 barrels were processed at an average rate of 64,250 barrels per calendar day. In excess of 22 million barrels of products were shipped by sea in 227 vessels.

With the successful on-stream operation of the Isomax unit on May 22 and the Sulphur Plant on July 1, only the H-Oil unit remained as a non-continuous operating unit. By November, the Refinery achieved normal operational status on all units with the exception of the H-Oil unit. While operation of this unit has been intermittent, in all eight runs which were made on the H-Oil unit, the longest being for three weeks, some encouraging results have



Catalyst change for the Isomax reactor



UMTALI

REFINERY



been obtained. Improvements in mechanical design, control systems and operating techniques are expected to result in successful operations for 1970.

The Umtali Refinery at Feruka Valley, Rhodesia, remained inoperative during 1969. All Participants, including KNPC, continued refraining supplies of crude oil to the Refinery, in compliance with the decision of the Security Council of the United Nations to place an embargo on all oil shipments to Rhodesia.



New TEL facilities in foreground and new 1,500,000 bbls/storage in background; two of the major capital additions to the Refinery during 1969

## INTERNATIONAL MARKETING

1969 evidenced further gains in establishing the Kuwait National Petroleum Company as a dependable supplier of petroleum products in markets of the Middle East, Far East and Europe.

Moreover, the Company gained solid acceptance as an independent oil firm by both large and small consumers as well as international oil companies.

KNPC's subsidiaries performed their activities in a competitive market. KNPC (U.K.) Ltd. has disposed of increasing quantities of Bunker Fuels in markets as far apart as Rotterdam and Japan. KNPC (Trading and Transport) has made a number of spot sales to non-contracted customers.



KNPC Main Office building

## KUWAIT AVIATION FUELLING COMPANY ( K.S.C ) ( KAFCO )

The said Company, in which the Kuwait National Petroleum Company (KSC) has an 80% interest, had a very successful trading year in 1969 and the net profit showed an increase of 58% over the previous year, whilst the volume of sales increased by 39%.

Sales of products at Kuwait International Airport during the year were:—

Aviation Turbine Kerosene	24,000,897 Imp. G.
Aviation Gasoline	232,637 Imp. G.
Other Products	11,766 Imp. G.
<b>TOTAL:</b>	<b><u>24,245,300</u> Imp. G.</b>

The number of aircraft fuelled during the year was 7,704, giving an average of 642 aircraft per month.

The main supplies of Aviation Turbine Kerosene were taken from the Refinery of the Kuwait Oil Company Limited, but the Shuaiba Refinery of the Kuwait National Petroleum Company (K.S.C.) supplied trial batches of A.T.K. and its facilities for the manufacture of this product are available at short notice.



KAFCO supplies fuel to aircraft at the  
Kuwait International Airport

KUWAIT SPANISH PETROLEUM CO.  
(K.S.C.)

The Kuwait Spanish Petroleum Company (K.S.C.) started its field exploration activities in its concession in Kuwait in 1969. This Company is operator for Kuwait National Petroleum Co., (which holds 51% of the shares) and Hispanica de Petroleos, S.A. "HISPANOIL" (a Spanish Company, holding 49% of the shares).

A land seismic survey, using the latest digital techniques and equipment, was started on March 15. The contractor was Compagnie Generale de Geophysique.

The survey continued through the rest of the year. On December 31, 1969, a total of 1373 kms. of profiles had been produced.

Short marine seismic surveys were also carried out by Compagnie Generale de Geophysique in June, November and December. A total of 153 kms. of profiles were produced offshore Ras



Laying the cable for marine seismic survey

Jilala. In addition, a total of 147 kms. were produced in the channels within and around Bubiyan Island.


An aeromagnetic survey contracted to Hunting Geology and Geophysics Limited was carried out in October on the concessions of KOC and KSPC.

Interpretation of the geophysical results is in progress. KSPC is planning to spud its first exploratory well in the second half of 1970.


KSPC's staff and personnel increased substantially during 1969. 33 employees were on the payroll of the Company by year-end.



Experimenting with the hovercraft

## FINANCE




The year 1969 marks the ninth anniversary of KNPC and, at the same time, the end of the first year of its international operations, when total sales proceeds therefrom amounted to KD. 19,000,000. Thus have our products forged their way into most of the international markets. Moreover, local marketing sales registered an increase over 1968. However, the Profit and Loss Account shows a total loss of KD. 3,813,859 due to the problems to which reference is made elsewhere in this Report, and which are about to be resolved.

Towards the end of 1969, consent was obtained to an increase in retail prices of petroleum products for local marketing. Following recent negotiations, KNPC will, during 1970, benefit from increased margins of profit which will be obtained through sales of aviation fuels.

As mentioned in our previous Reports, the Shareholders will appreciate that the substantial long-term investment required for the expansion of KNPC operations and the development of its

Shuaiba Refinery until it reaches design capacity, are making heavy demands on the cash resources available to the Company.

Therefore, and in order to be able to meet such commitments, the Board of Directors proposes that :

- 1— no dividends be paid to the Shareholders, and
  - 2— no fees be paid to the Directors.
- 

KUWAIT NATIONAL PETROLEUM COMPANY (K.S.C.)

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER, 1969

1968			1969	
KD	KD		KD	KD
6,764,148		SALES		26,027,678
2,574,453		Cost of sales and marketing expenses		24,589,319
4,189,895				1,438,359
1,027,794		Interest, dividend and other income		1,251,657
5,217,489				2,690,016
	496,275	Administrative expenses	661,674	
	112,076	Depreciation	4,018,704	
	—	Loan interest	1,046,590	
	11,500	Auditor's fees	11,500	
	120,089	Provision for leave pay, terminal indemnities and pension fund	496,407	
739,940	—	Provision for investments	269,000	6,503,575
4,477,549		NET LOSS FOR YEAR (PROFIT 1968)		3,813,859
		APPROPRIATIONS AND DIRECTORS' FEES		
	447,755	Statutory reserve	—	
	4,029,794	General reserve	—	
	—	Dividend	—	
	—	Directors' fees	—	
4,477,549				3,813,859

NOTE: 1968 figures refer to Local Marketing only

# KUWAIT NATIONAL PETROLEUM COMPANY (K.S.C.)

## BALANCE SHEET

AS AT 31 ST DECEMBER, 1969

1968			1969	
KD	KD		KD	KD
		<b>SHARE CAPITAL</b>		
		<b>AUTHORIZED, ISSUED &amp; FULLY PAID</b>		
	7,500,000	1,000,000 ordinary shares of KD. 7,500 each first issue	7,500,000	
15,000,000	7,500,000	1,000,000 ordinary shares of KD. 7,500 each second issue	7,500,000	15,000,000
		<b>CAPITAL RESERVES</b>		
	25,708	Share premium account		25,708
		<b>REVENUE AND OTHER RESERVES</b>		
	2,296,687	Statutory reserve	2,296,687	
	11,736,938	General reserve	6,943,653	
	4,813,285	Leas: Transfer to development reserve		
	6,943,653		6,943,653	
	9,240,340		9,240,340	
		Less: Adverse balance on profit and loss account	3,813,859	5,426,481
9,240,340				
24,266,048		<b>SHAREHOLDERS' INTEREST</b>		20,452,189
		<b>LOANS</b> (See note 4)		
	25,000,000	Loan by the State in accordance with Law No. 43 of 1965	25,000,000	
43,482,143	18,482,143	Bank loans	14,375,000	39,375,000
		<b>CURRENT LIABILITIES</b>		
	4,603,655	Accounts payable	5,254,313	
5,621,245	1,017,590	Accrued expenses	2,340,600	7,594,913
		<b>PROVISIONS</b>		
	661,274	Leave pay, terminal indemnities and pension fund	861,075	
786,274	125,000	Investment contingencies	394,000	1,255,075
		<b>OTHER CREDIT BALANCES</b>		
	10,637	Unclaimed dividends	8,494	
18,400	7,763	Unclaimed application monies	5,691	14,185
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REPORT OF THE AUDITOR TO THE MEMBERS OF THE  
KUWAIT NATIONAL PETROLEUM COMPANY (K.S.C.)

I have examined the balance sheet of the Kuwait National Petroleum Company (K.S.C.) as at 31st December, 1969, and the profit and loss account for the year then ended, together with the notes thereto. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and other auditing procedures as I considered necessary in the circumstances. I have obtained all the information which I considered necessary for the satisfactory performance of my duties.

In my opinion the accompanying balance sheet and profit and loss account, together with the notes thereto, agree with the books of the Company and—

- i) Contain all that is required by the Law and the Articles of the Company.
- ii) Give a true and clear view of the financial standing of the Company at December 31st, 1969 and the results of operations for the year then ended.

In my opinion :

- i) The Company has kept proper books of account.
- ii) Stock-taking has been duly carried out.
- iii) The information contained in the Directors' report regarding the accounts is in agreement with the books of the Company.
- iv) So far as such information was available no violations of the Law or Articles of Association which had an adverse effect on the business of the Company or its financial position, having occurred during the year.

H.G. ISAAC, F.C.A.  
REGISTER OF AUDITORS NO. 42, KUWAIT  
OF WHINNEY MURRAY & CO.  
CHARTERED ACCOUNTANTS.

Kuwait,  
29th March, 1970

ACKNOWLEDGEMENT

We wish to express our deep thanks to H.H. Shaikh Sabah Al-Salim Al-Sabah, Amir of the State of Kuwait, for his kind attention and encouragement. We would like to record also our appreciation to H.H. the Heir Apparent and Prime Minister for his everlasting support to the national economy, and to H.E. the Minister of Finance and Oil for his sympathetic attention and support. Our thanks are also due to the various State Ministries and Agencies for their valuable assistance in furthering the interests of the Company on every occasion.

Board of Directors





