بتـــرو رابـــغ
Petro Rabigh

Board of Directors Report

The First Ordinary General Assembly

Jeddah–Saturday, 3 Jumada Al–Thani 1429 H–June 7, 2008

Rabigh Refining & Petrochemical Co.

www.petrorabigh.com

2007

شركة رابغ للتكرير و البتروكيماويات
Rabigh Refining & Petrochemical Co.

Board of Director Report

for the year ended on December 31, 2007

Directed to the,

First Ordinary General Assembly

Jeddah 3/6/1429h 7/6/2008g

The Custodian of the Two Holy Mosques

King Abdullah Bin Abdul Aziz Al Sa'ud

King of Saudi Arabia Kingdom

The Crown Prince

Sultan bin Abdul Aziz Al Sa'ud

First Deputy Prime Minister
Ministry of Defence and
Aviation, General Inspector

Members of Board of Directors for Rabigh Refining & Retrochemical Company

Abdulaziz F. Al-Khayyal
Chairman of the Board

Hiromasa Yonekura
Deputy Chairman of the Board

Saad F. Al-Dosari
Board Member

Toshiki Matsumura
Board Member

Osamu Ishitobi
Board Member

Motassim A. Al-Ma'ashouq
Board Member

Ahmad Al-Humaid
Board Member

Saud Al-Ashgar
Board Member

Resolution submitted for voting

to the First Ordinary General Assembly

The Board of Directors recommends that the ordinary general assembly approves the following:

1- The Board of Directors report for the year ended on December 31,2007

2- The financial statement for the year ended on December 31,2007

3- Releasing the Board of Directors liabilities for the year ended on December 31,2007

4- Approval of the Appointment of outside Auditors for the year 2008.

First

The Board of Directors Report

for the year ended on December 31, 2007

Directed to

First Ordinary General Assembly

Jeddah 3/6/1429H Corresponding to 7/6/2008G

Contents of 2007 Board of Directors report

Contents

1. To the Shareholders of Rabigh Refining and Petrochemical Company

Dear Share Holders,

Alsalam Alykom,

On behalf of all the Directors of the Board, I am glad to present you the annual report for the year ended on December 31, 2007.

As you know, our company is still in the construction phase and construction work is in progress toward the successful commissioning, start-up and the commercial operation in the 4th quarter of 2008. We are pleased to report that the project is progressing well.

We announced the plan for IPO which had an offering period in January 2008. To prepare for the IPO, our company was converted from a limited liability company to a joint stock company on November 3, 2007.

Our company has made significant efforts to prepare for the start-up in 2008. However, I find myself obligated to remind all the shareholders that a start-up of an integrated refinery and petrochemical complex of such mega size remains a big challenge. Our Company is determined to implement a safe and successful startup of the facilities over the next several months. We hope to retain the trust of our shareholders and meet their expectations.

Best regards,

Chairman of the Board

Abdulaziz F. Al-Khayyal

2. Business of the Company in 2007

The business operation of the Company in 2007 was only related to the construction of the project. Following are the main activities that were executed in 2007:

3. Construction of the new facilities

Construction of the new facilities with the aim of a successful start-up in 2008 was the biggest challenge of the Company in 2007. The construction commenced in the middle of 2006 and reached its peak in 2007.

Engineering and procurement phases of the Project are practically complete.

All major material and equipment have arrived on site. Equipment erection has significantly progressed and the piping erection is at its peak. Around 80 ships have arrived to Rabigh construction berths and unloaded over 90,000 metric tons of equipment and materials. Manpower at the site is at its peak and has reached almost 40,000 workers.

Shortage of skilled construction manpower is a challenge but the Company expects that it will not impact the planned facilities start-up scheduled in the 4th Quarter of 2008.

Overall, the construction of the Plants is progressing well.

4. Safety and Environment performance

Safety performance to date has been satisfactory with exceptionally low incident frequency rates. However site congestion and intense construction activities present a formidable challenge to all contractors. The Company and the EPC contractors have strengthened safety supervision.

Stringent environmental compliance based on the World Bank Standard is required for this Project and has been incorporated into the scope of the Project.

The Company has executed the Water and Energy Conversion Agreement with an independent party, Rabigh Arabian Water and Electricity Company, whereby power, water and steam will be provided to the Company.

5. Preparation for Start-up

Commissioning and start-up of this integrated complex is a major challenge. Preparation for plans, procedures, and risk assessment has been done and further preparation efforts will continue to be made in 2008.

Preparation for the transfer of the assets and operation of the existing Rabigh Refinery is underway.

Construction of the business infrastructures such as supply chain management system, IT system is underway and making substantial progress.

Safety standards and procedures have been established and implemented to safeguard life, health and property and to ensure an environment friendly operation.

6. Establishment of the organization

The Company made significant efforts towards the recruitment of its employees under the current very competitive labor market conditions triggered by the boom in projects especially in the Kingdom and in the Gulf Region. The Company also made significant efforts for the training of the employees, including the Company's Apprenticeship Program. Over 200 employees have been sent abroad for over 500 training and technology transfer assignments.

7. Announcement of IPO

On November 5th, the CMA announced its acceptance of the Company's plan to offer 25% of its capital through the issuance of new shares as an IPO in the Saudi Arabian Stock Exchange. In anticipation of this the Company was converted from a limited liability company to a joint stock company on November 3, 2007.

8. The Financial Results for 2007

Attached are the independent auditor's report and the Company's audited financial statements with accompanying notes for the period January 1 to December 31, 2007.

External auditor's audit was conducted by KPMG Al Fozan & Al Sadhan and the Company has received an unqualified opinion from the external auditors.

(Financial Results)

The Company is still in the construction phase and there was no commercial operation in 2007. The Company incurred a loss of US$ 118.0 million net of any income derived from short term fixed deposits with banks, for the period which is mainly due to general and administrative costs.

Compared with 2006 financial results, the general and administrative costs increased as the activities of the Company developed.

9. (Financial Position)

Total assets as of the end of 2007 increased to US$7.19 billion, compared with US$2.98 billion as of the end of 2006, due to an increase of cost of construction in progress. Construction in progress as of the end of 2007 amounted to US$6.35 billion, an increase of US$4.26 billion from the previous year.

Construction and administrative costs expended during the year 2007 were funded through shareholders capital cash injection of US$1,052 million and lending facilities by way of long term loans of US$3,380 million in 2007.

As a result, net shareholders' equity amounted US$1.59 billion. Accumulated losses was US$164.6 million at the end of 2007. For more details about cash flow, income statement and changes of sharcholders equity plcase refer to pages 25,26,27 and 28 from the auditors report.

Summary of Assets and Liabilities

	2007 (US$Million)	**2006** (US$Million)
Assets		
Current assets		
Cash and cash equivalents	49,588	554,738
Others	136,302	244,987
Total current assets	**185,890**	**799,725**
Non-current assets		
Construction in progress	6,350,047	2,090,874
Long-term investment	653,558	88,317
Total non-current assets	**7,003,605**	**2,179,191**
Total assets	**7,189,495**	**2,978,916**

Liabilities & Equity

Current liabilities		
Accounts payable	243,095	150,512
Accrued expenses & other	174,044	370,030
Total current liabilities	**417,139**	**520,542**
Non-current liabilities		
Long-term loans	5,185,000	1,805,000
Total liabilities	**5,602,139**	**2,325,542**
Equity		
Share capital	1,752,000	700,000
Accumulated losses	(164,644)	(46,626)
Total equity	**1,587,356**	**653,374**
Total liabilities and equity	**7,189,495**	**2,978,916**

10. Business Results

	2007 (US$Million)	**2006** (US$Million)
Interest income	5,456	21,116
Foreign Currency (losses)/gains	(10,701)	1,606
General and administrative expenses	(112,773)	(69,348)
Net loss for the period	**(118,018)**	**(46,626)**

11. Expectations for 2008

The Company plans to start the commissioning and start-up in the middle of 2008 and commercial operation in the 4th quarter of 2008. However, a start-up of an integrated refinery and petrochemical complex of such mega size still remains as a big challenge, especially under the current environment of many projects booming in the KSA, the Gulf Region and the rest of the world.

12. The Dividend Distribution

The Company projects no distribution of dividends in 2008 since there is no profit for distribution of dividends in 2007.

13. The Company Equity

The Company conducted a capital increase in May 5, 2007 by the amount of $1,052,000,000.

Capital equity as of the beginning of 2007	$ 700,000,000
Capital increase in May, 2007	$1,052,000,000
Capital equity as of the end of 2007	$1,752,000,000

14. The Company Loans

The Company's operation is funded by the Project Finance and the followings are the balance as of the end of 2007.

	(US$)	(SAR)
Japan Bank for International Cooperation	2,500,000,000	9,375,000,000
Commercial Banks	1,740,000,000	6,525,000,000
Public Investment Fund	545,000,000	2,043,750,000
Islamic financial institution	400,000,000	1,500,000,000
	5,185,000,000	**19,443,750,000**

15. The Management

The Directors listed below are the members of the Board of the Company as from November 3, 2007.

Abdulaziz F. Al-Khayyal	Chairman of the Board
Hiromasa Yonekura	Deputy Chairman
Saad F. Al-Dosari	Chief Executive Director
Toshiki Matsumura	Chief Financial Officer
Osamu Ishitobi	Non-Executive Director
Motassim A. Al-Ma'ashouq	Non-Executive Director
Saud Abd Ar-Rahman Al-Ashagar	Independent Director
Ahmed Salih Al-Humaid	Independent Director

Mr. Abdulrahman F. Al-Wuhaib and Mr. Takatoshi Suzuki had been the non-Executive Directors of the Board until November 3rd, 2007. Mr. Saud Abd Ar-Rahman Al-Ashagar and Mr. Ahmed Salih Al-Humaid were elected to the Board as of November 3, 2007, at the conversion general assembly of the Company.

16. The Directors' Membership

The directors listed below are also members in the board of directors of other joint stock companies.

1. Abdulaziz F. Al-Khayyal Saudi Arabian Oil Company (Director and Sr. Vice President); S-Oil Corporation (Korea)

2. Hiromasa Yonekura Sumitomo Chemical Company (President), Japan-Singapore Petrochemicals Co., Ltd., AOC Holdings, Inc., Chiba Styrene Monomer Limited Company.

3. S. Al-Ashgar S-Oil Corporation (Korea)

17. The Board of Directors Meeting

The Company held two meetings in the year 2007. All the members attended in these two Board meetings.

18. The Fees and Remuneration of Directors

No remuneration was paid to the board of directors throughout the year 2007.

Salaries and bonuses paid to the senior executives, including the managing directors, amounted US$ 1.5 million in total in 2007.

As at the year end, there were no contracts of any material interest, nor have there been any in the course of 2007, between the Company and any members of the Board of Directors, the President and Chief Executive Officer, the Chief Financial Officer or any of their relatives.

19. The Board Audit Committee

The audit committee oversees financial, risk management and internal controls aspects of the Company's operations. Its responsibilities include the review and discussion of the Company's interim and annual financial statements. The internal audit committee oversees the Company's external auditors and reviews the effectiveness of external and internal audit and has the authority to engage such external experts, as it feels necessary to fulfill its obligations of stewardship on the financial affairs of the Company.

The audit committee has the responsibility of reviewing the effectiveness of the Company's system of internal controls, accounting information systems and finance department competencies and capabilities in light of compliance with generally accepted accounting standards.

The duties and responsibilities of the audit committee also include the following:

- Recommend the appointment of external auditors and ensure that the required access to the Company's books, records and personnel is provided to such external auditors.
- Approve and direct internal audit plans.
- Supervise the preparation of the financial statements.

20. Internal Audit Committee Members in 2007

Role	**Name**
Chairman	Osamu Ishitobi
Member	Moatassim Al-Ma'ashouq
Member	Abdulrahman F. Al-Wuhaib
Member	Takatoshi Suzuki

The committee had no independent members in 2007 as it was not a public company in 2007. The Company intends to appoint the two Independent Directors to the Audit Committee in early 2008.

21. The Independent Auditor

KPMG Al Fozan & Al Sadhan as the independent auditor of the Company are engaged in the examination of the financial statement.

22. The Subsidiaries

The Company has no subsidiary as of the end of 2007.

23. Accruals for Government Institutions

The Company's Zakat base is negative and the Company is also in a net loss position. Thus, there is no Zakat liability for the year ending December 31, 2007. The Zakat charge for this twelve month period account has been estimated in accordance with DZIT regulations. The estimate is subject to agreement with the DZIT after the Zakat return for the period has been filed.

Following its review of the Company's Zakat declaration for 2006, the DZIT issued a deficiency tax assessment including fines estimated at US$6.7 million or SAR25.2 million on December 4, 2007. The Company is in the process of developing and filing an objection to the assessment, which will be filed on or before February 3, 2008.

24. Relevant Issues

There is no lawsuit in which the Company is involved in 2007.

25. Board of Directors Declarations

The Board of Directors declares the followings;

1. Accounting records have been kept properly and correctly.
2. There is no doubt in regards to the Company's ability to continue its operation.
3. The Company will be working in 2008 to fully comply with CMA's Corporate Governance rules issued on November 2006.
4. There is no material personal interest for any directors in the Company's contracts.

26. Recommendation to the General Assembly

The Board of Directors recommends that the ordinary general assembly approves the following:

1. The Board of Directors report for the year ended on December 31, 2007.
2. The financial statements for the year ended on December 31, 2007.
3. Releasing the Board of Directors liabilities for the year ended on December 31, 2007.
4. Approval of Compensation for Board of Directors; and
5. Approval of the Appointment of outside Auditors for the year 2008.

The Board of Directors

Second

The Financial Statements

for the year ended on December 31, 2007

Directed to the;

First Ordinary General Assembly

Jeddah 3/6/1429H Corresponding 7/6/2008G

KPMG

KPMG Al Fozan & Al Sadhan
Al Dainy Plaza
Madinah Road
P.O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia

Telephone +966 2 658 1616
Fax +966 2 605 0597
Internet www.kpmg.com.sa

INDEPENDENT AUDITORS' REPORT

To: **The Shareholders**
Rabigh Refining and Petrochemical Company
Rabigh
Kingdom of Saudi Arabia

We have audited the accompanying financial statements of **Rabigh Refining and Petrochemical Company** ("the Company") which comprise the balance sheet as at 31 December 2007 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended and the attached notes (1) through (12) which form an integral part of the financial statements.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with Article 123 of the Regulations for Companies and the Company's Articles of Association. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Management has provided us with all the information and explanations that we require relating to our audit of these financial statements.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

In our opinion, the financial statements taken as a whole:

1) present fairly, in all material respects, the financial position of the Company as at 31 December 2007, and the results of its operations, cash flows and changes in shareholders' equity for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Company; and

2) comply with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of the financial statements.

For KPMG Al Fozan & Al Sadhan:

Tareq A. Al Sadhan
License No. 352

Corresponding to 5 February 2008
Jeddah on 27 Muharram 1429H

RABIGH REFINING AND PETROCHEMICAL COMPANY
(Saudi Joint Stock Company)

BALANCE SHEET
As at December 31, 2007

	Note	2007 SAR	2006 SAR
ASSETS			
Current assets			
Cash and cash equivalents		185,954,269	2,080,267,999
Advances to suppliers		420,878,606	902,911,230
Prepayments and other current assets	3	90,256,215	15,788,194
Total current assets		697,089,090	2,998,967,423
Non-current assets			
Construction in progress	4	23,812,675,129	7,840,777,192
Long term investment	5	2,450,841,611	331,190,318
Total non-current assets		26,263,516,740	8,171,967,510
Total assets		26,960,605,830	11,170,934,933
		============	============
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable		914,536,544	564,419,569
Accrued expenses and other current liabilities	6	445,446,068	122,035,650
Zakat and income tax	7	--	13,086,667
Due to related parties	8	204,289,268	1,252,492,024
Total current liabilities		1,564,271,880	1,952,033,910
Non-current liabilities			
Long-term loans	9	19,443,750,000	6,768,750,000
Total liabilities		21,008,021,880	8,720,783,910
		============	============
EQUITY			
Share capital	10	6,570,000,000	2,625,000,000
Accumulated losses		(617,416,050)	(174,848,977)
Total shareholder's equity		5,952,583,950	2,450,151,023
Total liabilities and equity		26,960,605,830	11,170,934,933
		============	============

The accompanying notes 1 through 12 form

an integral part of these financial statements.

RABIGH REFINING AND PETROCHEMICAL COMPANY
(Saudi Joint Stock Company)

STATEMENT OF INCOME
For the year ended December 31, 2007

	Note	2007 SAR	**Period from September 19, 2005 To December 31,** 2006 SAR
Interest income		20,460,075	79,186,106
Foreign currency (losses)/gains		(40,129,140)	6,023,438
General and administrative expenses	11	(422,898,008)	(260,058,521)
Net loss for the year		(442,567,073)	(174,848,977)
		============	============

The accompanying notes 1 through 12 form
an integral part of these financial statements.

RABIGH REFINING AND PETROCHEMICAL COMPANY
(Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS
For the year ended December 31, 2007

		Period from September 19, 2005 To December 31,
	2007 SAR	2006 SAR
OPERATING ACTIVITIES		
Loss for the year	(442,567,073)	(174,848,977)
Zakat paid	(13,086,668)	--
Changes in working capital:		
Advances to suppliers	482,032,624	(902,911,230)
Prepayments and other current assets	(74,468,021)	(15,788,194)
Accounts payable	350,116,976	564,419,569
Accrued expenses and other current liabilities	323,410,418	122,035,650
Net cash flows provided by (used in) operating activities	625,438,256	(407,093,182)
INVESTING ACTIVITIES		
Construction in progress	(15,971,897,936)	(7,840,777,192)
Long term investment	(2,119,651,294)	(331,190,318)
Net cash flows (used in) investing activities	(18,091,549,230)	(8,171,967,510)
FINANCING ACTIVITIES		
Issue of share capital	3,945,000,000	2,625,000,000
Long-term loans	12,675,000,000	6,768,750,000
Due to related parties, net of Zakat recovery	(1,048,202,756)	1,265,578,691
Net cash flows provided by financing activities	15,571,797,244	10,659,328,691
Net (decrease)/increase in cash and cash equivalents	(1,894,313,730)	2,080,267,999
Cash and cash equivalents at beginning of year	2,080,267,999	--
Cash and cash equivalents at end of year	185,954,269	2,080,267,999
	============	============

The accompanying notes 1 through 12 form
an integral part of these financial statements.

RABIGH REFINING AND PETROCHEMICAL COMPANY
(Saudi Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
For the year ended December 31, 2007

	Share capital SAR	Accumulated losses SAR	Total SAR
Capital contributions	2,625,000,000	--	2,625,000,000
Net loss for the period	--	(174,848,977)	(174,848,977)
Zakat and income tax charge for the year	--	(13,086,668)	(13,086,668)
Zakat and income tax reimbursable from shareholder	--	13,086,668	13,086,668
As at December 31, 2006	2,625,000,000	(174,848,977)	2,450,151,023
Capital contributions	3,945,000,000	--	3,945,000,000
Net loss for the year	--	(442,567,073)	(442,567,073)
As at December 31, 2007	6,570,000,000	(617,416,050)	5,952,583,950
	============	============	============
Represented by:			
Saudi shareholder's share	3,285,000,000	(308,708,025)	2,976,291,975
Foreign shareholder's share	3,285,000,000	(308,708,025)	2,976,291,975
As at December 31, 2007	6,570,000,000	(617,416,050)	5,952,583,950
	============	============	============

The accompanying notes 1 through 12 form
an integral part of these financial statements.

RABIGH REFINING AND PETROCHEMICAL COMPANY
(Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007

1. GENERAL

1.1 Rabigh Refining and Petrochemical Company ("the Company" or "PETRORabigh") was registered in Saudi Arabia as a limited liability company under Commercial Registration No. 4602002161 issued from Ministry of Commerce, Jeddah, on 15-08-1426H (September 19, 2005). The Company was established in the Kingdom of Saudi Arabia, as per ministerial resolution and license of the Saudi Arabian General Investment Authority No. (495/A), dated 14-5-1426H (June 21, 2005).

The shareholders of the Company agreed on 28-03-1428H (corresponding to April 16, 2007) to change the legal status of the Company from Limited Liability Company to a Joint Stock Company and to increase the Company's share capital by USD 352 million (equivalent to SR 1,320 million) by increasing the number of shares by 132 million of value SR 10 each. As a result, share capital has increased to SR 6,570 million divided into 657 million shares of SR 10 each.

The Company received regulatory approval for the amendments in the Article of Association in connection with the increase in capital and received the revised Commercial Registration as a joint stock company issued by the Ministry of Commerce, Riyadh with effective date of 22-10-1428H (November 03, 2007).

The Company launched its initial public offering of 219,000,000 shares, equivalent to 25% of its issued share capital, at SAR 21 per share starting January 5, 2008 based on approval of application for admission of the shares to the official list by the Capital Market Authority. The net proceeds from the offering after deducting the offering expenses will be used by the Company to finance its operation. Amendment of Article of Association and issuance of the revised Commercial Registration is still under process.

1.2 The objects for which the Company is formed are the development, construction and operation of an integrated petroleum refining and petrochemical complex, including the manufacturing of refined petroleum products, petrochemical products and other hydrocarbon products.

1.3 The Company is in plant construction and the pre-operational phase. It has not yet commenced its commercial activities.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the Standard of General Presentation and Disclosure issued by the Ministry of Commerce and in compliance with the accounting standards issued by the Saudi Organization for Certified Public Accountants.

2.1 Accounting convention

These financial statements, which are presented in Saudi Arabian Riyal (SAR), are prepared under the historical cost convention using the accrual basis of accounting and the going concern concept.

2.2 Interest income

Interest income is recognized on an accruals basis and derived from short term investment placed in time deposits.

2.3 Foreign currency

Transactions denominated in foreign currencies are translated into U.S. dollars at the exchange rates prevailing at the date of the transactions. Differences in exchange rates between liability recognition and settlement dates are recognized as gains or losses in the statement of income. Balances of assets and liabilities in foreign currencies are revalued at prevailing exchange rates as at December 31, 2007.

Forward foreign exchange contracts are entered to hedge a foreign currency liability and are initially measured at cost and subsequently re-measured at fair value. The gain or loss on re-measurement to fair value is recognized in the statement of income.

2.4 Construction in progress

Construction in progress represents expenses incurred for the development, construction and preparation of the Company's integrated petroleum refining and petrochemical complex. All the costs which are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management, including interest on borrowings obtained to finance construction of the plant, are charged to construction in progress.

2.5 Long term investment

Long term investment is recorded at cost.

2.6 Cash and cash equivalents

Cash and cash equivalents consists of bank balances, cash in hand and short term deposits with a maturity of less than three months.

2.7 Operating leases

Payment under operating leases is recognized in the statement of income on a straight line basis over the period of lease term.

2.8 Zakat and Income Tax

Zakat and income tax are computed in accordance with Saudi Arabian fiscal regulations, are accrued and charged to retained earnings. Since the shareholder has agreed to reimburse Zakat and income tax, such amount receivable from the shareholder is credited to retained earnings.

3. PREPAYMENTS AND OTHER CURRENT ASSETS

	2007 SAR	2006 SAR
Prepaid customs duties (deposits)	27,885,908	7,604,535
Accrued interest receivable	1,654,575	5,368,024
Due from related party	2,870,044	--
Prepaid expenses and other receivables	57,845,688	2,815,635
	90,256,215	15,788,194
	============	============

4. CONSTRUCTION IN PROGRESS

The movement at the balance sheet date comprised the following:

	2006 SAR	Addition SAR	2007 SAR
Plants	7,033,937,448	12,985,557,761	20,019,495,209
Utilities	614,106,319	2,359,509,785	2,973,616,104
Interest on borrowings	192,733,425	626,830,391	819,563,816
	7,840,777,192	15,971,897,937	23,812,675,129
	============	============	=============

The Company expects to complete the plant construction by October 2008, within the budgeted total cost of SAR 33 billion

5. LONG TERM INVESTMENT

The Company has entered into a series of agreements with Rabigh Arabian Water and Electricity Company (RAWEC), a Saudi limited liability company formed to construct, operate and subsequently transfer an electricity co-generation and desalination plant at Rabigh, and with RAWEC's developers and financiers. Through these agreements, the Company will provide a portion of the finance for RAWEC's plant construction through drawdowns over the construction and plant preparation period.

The Company will have a 1% equity stake in RAWEC in accordance with the Shareholders Agreement. In addition, the Company is to provide a total amount of SAR 3,990 million of loan finance under a Facilities Agreement.

The investment in RAWEC at the balance sheet date comprised the following:

	2007 SAR	2006 SAR
Investment in RAWEC:		
- equity participation	424,999	237,499
- long term loans	2,442,155,254	322,807,275
- Sub-ordinated loan	8,261,358	8,145,544
	2,450,841,611	331,190,318
	============	============

Under the Facilities Agreement, the loans carry interest rate at 5.675% per annum and repayments are scheduled to be made by RAWEC in monthly installments from June 30, 2008 to November 30, 2023.

6. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2007 SAR	2006 SAR
Retention deposits	323,297,340	70,653,803
Withholding tax payable	28,937,498	42,690,431
Accrued interest payable	33,768,750	7,357,875
Other accruals and credit balances	59,442,480	1,333,541
	445,446,068	122,035,650
	============	============

7. ZAKAT AND INCOME TAX

(a) Charge for the year

Zakat and income tax charge for the year ended December 31 comprise the following:

	2007 SAR	2006 SAR
Zakat	--	13,086,667
	============	============

Zakat

The Company's Zakat base for the assessment of Zakat due for 2007 is negative, and the Company is also in a net loss position. Thus the management has concluded that there is no Zakat liability for the year ended December 31, 2007. This position is subject to agreement with the DZIT after the Zakat return for the year has been filed.

Following its review of the Company's Zakat declaration for 2006, the DZIT issued a deficiency tax assessment on December 4, 2007 amounting to approximately SR 25 million (USD 6.7 million). The Company is not in agreement with the DZIT assessment, and filed a preliminary objection with the DZIT on February 2, 2008.

Management believes its position regarding the DZIT adjustments to be robust in the areas of interpretation, and that it is too soon to be able to estimate a probable settlement amount. Any settlement amount eventually agreed with the DZIT will not impact on the future earnings of the Company, as it will be recoverable from the Saudi partner – Saudi Arabian Oil Company.

7. ZAKAT AND INCOME TAX (continued)

Income tax

The Company has not generated any profit for the year and thus, has not provided for any income tax.

(b) Accrued Zakat and income tax

The movement in accrued Zakat and income tax provision for the year ended December 31 is analyzed as under:

	2007	2006
	SAR	SAR
Balance at the beginning of the year	13,086,667	--
Charge for the year	--	13,086,667
Payments during the year	(13,086,667)	--
Balance at the end of the year	--	13,086,667
	============	============

The income tax losses of the Company available for offset against future taxable profits amount to approximately SAR 309 million.

8. DUE TO RELATED PARTIES

	2007	2006
	SAR	SAR
Saudi Arabian Oil Company	125,964,473	758,410,391
Sumitomo Chemicals Co	78,324,795	494,081,633
	204,289,268	1,252,492,024
	============	============

The above balances result principally from payments made by shareholders on behalf of the Company's employees and other charges.

9. LONG TERM LOANS

The Company has entered into loan facility agreements, secured through shareholder guarantees, with various commercial banks and financial institutions in order to finance approximately 60% of the estimated costs of the Rabigh Development Project. The total facilities available under these term loan agreements, and the amounts drawn down at the balance sheet date, are:

	Total Facility SAR	At December 31 2007 SAR	At December 31 2006 SAR
Japan Bank for International Cooperation	9,375,000,000	9,375,000,000	6,375,000,000
Commercial banks	6,525,000,000	6,525,000,000	225,000,000
Public Investment Fund	3,750,000,000	2,043,750,000	168,750,000
Islamic financial institutions	2,250,000,000	1,500,000,000	--
	21,900,000,000	19,443,750,000	6,768,750,000
	============	============	=============

The facilities utilized during the year were subject to commission (interest) at rates of between 5.635% - 5.87% as of balance sheet date. The financing agreements include certain covenants, which, among other things, require certain financial ratios to be maintained. Repayments under the loan facilities are expected to commence in 2009 and will run up to. 2021.

10. SHARE CAPITAL

The registered capital of the company consists of 657,000,000 shares of SAR 10 each (approx USD 2.67 each). As of December 31, 2007, the shares were held as follows:

	%	Number of Shares	Total Value of Shares SAR
Saudi Arabian Oil Company	50%	328,500,000	3,285,000,000
Sumitomo Chemicals Company	50%	328,500,000	3,285,000,000
	100%	**657,000,000**	**6,570,000,000**

11. GENERAL AND ADMINISTRATIVE EXPENSES

	2007 SAR	2006 SAR
Salaries and other staff benefits	245,113,067	20,372,794
Recruitment, apprentice and training expenses	26,250,890	65,986,035
Shareholders' charges	26,335,560	43,167,967
Professional fees	12,006,855	104,664,881
Others	113,191,636	25,866,844
	422,898,008	260,058,521
	==========	==========

12. CONTINGENT LIABILITIES AND COMMITMENTS

MARINE TERMINAL LEASE

The Company entered into a marine terminal lease agreement for a year of 30 years with one of the related parties, Saudi Aramco, on March 2, 2006. The agreement grants the Company certain exclusive rights in respect of the Rabigh Terminal Facilities and the Rabigh Terminal Site. In consideration for the grant by Saudi Aramco to the Company of the right to occupy and use the site and facilities, the Company shall pay to Saudi Aramco rent in an amount equal to SAR 1.025 per square meter per annum for approximately 682,000 square meters of Rabigh Terminal Site and SAR 19,125,000 per annum for the Rabigh Terminal Facilities from the date the Rabigh Refinery is transferred to the Company. At present, it is expected that this transfer will occur during the last quarter of year 2008.

RABIGH REFINERY COMPLEX LEASE

In consideration further for the grant by Saudi Aramco to the Company of the right to access, occupy and use of the Rabigh Complex Site of approximately 21,000,000 square meters, the Company shall pay to Saudi Aramco rent of an amount equal to SAR 1.025 per square meter per annum starting from Rabigh Refinery transfer date.

LEASES

The Company has entered into operating leases for office space and furniture, vehicles and living quarters. Rental for the year ended December 31, 2007 amounted to SAR 61,295,959.

At December 31, the Company's obligations under operating leases are analyzed as under:

	2007 SAR	2006 SAR
Payable within one year	73,008,851	3,000,000
Payable between two and five years	75,242,327	750,000
Total	148,251,178	3,750,000
	==========	==========

First Ordinary General Assembly

Jeddah 3/6/1429H Corresponding 7/6/2008G

Resolution submitted for voting

Third

Releasing the Board of Directors liabilities for the year ended on December 32, 2007

Fourth

Approval of the Appointment of outside Auditors for the year 2008

As per the clarifications from the audit committee for the continuity of the auditing services of KPMG Al-Fozan & Al-Sadhan for year 2008,

The Board of Directors seeking the approval of the Ordinary General Assembly to continue the services with KPMG Al-Fozan & Al-Sadhan until the expiration of the contract which was signed in 2006 against annual fees SAR (160,000) . The share holders have the right in the coming General Ordinary Assembly to reelect same or have another company to audit our company financials.

Rabigh Refining & Petrochemical Company
Paid Capital SAR 6.570.000.000
C R 4602002161
P.O. Box 666
Rabigh 21911
Kingdom of Saudi Arabia
Tel: +966 (2) 425 8603
Alt: +966 (2) 425 8820
Fax: +966 (2) 425 0570
www.petrorabigh.com