

**Theeb Rent a Car Company**  
**(A Saudi Joint Stock Company)**

**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

Theeb Rent a Car Company  
(A Saudi Joint Stock Company)

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FINANCIAL STATEMENTS

For the year ended 31 December 2021

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**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF THEEB RENT A CAR COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**Opinion**

We have audited the financial statements of Theeb Rent a Car Company (the "Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of a matter**

We draw attention to note 20 to the financial statements. As stated therein, during the year ended 31 December 2021, management has received a correspondence from the Zakat, Tax and Customs Authority ("ZATCA"), regarding certain possible taxes on the Company relating to the ownership interests of one of the Company's former shareholders. As at the date of this report, no official assessment has been received from ZATCA. Our opinion has not been modified in respect of this matter.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

**INDEPENDENT AUDITOR'S REPORT**  
**To the Shareholders of Theeb Rent a Car Company**  
**(A SAUDI JOINT STOCK COMPANY) (continued)**

**Key audit matters (continued)**

Key audit matter	How our audit addressed the key audit matter
<p><b>Allowance for expected credit losses</b></p> <p>The gross balance of accounts receivable as at 31 December 2021 amounted to SR 203.2 million (2020: SR 148 million), against which an allowance for expected credit losses of SR 64.2 million (2020: SR 38.7 million) was maintained. The collectability of accounts receivable is a key element of the Company's working capital, which is managed on an ongoing basis.</p> <p>Management determines and recognises expected credit losses ('ECL') as required by International Financial Reporting Standard 9 (Financial Instruments) ('IFRS 9'). Significant judgements, estimates and assumptions have been made by the management in the calculation of ECL impact.</p> <p>We have considered this as a key audit matter as the determination of ECL involves significant management judgement and this has a material impact on the financial statements.</p> <p>Refer to note 3.10 to the financial statements for the significant accounting policy, note 2.4 for the critical accounting estimates and judgements and note 10 which details the disclosure of impairment against accounts receivable.</p>	<p>Our audit procedures performed included, among others, the following:</p> <ul style="list-style-type: none"> <li>• Obtained understanding of the Company's processes around the accounts receivable allowance for expected credit losses.</li> <li>• Assessed significant judgements, estimates and assumptions made by the management with reference to the calculation of ECL including the Company's assessment of the probability of default, incorporation of forward-looking information and the loss given default parameter.</li> <li>• Involved our IT experts in testing effectiveness of the Information Technology General Controls (ITGCs) of the respective accounting system.</li> <li>• Evaluated the Company's accounting policy for ECL allowance in accordance with the requirements of IFRS 9.</li> <li>• Assessed the adequacy of the related disclosures in the financial statements.</li> </ul>

**INDEPENDENT AUDITOR'S REPORT**  
**To the Shareholders of Theeb Rent a Car Company**  
**(A SAUDI JOINT STOCK COMPANY) (continued)**

**Key audit matters (continued)**

Key audit matter	How our audit addressed the key audit matter
<p><b>Carrying values of vehicles</b></p> <p>Vehicles included under property and equipment as at 31 December 2021 amounted to SR 1,155 million (2020: SR 979 million) representing 76% (2020: 75%) of total assets.</p> <p>Vehicles are carried at cost less depreciation and impairment after considering their residual values.</p> <p>The Company's management determines the residual values and estimated useful lives of vehicles for calculating depreciation, this involves significant degree of management estimates and judgements considering the expected usage of the vehicles, expected physical wear and tear and expected future value at the time of disposal, and as such, this has been identified as a key audit matter.</p> <p>Refer to note 3.6 to the financial statements for the significant accounting policy, note 2.4 for the critical accounting estimates and judgements and note 6 which details the disclosure of property and equipment.</p>	<p>Our audit procedures performed included, among others, the following:</p> <ul style="list-style-type: none"> <li>• Evaluated, on a sample basis, the design, implementation and effectiveness of controls over the procurement process and capitalization and depreciation calculation of vehicles.</li> <li>• Assessed management's judgement in determining residual value and useful lives assigned to long-term and short-term rental purpose.</li> <li>• Tested on a sample basis additions and disposals of rental vehicles.</li> <li>• Performed analytical review procedures of the depreciation charge for the year.</li> <li>• Assessed the adequacy of the related disclosures in the financial statements.</li> </ul>



**INDEPENDENT AUDITOR'S REPORT**  
**To the Shareholders of Theeb Rent a Car Company**  
**(A SAUDI JOINT STOCK COMPANY) (continued)**

**Other information included in The Company's 2021 Annual Report**

Other information consists of the information included in the Company's 2021 annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Company's 2021 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Company's 2021 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**INDEPENDENT AUDITOR'S REPORT**  
**To the Shareholders of Theeb Rent a Car Company**  
**(A SAUDI JOINT STOCK COMPANY) (continued)**

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit, in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



**INDEPENDENT AUDITOR'S REPORT**  
**To the Shareholders of Theeb Rent a Car Company**  
**(A SAUDI JOINT STOCK COMPANY) (continued)**

**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

for Ernst & Young Professional Services



Abdulaziz A. Al-Sowailim  
Certified Public Accountant  
License No. (277)

Riyadh: 29 Rajab 1443H  
(2 March 2022)





Theeb Rent a Car Company  
(A Saudi Joint Stock Company)

STATEMENT OF COMPREHENSIVE INCOME  
For the year ended 31 December 2021

	Notes	2021 SR	2020 SR
Revenue	22	752,369,576	659,994,795
Cost of revenue	23	(503,056,507)	(497,980,838)
<b>GROSS PROFIT</b>		<b>249,313,069</b>	<b>162,013,957</b>
Selling and marketing expenses	24	(34,396,855)	(27,187,930)
General and administrative expenses	25	(36,667,586)	(32,498,326)
Provision for expected credit losses	10.12	(26,033,008)	(10,804,062)
<b>INCOME FROM OPERATIONS</b>		<b>152,215,620</b>	<b>91,523,639</b>
Other income	26	3,616,742	7,792,299
Finance costs	27	(25,630,013)	(31,961,264)
Gain on derivative instrument at FVPL	36	2,280,247	-
<b>INCOME BEFORE ZAKAT</b>		<b>132,482,596</b>	<b>67,354,674</b>
Zakat	20	(6,756,530)	(4,108,546)
<b>NET INCOME FOR THE YEAR</b>		<b>125,726,066</b>	<b>63,246,128</b>
<b>Other comprehensive income:</b>			
Items that will not be reclassified to income in subsequent periods:			
Re-measurement loss on defined benefit plans	18.4	(756,122)	(344,064)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>124,969,944</b>	<b>62,902,064</b>
<b>EARNINGS PER SHARE (EPS)</b>			
Basic and diluted earnings per share	21	2.92	1.47

Chairman

Chief Executive Officer

Chief Financial Officer

The attached notes 1 to 41 form an integral part of these financial statements.

Theeb Rent a Car Company  
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 SR	2020 SR
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment	6	1,155,644,557	979,087,072
Right-of-use assets	7	89,470,488	119,218,046
Intangible assets	8	58,895	323,216
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,245,173,940</b>	<b>1,098,628,334</b>
<b>CURRENT ASSETS</b>			
Inventories	9	5,596,190	8,571,084
Accounts receivable, net	10	138,990,242	109,151,468
Prepayments and other current assets	11	60,784,763	34,969,450
Contract asset, net	12	9,408,925	6,437,483
Amounts due from related parties	14	482,584	10,133,496
Bank balances and cash	13	57,712,926	39,514,666
<b>TOTAL CURRENT ASSETS</b>		<b>272,975,630</b>	<b>208,777,647</b>
<b>TOTAL ASSETS</b>		<b>1,518,149,570</b>	<b>1,307,405,981</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	15	430,000,000	430,000,000
Statutory reserve	16	18,897,220	6,324,613
Retained earnings		118,458,160	45,190,823
<b>TOTAL SHARE HOLDER'S EQUITY</b>		<b>567,355,380</b>	<b>481,515,436</b>
<b>NON-CURRENT LIABILITIES</b>			
Non-current portion of term loans	17	288,172,502	248,511,760
Employees' defined benefit liability	18	28,153,685	24,018,384
Non-current portion of lease obligation	7	54,686,864	92,913,993
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>371,013,051</b>	<b>365,444,137</b>
<b>CURRENT LIABILITIES</b>			
Current portion of term loans	17	326,628,922	296,508,006
Current portion of lease obligation	7	54,355,232	34,791,072
Car dealership payable		115,942,535	64,655,541
Accounts payable		18,114,218	7,081,118
Derivative instrument at FVPL	36	480,196	2,760,443
Accrued expenses and other current liabilities	19	43,314,033	34,720,584
Zakat payable	20	20,946,003	19,929,644
<b>TOTAL CURRENT LIABILITIES</b>		<b>579,781,139</b>	<b>460,446,408</b>
<b>TOTAL LIABILITIES</b>		<b>950,794,190</b>	<b>825,890,545</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,518,149,570</b>	<b>1,307,405,981</b>

Chairman

Chief Executive Officer

Chief Financial Officer

The attached notes 1 to 41 form an integral part of these financial statements.

Theeb Rent a Car Company  
(A Saudi Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY  
For the year ended 31 December 2021

	Notes	Share capital SR	Statutory reserve SR	Retained earnings SR	Total SR
As at 31 December 2019		153,902,000	55,338,077	239,373,295	448,613,372
Capital increase	15	276,098,000	(55,338,077)	(220,759,923)	-
Net income for the year		-	-	63,246,128	63,246,128
Other comprehensive loss		-	-	(344,064)	(344,064)
Total comprehensive income		-	-	62,902,064	62,902,064
Transfer to statutory reserve		-	6,324,613	(6,324,613)	-
Dividends	34	-	-	(30,000,000)	(30,000,000)
As at 31 December 2020		430,000,000	6,324,613	45,190,823	481,515,436
Net income for the year		-	-	125,726,066	125,726,066
Other comprehensive loss		-	-	(756,122)	(756,122)
Total comprehensive income		-	-	124,969,944	124,969,944
Transfer to statutory reserve		-	12,572,607	(12,572,607)	-
Dividends	34	-	-	(39,130,000)	(39,130,000)
As at 31 December 2021		430,000,000	18,897,220	118,458,160	567,355,380

Chairman

Chief Executive Officer

Chief Financial Officer

The attached notes 1 to 41 form an integral part of these financial statements.

**Theeb Rent a Car Company**  
(A Saudi Joint Stock Company)

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2021

	Notes	2021 SR	2020 SR
<b>OPERATING ACTIVITIES</b>			
Income before zakat		132,482,596	67,354,674
<i>Adjustments to reconcile income before zakat to net cash flows:</i>			
Depreciation of property and equipment	6	212,795,482	201,937,052
Amortisation of intangible assets	8	264,321	251,905
Depreciation of right-of-use assets	7	38,981,740	33,460,939
Finance costs	27	19,890,768	26,653,763
Finance cost on lease liability	7	5,138,785	4,725,899
Provision for expected credit losses	10.12	26,033,008	10,804,062
Provision for employees' defined benefit obligation	18.3	4,078,491	3,593,955
Gain on derivative instrument at FVPL		(2,280,247)	-
Write down of inventories	9	11,936,430	12,833,970
Reversal of property and equipment previously written off	6	-	(16,634)
		449,321,374	361,599,585
<i>Working capital adjustments:</i>			
Prepayments and other current assets		(25,815,313)	2,718,234
Accounts receivable		(55,335,221)	(34,363,265)
Contract asset, net		(3,508,003)	1,192,519
Amounts due from related parties		9,650,912	(5,716,494)
Inventories		104,990,879	143,285,180
Car dealership payable		51,286,994	(27,268,407)
Accrued expenses and other current liabilities		8,942,252	(3,389,107)
Unearned revenue		-	(241,767)
Accounts payable		11,033,100	3,545,295
		550,566,974	441,361,773
Additions of motor vehicles	6	(497,021,183)	(307,986,304)
Zakat paid	20	(5,740,171)	(4,033,273)
Employees' defined benefit obligations paid	18	(699,312)	(3,183,722)
<b>Net cash flows from operating activities</b>		<b>47,106,308</b>	<b>126,158,474</b>
<b>INVESTING ACTIVITIES</b>			
Additions of other property and equipment	6	(6,284,199)	(3,874,846)
Additions of intangible assets	8	-	(117,562)
<b>Net cash flows used in investing activities</b>		<b>(6,284,199)</b>	<b>(3,992,408)</b>
<b>FINANCING ACTIVITIES</b>			
Finance costs paid		(20,239,571)	(24,874,649)
Proceeds from term loans		419,484,372	320,097,794
Repayments of term loans		(349,702,714)	(380,089,582)
Payment of lease liabilities		(33,035,936)	(26,755,069)
Dividends paid		(39,130,000)	(30,000,000)
<b>Net cash flows used in financing activities</b>		<b>(22,623,849)</b>	<b>(141,621,506)</b>
Increase (decrease) in bank balances and cash		18,198,260	(19,455,440)
Bank balances and cash at the beginning of the year		39,514,666	58,970,106
<b>Bank balances and cash at the end of the year</b>		<b>57,712,926</b>	<b>39,514,666</b>
<b>Significant non-cash transactions:</b>			
Transfer of vehicles from property and equipment to inventories	6	113,952,415	157,929,554
Addition to right-of-use assets and lease liability	7	9,234,182	105,756,302
Disposal of total loss cars		10,481,210	9,233,779
Share capital increase through transfer from statutory reserve and retained earnings	15	-	276,098,000

Chairman

Chief Executive Officer

Chief Financial Officer

The attached notes 1 to 41 form an integral part of these financial statements.



# Theeb Rent a Car Company (A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2021

### 1. CORPORATE INFORMATION

Theeb Rent A Car Company (the “Company”) is a Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration numbered 1010150661 dated 12 Rabi Al-Thani 1419H (corresponding to 6 August 1998). The Company is engaged in car rental and leasing as per license numbered 010102000200 issued by the Ministry of Transportation in the Kingdom of Saudi Arabia.

The Company’s registered office is located at the following address:  
6709 Eastern ring branch road, at Rawdah district  
Riyadh 13211 – 2394  
Kingdom of Saudi Arabia.

On 19 March 2020 the shareholders of the Company decided to go for an Initial Public Offering (IPO). The Company obtained on 30 September 2020 approval from the Capital Market Authority in Saudi Arabia for listing its shares on the Saudi Stock Exchange (Tadawul). On 29 March 2021 the Company’s shares started the trading in Tadawul.

### 2. BASIS OF PREPARATION

#### 2.1 *Statement of compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) that are endorsed in Kingdom of Saudi Arabia (“KSA”) and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in KSA”).

#### 2.2 *Basis of measurement*

These financial statements have been prepared under the historical cost convention using the accruals basis of accounting and going concern concept, except for derivative financial instruments, which are measured at fair value and employees’ defined benefit liabilities where actuarial present value calculations are used under the projected unit credit method.

#### 2.3 *Functional and presentation currency*

These financial statements are presented in Saudi Riyal (“SR”) which is the functional and presentation currency of the Company. All financial information presented in SR has been rounded off to the nearest Saudi Riyal (“SR”), unless otherwise indicated.

#### 2.4 *Significant accounting judgments, estimates and assumptions*

The preparation of the Company’s financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets and liabilities affected in future periods.

#### *Judgments*

In the process of applying the Company’s accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements.

#### *Going concern*

The Company’s management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

#### *Lease classification – Company as a lessor*

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. Keeping in view the business model of the Company, the Company has determined that leasing of vehicles does not transfer substantially all the risks and rewards incidental to ownership of the vehicles subject to the lease arrangement, hence such lease arrangements are classified as operating lease.

**2. BASIS OF PREPARATION (continued)**

**2.4 Significant accounting judgments, estimates and assumptions (continued)**

*Judgments (continued)*

*Determining the lease term of contracts – Company as a lessee*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

*Estimates and assumptions*

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur. Information about the assumptions and estimation uncertainties is included in the following areas:

*Useful lives and residual value of property and equipment*

The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

*Allowance for inventory*

The Company recognises an allowance for inventories due to factors such as obsolescence, physical damage etc. The estimation of such losses includes the consideration of factors including but not limited to introduction of new models or technology by the specific manufacturer and both existing and emerging market conditions.

*Provision for expected credit losses (ECL) of accounts receivable and contract assets*

The Company has selected simplified approach for all lease accounts receivable. The Company uses a provision matrix to calculate ECL for accounts receivable. The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECL on the Company's accounts receivable is disclosed in note 10.

*Impairment of non-financial assets*

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested.

The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

## 2. BASIS OF PREPARATION (continued)

### 2.4 Significant accounting judgments, estimates and assumptions (continued)

#### *Estimates and assumptions (continued)*

##### *Defined benefit plan*

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employee turnover rate. Due to the complexities involved in the valuation and its long-term nature; a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the market yield on high quality Corporate/Government bonds. The mortality rate is based on publicly available mortality tables for the country. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country. Further details about employee benefits obligations are provided in note 18.

##### *Fair value measurement of financial instruments*

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

##### *Provisions*

Provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

##### *Leases - Estimating the incremental borrowing rate*

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity - specific estimates.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently, except for new standard adopted during the year as disclosed in note 4, in the preparation of these financial statements.

### 3.1 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.



**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.1 Current versus non-current classification (continued)**

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

**3.2 Revenue from contracts with customers**

*Rental income – the Company as a lessor*

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

*Sale of inventories (vehicles)*

Revenue from sale of vehicles is recognised at the point in time when control of the vehicles is transferred to the customers, generally, on delivery of the vehicles. The Company's revenue from sale of vehicles include only one performance obligation and there is no variable consideration and financing component involved.

*Income from other services*

Revenue from other services that are incidental to vehicle rental arrangements are recognised when these related services are provided and classified as part of revenue from these core operating activities. The Company's revenue from other services that are incidental to vehicle rental arrangements is recognised over the time when services are rendered.

*Loyalty points*

The Company usually awards customers additional "Loyalty Points", which are utilised in the same manner as regular purchased points. These Loyalty Points give rise to a separate performance obligation as they provide a material right to the customer.

A portion of the transaction price is allocated to Loyalty Points awarded to customers based on relative stand-alone selling price and is recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of the points by the customer.

**3.3 Expenses**

*Cost of revenue*

Cost of revenue represents all expenses directly attributable or incidental to the core operating activities of the Company including but not limited depreciation of vehicles under rental arrangements, cost of vehicle inventories disposed of, directly attributable employee related costs etc.

*Selling, marketing and administrative expenses*

Selling and marketing expenses are costs arising from the Company's efforts underlying marketing activities and function. All other expenses are classified as administrative expenses. Allocation of common expenses between cost of revenue, selling and marketing and administrative expenses, where required, is made on a reasonable basis with regards to the nature and circumstances of the common expenses.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2021

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.4 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of finance cost and other costs that an entity incurs in connection with the borrowing of funds.

**3.5 Zakat**

*Zakat*

The Company is subject to zakat in accordance with the regulations of Zakat, Tax and Customs Authority ("ZATCA"). Provision for zakat for the Company is charged to the statement of comprehensive income.

*Withholding tax*

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

*Value added tax*

Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**3.6 Property and equipment**

*Recognition and measurement*

Items of property and equipment are initially recorded at cost and measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment (other than vehicles transferred to inventories as 'Vehicles held for sale') are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognised net within other operating income in the statement of comprehensive income.

*Subsequent costs*

The cost of replacing a part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in the statement of comprehensive income as incurred.

*Capital work in progress*

Capital work-in-progress are stated at cost net of accumulated impairment, if any and represents all costs relating directly or indirectly to the acquisition or construction of assets where acquisition or construction is in progress and will be transferred to relevant category of property and equipment once completed.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.6 Property and equipment (continued)**

*Depreciation*

Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Lands are not depreciated.

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively if required.

Vehicles designated for sale are transferred to inventory and related depreciation is suspended at the date of transfer.

<i>Category of property and equipment</i>	<i>Useful life</i>
Buildings	40 years
Motor vehicles	2-5 years
Leasehold improvements	Useful life or lease term whichever is shorter
Other fixed assets	3-5 years

**3.7 Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in statement of comprehensive income in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

The amortisation period for the Company's intangible assets with finite life is as follows:

Software	5 years
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Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

**3.8 Leases**

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2021

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.8 Leases (continued)**

Company as a lessee (continued)

*Right-of-use assets*

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment, refer note 7.

*Lease liabilities*

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

*Short-term leases and leases of low-value assets*

The Company applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**3.9 Inventories**

Inventories represent vehicles held for sale, spare parts and other supplies. These are measured at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. The carrying amount of inventories is recognised as cost of revenue when the inventories are sold. The Company recognises an allowance for inventory losses due to factors such as obsolescence, physical damage etc.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2021

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.9 Inventories (continued)**

*Spare parts and supplies*

The cost of spare parts and supplies is based on weighted average principle. Other costs are included in the cost of spare parts and supplies only to the extent they are incurred in bringing them to their present location and condition.

**3.10 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**i) Financial assets**

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of accounts receivable that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivable that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

*Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in statement of comprehensive income when the asset is derecognised, modified or impaired. This category is relevant to the Company. The Company's financial assets at amortised cost includes accounts receivable, employees' receivables and amounts due from related parties.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of comprehensive income.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2021

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.10 Financial instruments (continued)**

*i) Financial assets (continued)*

*Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

*Impairment*

The Company recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. For accounts receivable and contract assets, the Company applies a simplified approach in calculating ECL. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

*ii) Financial liabilities*

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

*Subsequent measurement*

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at amortised cost (lease liabilities and borrowing), and
- Financial liabilities at fair value through profit or loss.

*Financial liabilities at amortised cost (lease liabilities and borrowing)*

This category is relevant to the Company. After initial recognition, lease liabilities and interest-bearing loans and borrowing are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses as a result of unwinding of interest cost through EIR amortisation process and on de-recognition of financial liabilities are recognised in the statement of comprehensive income.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income. This category generally applies to lease liabilities and borrowings (refer to note 7).

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NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2021

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.10 Financial instruments (continued)**

**ii) Financial liabilities (continued)**

*Subsequent measurement (continued)*

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by International Financial Reporting Standard 9 (Financial Instruments) ('IFRS 9').

Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income.

*Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

**iii) Offsetting of financial instruments**

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**3.11 Impairment of non-financial assets**

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset.

For assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.



**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.12 Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**3.13 Foreign currencies**

*Transaction and balances*

Transactions in foreign currencies are initially recorded by the Company at the functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., the translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

**3.14 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing an asset or a liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2021

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.14 Fair value measurement (continued)**

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

At each reporting date, the Company analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Company's accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Company also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of an asset or a liability and level of the fair value hierarchy as explained above.

**3.15 Dividends distribution**

The Company establishes the obligations related to paying the cash dividends to the Company's shareholders when approving the distribution. According to the Saudi Arabian Regulations for Companies, dividends are approved upon approval by the shareholders. Interim dividends, if any, are recorded when approved by the board of directors the corresponding amount is directly recognised in the statement of change in equity.

**4. CHANGES TO THE COMPANY'S ACCOUNTING POLICIES**

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

***Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16***

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable..

***Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16***

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. The Company has received Covid-19-related rent concessions and applied the practical expedient where applicable within allowed period of application.

## 5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the reporting date of the Company's financial statements are disclosed below. The Company intends to adopt these standards and interpretations, if applicable, when they become effective.

### 5.1 IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

### 5.2 Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

### 5.3 Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

### 5.4 Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

**5. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)**

**5.4 Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (continued)**

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

**5.5 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

**5.6 IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter**

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

**5.7 IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities**

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

**5.8 Definition of Accounting Estimates - Amendments to IAS 8**

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Company.

**5. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)**

**5.9 Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

**6. PROPERTY AND EQUIPMENT**

<i>31 December 2021</i>	<i>Lands SR</i>	<i>Buildings SR</i>	<i>Motor vehicles SR</i>	<i>Leasehold improvements SR</i>	<i>Other fixed assets SR</i>	<i>Total 2021 SR</i>
<b><i>Cost:</i></b>						
Balance as at 1 January 2021	88,012,550	5,204,574	1,225,127,831	7,104,645	32,119,783	<b>1,357,569,383</b>
Additions	-	1,056,009	497,021,183	1,046,945	4,181,245	<b>503,305,382</b>
Transfer to inventories	-	-	(228,414,350)	-	-	<b>(228,414,350)</b>
<b>Balance as at 31 December 2021</b>	<b>88,012,550</b>	<b>6,260,583</b>	<b>1,493,734,664</b>	<b>8,151,590</b>	<b>36,301,028</b>	<b>1,632,460,415</b>
<b><i>Accumulated depreciation:</i></b>						
Balance as at 1 January 2021	-	2,046,428	347,284,127	2,974,782	26,176,974	<b>378,482,311</b>
Charge for the year	-	98,132	208,770,604	793,375	3,133,371	<b>212,795,482</b>
Transfer to inventories	-	-	(114,461,935)	-	-	<b>(114,461,935)</b>
<b>Balance as at 31 December 2021</b>	<b>-</b>	<b>2,144,560</b>	<b>441,592,796</b>	<b>3,768,157</b>	<b>29,310,345</b>	<b>476,815,858</b>
<b><i>Net book value</i></b>						
<b>As at 31 December 2021</b>	<b>88,012,550</b>	<b>4,116,023</b>	<b>1,052,141,868</b>	<b>4,383,433</b>	<b>6,990,683</b>	<b>1,155,644,557</b>

Transfer to inventories represents cost and accumulated depreciation of vehicles retired from fleets and transferred to vehicle inventories (note 9).

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

**6. PROPERTY AND EQUIPMENT (continued)**

<i>31 December 2020</i>	<i>Lands SR</i>	<i>Buildings SR</i>	<i>Motor vehicles SR</i>	<i>Leasehold improvements SR</i>	<i>Other fixed assets SR</i>	<i>Total 2020 SR</i>
<i>Cost:</i>						
Balance as at 1 January 2020	88,012,550	5,204,574	1,226,112,978	6,660,415	28,689,167	1,354,679,684
Additions	-	-	307,986,304	444,230	3,430,616	311,861,150
Transfer to inventories	-	-	(308,881,001)	-	-	(308,881,001)
Written off	-	-	(90,450)	-	-	(90,450)
Balance as at 31 December 2020	<u>88,012,550</u>	<u>5,204,574</u>	<u>1,225,127,831</u>	<u>7,104,645</u>	<u>32,119,783</u>	<u>1,357,569,383</u>
<i>Accumulated depreciation:</i>						
Balance as at 1 January 2020	-	1,955,351	299,701,884	2,271,994	23,674,561	327,603,790
Charge for the year	-	91,077	198,640,774	702,788	2,502,413	201,937,052
Transfer to inventories	-	-	(150,951,447)	-	-	(150,951,447)
Written off	-	-	(107,084)	-	-	(107,084)
Balance as at 31 December 2020	<u>-</u>	<u>2,046,428</u>	<u>347,284,127</u>	<u>2,974,782</u>	<u>26,176,974</u>	<u>378,482,311</u>
<i>Net book value</i>						
As at 31 December 2020	<u>88,012,550</u>	<u>3,158,146</u>	<u>877,843,704</u>	<u>4,129,863</u>	<u>5,942,809</u>	<u>979,087,072</u>

The depreciation charge for the year is allocated as follows:

	<i>2021 SR</i>	<i>2020 SR</i>
Cost of revenue (note 23)	<b>212,026,460</b>	201,363,131
General and administrative expenses (note 25)	<b>769,022</b>	573,921
	<u><b>212,795,482</b></u>	<u>201,937,052</u>



**Theeb Rent a Car Company**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2021

**7. LEASES**

*Company as a lessee*

The Company has lease contracts for leasehold buildings (i.e. workshops, accommodations and locations). The Company's obligations under its leases are secured by the lessor's title to the leased assets.

The Company also has certain leases with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the "short term lease" and "lease of low value assets" recognition exemption for these leases.

7.1 Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	2021 SR	2020 SR
Balance as at 1 January	<b>119,218,046</b>	46,922,683
Additions	<b>9,234,182</b>	105,756,302
Depreciation expense (note 23)	<b>(38,981,740)</b>	(33,460,939)
Balance as at 31 December	<b><u>89,470,488</u></b>	<u>119,218,046</u>

Right - of - use assets are amortised on a straight-line basis over the respective lease terms that ranges between two to ten years.

7.2 Set out below are the carrying amounts of lease liabilities and movements during the year:

	2021 SR	2020 SR
Balance as at 1 January	<b>127,705,065</b>	43,977,933
Additions	<b>9,234,182</b>	105,756,302
Accretion of interest (note 27)	<b>5,138,785</b>	4,725,899
Payments (*)	<b>(33,035,936)</b>	(26,755,069)
Balance as at 31 December	<b><u>109,042,096</u></b>	<u>127,705,065</u>
Less: current portion	<b><u>54,355,232</u></b>	<u>34,791,072</u>
Non-current portion	<b><u>54,686,864</u></b>	<u>92,913,993</u>

(\*) Payment of lease liability includes repayment of principal portion of SR 27,897,151 (31 December 2020: SR 22,029,170) and payment of interest amounted to SR 5,138,785 (31 December 2020: SR 4,725,899).

The maturity analysis of lease liabilities is disclosed in note 30.

The following are the amounts recognised in the statement of comprehensive income:

	2021 SR	2020 SR
Depreciation on right-of-use assets allocated to cost of revenue (note 23)	<b>38,981,740</b>	33,460,939
Finance cost on lease liabilities (note 27)	<b>5,138,785</b>	4,725,899
Short-term leases recognised on straight-line basis as rent expense (note 23)	<b><u>8,134,543</u></b>	<u>4,128,559</u>
	<b><u>52,255,068</u></b>	<u>42,315,397</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

**8. INTANGIBLE ASSETS**

	2021 SR	2020 SR
<i>Cost:</i>		
Balance as at 1 January	1,124,948	1,007,386
Additions	-	117,562
Balance as at 31 December	1,124,948	1,124,948
<i>Accumulated amortisation:</i>		
Balance as at 1 January	801,732	549,827
Charge for the year (note 23)	264,321	251,905
Balance as at 31 December	1,066,053	801,732
<b>Net book value</b>	<b>58,895</b>	<b>323,216</b>

**9. INVENTORIES**

	2021 SR	2020 SR
Vehicles held for sale	1,088,000	5,004,677
Spare parts and supplies	4,508,190	3,566,407
	<b>5,596,190</b>	<b>8,571,084</b>

During the year ended 31 December 2021, the Company wrote down SR 11,936,430 (31 December 2020: SR 12,833,970) of inventories. This expense is included in the cost of revenues in the statement of comprehensive income.

**10. ACCOUNTS RECEIVABLE, NET**

	2021 SR	2020 SR
Accounts receivable	203,234,776	148,005,262
Less: allowance for expected credit losses	(64,244,534)	(38,748,087)
Less: accounts receivable written off	-	(105,707)
	<b>138,990,242</b>	<b>109,151,468</b>

The movements in the allowance for expected credit losses during the year were as follows:

	2021 SR	2020 SR
At the beginning of the year	38,748,087	28,138,639
Provided during the year	25,496,447	10,609,448
At the end of the year	<b>64,244,534</b>	<b>38,748,087</b>

As at 31 December, the ageing analysis of accounts receivable is, as follows:

31 December 2021	Total SR	0-90 days SR	91-180 days SR	181-270 days SR	271-360 days SR	> 361 days SR
Expected credit loss rate	31.61%	6.24%	25.82%	39.26%	51.74%	63.15%
Gross carrying amount	203,234,776	91,184,566	22,137,893	11,830,151	9,805,862	68,276,304
Expected credit loss	64,244,534	5,693,220	5,716,423	4,643,985	5,073,670	43,117,236

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

**10. ACCOUNTS RECEIVABLE, NET (continued)**

31 December 2020		0-90	91-180	181-270	271-360	> 361
	Total	days	days	days	days	days
	SR	SR	SR	SR	SR	SR
Expected credit loss rate	26.18%	3.24%	14.21%	23.13%	35.27%	58.07%
Gross carrying amount	148,005,262	65,549,156	14,816,665	8,237,451	8,239,060	51,162,930
Expected credit loss	38,748,087	2,121,247	2,105,554	1,905,642	2,906,101	29,709,543

Please refer to note 30 on credit risk of accounts receivable, which explain how the Company manages and measure credit quality of accounts receivable that are neither past due nor impaired. Accounts receivable are non-interest bearing and are generally on terms of 90 days.

**11. PREPAYMENTS AND OTHER CURRENT ASSETS**

	2021 SR	2020 SR
Prepayments	14,706,000	14,924,360
Advances to suppliers	23,281,390	9,066,680
Insurance receivable	15,811,776	5,256,888
Employees' receivables	1,982,729	2,454,040
Margin deposit	1,023,929	827,907
Vat receivable	846,126	-
Other	3,132,813	2,439,575
	<b>60,784,763</b>	<b>34,969,450</b>

**12. CONTRACT ASSET, NET**

	2021 SR	2020 SR
Contract asset	12,915,784	9,407,781
Less: allowance for expected credit losses	(3,506,859)	(2,970,298)
	<b>9,408,925</b>	<b>6,437,483</b>

Movement in the allowance for expected credit losses of contract asset is as follows:

	2021 SR	2020 SR
At the beginning of the year	2,970,298	2,775,684
Provided during the year	536,561	194,614
At the end of the year	<b>3,506,859</b>	<b>2,970,298</b>

Theeb Rent a Car Company  
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

**13. BANK BALANCES AND CASH**

	2021 SR	2020 SR
Bank balances	57,011,991	38,917,437
Cash on hand	700,935	597,229
	<b>57,712,926</b>	<b>39,514,666</b>

**14. RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties of the Company include shareholders, Board of Directors, key management personnel and entities of which they are principal owners.

The terms of the transactions with related parties are approved by the Company's management. Transactions with related parties are entered in the normal course of the Company's business. These balances are expected to be settled in the normal course of business.

Following is a list of related parties of the Company:

<i>Related party</i>	<i>Nature of relationship</i>
Hamoud Abdullah Ibrahim Al-Theeb	Shareholder
Theeb Sons Company	Affiliate
Mohammed Ahmed Abdullah Al-Theeb	Shareholder
Naif Mohammed Ahmed Abdullah Al-Theeb	Shareholder
Madareem Company	Affiliate

Following are the details of related party transactions for the year ended 31 December:

<i>Related Party</i>	<i>Nature of transaction</i>	2021 SR	2020 SR
Theeb Sons Company	Revenue	-	1,992,460
Madareem Company	Revenue	-	482,499
Hamoud Abdullah Altheeb	Car rental and other income	13,603	108,991
Naif Mohammed AlTheeb	Car rental and other income	-	19,340
Mohammad Ahmed AlTheeb	Expenses and other income	(312,500)	(300,000)

**Key management compensation**

Key management personnel of the Company comprise of key members of the management having authority and responsibility for planning, directing and controlling the activities of the Company. The compensation to key management is shown below:

<i>Related party</i>	<i>Nature of transaction</i>	2021 SR	2020 SR
Key management personnel	Short term employees' benefits	4,724,321	4,561,184
	Long term employees' benefits	229,700	230,361
Board of Directors	Board of Directors' remuneration	915,414	480,301

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2021

**14. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

The breakdown of amounts due from related parties is as follows:

	<b>2021</b>	<b>2020</b>
	<b>SR</b>	<b>SR</b>
Initial Public Offering ("IPO") costs incurred on behalf of shareholders (*)	-	9,665,418
Madareem Company	<b>439,583</b>	440,183
Others	<b>43,001</b>	27,895
	<b>482,584</b>	10,133,496

(\*) This amount represents the IPO cost which was agreed to be reimbursed by the shareholders upon the successful listing process. During the year ended 31 December 2021, management recovered the full outstanding amount of IPO costs.

**15. SHARE CAPITAL**

The Company's share capital is divided into 43,000,000 shares of SR 10 each (31 December 2020: into 43,000,000 shares of SR 10 each).

During the extraordinary general assembly meeting held on 19 March 2020, the shareholders resolved to increase the share capital of the Company from SR 153,902,000 to SR 430,000,000 through transfer of an amount of SR 55,338,077 from the statutory reserve and an amount of SR 220,759,923 from the retained earnings. The related legal formalities have been completed during 2020.

**16. STATUTORY RESERVE**

In accordance with Saudi Arabian Regulations for Companies and the Companies' By-laws, the Company must set side 10% of its net income in each year until it has built up a reserve equal to 30% of the capital. The Company may resolve to discontinue such transfers when the reserve totals 30% of the capital. The reserve is not available for distribution.

**17. TERM LOANS**

	<b>2021</b>	<b>2020</b>
	<b>SR</b>	<b>SR</b>
Term loans	<b>614,801,424</b>	545,019,766
Less: current portion	<b>(326,628,922)</b>	(296,508,006)
<b>Non-current portion</b>	<b>288,172,502</b>	248,511,760

The Company has obtained bank facilities from local banks in the form of term loans. The term loans are repayable over a period ranging from 24 to 48 months from the date of drawdown, with the last instalment payable on August 2025. The installments due in 2022 are shown under current liabilities. The Company has other undrawn facilities with bank available in accordance with the signed facility agreements.

The Company's current liabilities exceeded its current assets as of 31 December 2021 primarily owing to the loans, used to finance purchase of vehicles classified under non-current assets in the balance sheet, as part of the normal course of business. This is consistent with previously reported periods.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2021

**18. EMPLOYEES' DEFINED BENEFIT LIABILITY**

The Company operates an unfunded employees' end of service benefits plan ("EOSB") for its employees as required by the Saudi Arabian Labor Law. The movement in EOSB for the year ended is as follows:

*18.1 Actuarial assumptions:*

During the year, the actuarial valuations of the defined benefit obligations were carried out under the Projected Unit Credit Method using the following significant assumptions:

	2021 SR	2020 SR
Salary increase rates:	3.50%	3.50%
Discount rate	3.20%	3.50%

*18.2 Movement in the provision for employees' end of service benefits:*

	2021 SR	2020 SR
At the beginning of the year	24,018,384	23,264,087
Charge for the year (see note 18.3)	4,078,491	3,593,955
Actuarial loss on defined benefit plan	756,122	344,064
Benefits paid	(699,312)	(3,183,722)
At the end of the year	<u>28,153,685</u>	<u>24,018,384</u>

*18.3 Amount recognised in statement of profit or loss was as follow:*

	2021 SR	2020 SR
Current service cost	3,478,031	3,012,353
Interest cost, net (note 27)	600,460	581,602
Total end of service benefits expense	<u>4,078,491</u>	<u>3,593,955</u>

Allocation of benefits expense between cost of revenue, selling and marketing expenses and general and administrative expenses is as follows:

	2021 SR	2020 SR
Cost of revenue	1,746,235	1,521,073
Selling and marketing expenses	1,107,075	869,315
General and administrative expenses	624,721	621,965
Total end of service benefits expense	<u>3,478,031</u>	<u>3,012,353</u>

*18.4 Amount recognised in other comprehensive income was as follow:*

	2021 SR	2020 SR
Actuarial (gain) loss due to change in financial assumptions	(464,377)	989,636
Actuarial loss (gain) due to experience adjustments	1,220,499	(645,572)
Total actuarial loss	<u>756,122</u>	<u>344,064</u>

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2021

**18. EMPLOYEES' DEFINED BENEFIT LIABILITY (continued)**

*18.5 Sensitivity analysis of significant actuarial assumptions:*

A quantitative sensitivity analysis for significant assumption on the employees' terminal benefits liabilities as at 31 December 2021 and 31 December 2020 is shown below:

**31 December 2021**

	<i>Change in Assumption</i>	<i>Base value SR</i>	<i>Impact on defined benefit obligation</i>	
			<i>Increase in assumption SR</i>	<i>Decrease in assumption SR</i>
Discount rate	+/-1%	28,153,685	25,898,361	30,777,101
Salary growth rate	+/-1%	28,153,685	30,815,891	25,821,322
Mortality rate	+/-10%	28,153,685	28,149,291	28,158,096
Withdrawal rate	+/-10%	28,153,685	27,911,078	28,421,020

**31 December 2020**

	<i>Change in Assumption</i>	<i>Base value SR</i>	<i>Impact on defined benefit obligation</i>	
			<i>Increase in assumption SR</i>	<i>Decrease in assumption SR</i>
Discount rate	+/-1%	24,018,384	22,057,273	26,305,659
Salary growth rate	+/-1%	24,018,384	26,333,569	21,994,653
Mortality rate	+/-10%	24,018,384	24,013,860	24,022,926
Withdrawal rate	+/-10%	24,018,384	23,783,362	24,278,574

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the employees' benefit liabilities as a result of reasonable changes in key assumptions occurring as at 31 December 2021 and 31 December 2020. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

The following are the expected payments or contributions to the employees in future years:

	<b>2021 SR</b>	<b>2020 SR</b>
Within the next 12 months (next annual reporting period)	<b>3,146,796</b>	2,544,858
Between 2 and 5 years	<b>8,703,723</b>	7,849,801
Beyond 5 years	<b>26,410,463</b>	22,107,398
	<b><u>38,260,982</u></b>	<b><u>32,502,057</u></b>

**19. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

	<b>2021 SR</b>	<b>2020 SR</b>
Accrued expenses	<b>16,798,652</b>	16,024,342
Advance from customers	<b>20,384,378</b>	12,142,021
Loyalty points	<b>4,598,057</b>	4,077,604
VAT payable	<b>-</b>	1,427,938
Other	<b>1,532,946</b>	1,048,679
	<b><u>43,314,033</u></b>	<b><u>34,720,584</u></b>



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**20. ZAKAT PROVISION**

20.1 *The zakat charge of the Company consists of:*

	2021 SR	2020 SR
Charge for the year	<b>6,756,530</b>	6,401,349
Reversal provision for prior years	-	(2,292,803)
Total	<b>6,756,530</b>	4,108,546
	2021 SR	2020 SR
At the beginning of the year	<b>19,929,644</b>	19,854,371
Provided during the year	<b>6,756,530</b>	4,108,546
Paid during the year	<b>(5,740,171)</b>	(4,033,273)
At the end of the year	<b>20,946,003</b>	19,929,644

20.2 *The principal element of the zakat base are as follows:*

	2021 SR	2020 SR
Equity	<b>481,515,436</b>	448,613,372
Opening provisions and other adjustments	<b>887,461,111</b>	817,995,986
Book value of long-term assets	<b>(1,267,283,941)</b>	(1,098,628,334)
	<b>101,692,606</b>	167,981,024
Zakatable income	<b>165,408,660</b>	82,378,646
Zakat base	<b>267,101,266</b>	250,359,670
Zakat	<b>6,756,530</b>	6,401,349

20.3 *Status of zakat assessment*

- The Company has filed its zakat returns and financial statements to The Zakat, Tax and Customs Authority ("ZATCA") for all years up to 31 December 2020 and obtained zakat certificate for those years.
- The Company finalised its zakat position with ZATCA for all years up to 2011.
- During the year ended 31 December 2019, ZATCA has issued a letter showing zakat differences by SR 13,903,441 for the years from 2012 up to 2017. The Company has made an additional provision of SR 11,743,218, during the year ended 31 December 2019, against these zakat claims for such period and filed an appeal to the Tax Violations and Dispute Appellate Committee against these differences.
- During the year ended 31 December 2021, the Company received from ZATCA a preliminary assessment showing zakat differences for the year of 2018 by SR 4,014,060, and the Company has made a provision for the full amount. Further, ZATCA has issued an amendment to zakat differences for the year of 2018 based on the clarifications provided by the Company and reduced the differences to SR 1,785,077. Accordingly, the Company reversed the excess provision in the statement of comprehensive income for the year ended 31 December 2020. Further, The Company filed an appeal to the Tax Violations and Dispute Appellate Committee against these differences.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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**20. ZAKAT PROVISION (continued)**

*20.3 Status of zakat assessment (continued)*

- During the year ended 31 December 2021, management received a correspondence from ZATCA, regarding the previous ownership of shares by Growth Opportunities Company for Trading, one of the former shareholders in the Company, that there are certain possible taxes on the Company. ZATCA's view based on certain assumptions, is that the Company is partially subject to income tax. In the above-mentioned correspondence, ZATCA assumed that the above-mentioned former shareholder is fully owned directly or indirectly by non-GCC nationals and accordingly, the total amount of income tax exposure as stated by ZATCA is SR 29.76 million for income tax and withholding tax exposure was set out by ZATCA at SR 3.94 million, covering the years from 2013 to 2018 and are excluding delay and other related fines. As at the date of the approval of these financial statements by the Board of Directors, no official assessment has been received from ZATCA. Additional potential exposure for the year ended 31 December 2019, 2020 and for the period from 1 January 2021 to date of disposition of the former shareholders shares could arise if ZATCA imposes the above-mentioned principle to all assessment years.

The Company is currently registered with ZATCA as a 100% zakatable company on the basis of its ownership structure with all direct and indirect shareholders being either GCC nationals, or companies that were established within the GCC and whose shareholders consist wholly of GCC nationals. Further, dividends distributions to the above-mentioned former shareholder, in management view, are not subject to withholding tax as it is a resident company in the Kingdom of Saudi Arabia (as a Saudi limited liability company on the basis of the incorporation documents).

Discussions with ZATCA in connection with the above matter are still on-going and are in an early stage and the outcome of the above matter is still uncertain. Moreover, in case of any imposed position by ZATCA, in addition to any relevant fines and delay penalties, the above-mentioned former shareholder has provided to the Company an indemnity undertaking letter to bear any tax related liability that might be imposed on the Company by ZATCA in connection with the above matter. Therefore, in the light of the information currently available and the indemnity undertaking letter from the above-mentioned shareholder, the management is of the view that it is highly unlikely that there will be any material exposure for the Company in connection with the above communication received from ZATCA.

**21. EARNINGS PER SHARE**

Earnings per share ("EPS") is calculated by dividing the net income for the year over the weighted average of the current ordinary shares during the year.

	2021	2020
Net income for the year (Saudi Riyals)	125,726,066	63,246,128
Weighted average number of ordinary shares for basic and diluted EPS	43,000,000	43,000,000
<b>Earnings per share (Saudi Riyals)</b>	<b>2.92</b>	<b>1.47</b>

**22. REVENUE**

*Disaggregated revenue information*

Set out below is the disaggregation of the Company's revenue from contracts with customers:

	2021 SR	2020 SR
Short term rental	358,417,652	254,974,912
Long term lease	270,249,585	249,653,717
Sales of motor vehicles	123,702,339	155,366,166
	<b>752,369,576</b>	<b>659,994,795</b>

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**22. REVENUE (continued)**

*Timing of revenue recognition*

	2021 SR	2020 SR
Services transferred over time	628,667,237	504,628,629
Services transferred at point in time	123,702,339	155,366,166
	<u>752,369,576</u>	<u>659,994,795</u>

*Performance obligations*

The performance obligation is satisfied upon availing the vehicle for lease and payment is generally due 90 days for corporate customers from the invoice date. Contracts for the sale of vehicles do not provide customers with any right of return. There are no unsatisfied performance obligations as at the reporting date; therefore, there are no transaction price that are required to be allocated over the remaining or unsatisfied performance obligations.

*Operating leases – the Company as lessor*

The Company has entered into leases on its fleet of vehicles. The commercial and non-commercial vehicle leases typically have lease terms of between 1 and 5 years. Some leases contain options to break before the end of the lease term in exchange of additional penalty payments.

Future minimum rentals receivable under non-cancellable operating leases as at the reporting date are, as follows:

	2021 SR	2020 SR
Within 1 year	239,892,190	224,334,192
After 1 year, but not more than 5 years	249,521,137	267,044,825
	<u>489,413,327</u>	<u>491,379,017</u>

*Geographical markets*

The Company operates exclusively in the Kingdom of Saudi Arabia and therefore no additional geographical market information is presented in these financial statements.

**22.1 Contract balances**

	2021 SR	2020 SR
Contract asset (note 12)	9,408,925	6,437,483

**23. COST OF REVENUE**

	2021 SR	2020 SR
Depreciation of property and equipment (note 6)	212,026,460	201,363,131
Cost of sold vehicles	106,559,205	144,146,595
Employees' salaries and other benefits	52,238,017	42,614,559
Depreciation on right-of-use assets (note 7)	38,981,740	33,460,939
Insurance	33,642,350	33,070,586
Maintenance and repair	33,468,233	23,565,674
Rental (note 7.2)	8,134,543	4,128,559
Bank charges	4,579,180	2,751,491
Shipping	3,819,235	3,531,114
Write down of inventory	1,455,220	3,583,557
Utilities	1,362,842	1,166,628
Amortisation of intangible assets (note 8)	264,321	251,905
Others	6,525,161	4,346,100
	<u>503,056,507</u>	<u>497,980,838</u>

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2021

**24. SELLING AND MARKETING EXPENSES**

	2021 SR	2020 SR
Employees' salaries and other benefits	31,898,583	24,827,967
Advertising	1,842,623	1,573,594
Others	655,649	786,369
	<u>34,396,855</u>	<u>27,187,930</u>

**25. GENERAL AND ADMINISTRATIVE EXPENSES**

	2021 SR	2020 SR
Employees' salaries and other benefits	17,357,436	15,768,641
Professional fees	3,939,043	2,257,476
Governmental fees	2,793,168	2,139,736
IT/ERP system	2,097,977	2,119,232
Utilities	1,686,203	1,571,164
Bad debts written off	1,297,433	2,428,892
VAT deemed supply	1,260,000	460,453
Communication	1,201,776	1,042,248
Depreciation of property and equipment (note 6)	769,022	573,921
Hospitality	482,219	383,612
Maintenance and repair	281,181	129,512
Insurance receivable write-off	-	1,603,944
Others	3,502,128	2,019,495
	<u>36,667,586</u>	<u>32,498,326</u>

**26. OTHER INCOME**

Other income for the year ended 31 December 2021 includes SR nil (2020: SR 3,520,000) relating to reverse provision recorded during prior years for raised insurance claims.

**27. FINANCE COSTS**

	2021 SR	2020 SR
Finance cost on bank borrowings	19,890,768	26,653,763
Finance cost on lease liabilities (note 7.2)	5,138,785	4,725,899
Interest on employees' defined benefit liabilities (note 18.3)	600,460	581,602
	<u>25,630,013</u>	<u>31,961,264</u>

**28. COMMITMENTS AND CONTINGENCIES**

At 31 December 2021, The Company issued letters of guarantees amounted to SR 46,600,710 (2020: SR 43,697,385) mainly in respect of the Company's leased properties and bidding securities.

As mentioned in note 20 to the financial statements, the Company has disclosed contingent liability in relation to correspondence received from ZATCA.

**29. FAIR VALUE OF ASSETS AND LIABILITIES**

As at 31 December 2021 and 2020, the fair values of the Company's financial instruments are estimated to approximate their carrying values and are classified under level 2 of the fair value hierarchy. No significant inputs were applied in the valuation of accounts receivable as at 31 December 2021 and 31 December 2020.

Fair values of the Company's borrowings are determined by using DCF method using discount rate that reflects the borrowing rate as at the end of the reporting period. As at 31 December 2021 and 31 December 2020, the carrying amounts of borrowings were not materially different from their calculated fair values.

During the year ended 31 December 2021 and 2020, there were no movements between the levels.

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**30. FINANCIAL INSTRUMENTS RISK MANAGEMENT**

The Company's principal financial liabilities comprise bank borrowings, accounts payable and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company's principal financial assets include accounts receivable and other receivables and bank balances.

The Company's activities expose it to a variety of financial risks: market risk (including commission rate risks, currency risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on robust liquidity management as well as monitoring of various relevant market variables, thereby consistently seeking to minimise potential adverse effects on the Company's financial performance.

*Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: commission rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include bank borrowings.

*Commission rate risk*

Commission rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing commission rates on the Company's financial position and cash flows. The Company manages the commission rate risk by regularly monitoring the commission rate profiles of its interest-bearing financial instruments.

*Interest rate sensitivity*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans affected. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

	2021	2020
<i>Gain (loss) through the statement of comprehensive income</i>	SR	SR
<i>Floating rate debt:</i>		
SIBOR +/- 100bps	<b>41,600</b>	65,541

*Foreign currency risk*

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals. The Company's management monitors such fluctuations and manages its effect on the financial statements accordingly.

*Credit risk*

Credit risk is the risk that one party to financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has no significant concentration of credit risk. Concentration risk arises when a number of counterparties engaged in similar business activities or activities in the same geographical region or have economic features that would cause them to fail their contractual obligations. To reduce exposure to credit risk, the Company has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2021

**30. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)**

*Credit risk (continued)*

To mitigate the risk, the Company has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history.

The Company's gross maximum exposure to credit risk at the reporting date is as follows:

	2021 SR	2020 SR
Accounts receivable (note 10)	203,234,776	148,005,262
Bank balances (note 13)	57,011,991	38,917,437
	<u>260,246,767</u>	<u>186,922,699</u>

*a) Accounts receivable*

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. The 5 largest customers account for 15% of outstanding accounts receivable at 31 December 2021 (2020: 27%).

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts and other receivables.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. Outstanding customer receivables are regularly monitored. Some customers are also secured, where possible, by way of promissory notes or advance payments, which are considered integral part of account receivables and considered in the calculation of impairment.

There were no past due or impaired receivables from related parties.

*b) Bank balances*

Credit risk from bank balances are managed by the Company's management in accordance with the Company's policy and is limited as cash balances are held with banks with sound credit ratings. The Company deposits its cash balances with major high credit-rated financial institutions and does not believe that there is a significant risk of non-performance by these financial institutions.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations.

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.

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**30. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)**

*Liquidity risk (continued)*

The table below analyses the Company's financial liabilities into the relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	<i>Within 1 year SR</i>	<i>1 to 5 years SR</i>	<i>More than 5 years SR</i>	<i>Total SR</i>
<b>31 December 2021</b>				
Term loans	326,628,922	288,172,502	-	614,801,424
Car dealership' payable	116,877,804	-	-	116,877,804
Accrued expenses and other current liabilities	41,113,765	-	-	41,113,765
Lease liabilities	57,419,980	58,832,656	1,970,000	118,222,636
Accounts payable	18,114,218	-	-	18,114,218
	<u>560,154,689</u>	<u>347,005,158</u>	<u>1,970,000</u>	<u>909,129,847</u>
	<i>Within 1 year SR</i>	<i>1 to 5 years SR</i>	<i>More than 5 years SR</i>	<i>Total SR</i>
<b>31 December 2020</b>				
Term loans	296,508,006	248,511,760	-	545,019,766
Car dealership' payable	64,655,641	-	-	64,655,641
Accrued expenses and other current liabilities	34,720,584	-	-	34,720,584
Lease liabilities	58,098,205	80,605,718	2,815,000	141,518,923
Accounts payable	7,079,162	-	-	7,079,162
	<u>461,061,598</u>	<u>329,117,478</u>	<u>2,815,000</u>	<u>792,994,076</u>

**31. FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

**31.1 FINANCIAL ASSETS**

	<b>2021 SR</b>	<b>2020 SR</b>
<b>Financial assets at amortised cost:</b>		
Accounts receivable	138,990,242	109,151,468
Amounts due from related parties	482,584	10,133,496
	<u>139,472,826</u>	<u>119,284,964</u>
Bank balances and cash	57,712,926	39,514,666
<b>Total financial assets</b>	<u>197,185,752</u>	<u>158,799,630</u>

**31.2 FINANCIAL LIABILITIES**

		<i>Maturity</i>	<b>2021 SR</b>	<b>2020 SR</b>
<b>Current interest-bearing liabilities</b>				
Current portion of term loans	Note 17	Less than 1 year	326,628,922	296,508,006
Current portion of lease obligation	Note 7	Less than 1 year	54,355,232	34,791,072
<b>Non-current interest-bearing liabilities</b>				
Term loans	Note 17	1 to 5 years	288,172,502	248,511,760
Lease obligation	Note 7	1 to 10 years	54,686,864	92,913,993

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**32. CAPITAL MANAGEMENT**

For the purpose of the Company's management, capital includes issued capital and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to maximise the shareholders value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. The Company informally monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt.

	<b>2021</b>	<b>2020</b>
	<b>SR</b>	<b>SR</b>
Non-current portion of term loans	<b>288,172,502</b>	248,511,760
Non-current portion of lease obligation	<b>54,686,864</b>	92,913,993
Current portion of term loans	<b>326,628,922</b>	296,508,006
Current portion of lease obligation	<b>54,355,232</b>	34,791,072
	<b>723,843,520</b>	672,724,831
Equity	<b>567,355,380</b>	481,515,436
Gearing ratio	<b>1.28</b>	1.40

**33. SEGMENTAL INFORMATION**

Consistent with the Company's internal reporting process, business segments have been approved by the Board of Directors in respect of the Company's activities. Management monitors the following details on a segment wise basis.

<b>31 December 2021</b>	<b>Short term lease SR</b>	<b>Long term lease SR</b>	<b>Others SR</b>	<b>Total SR</b>
Revenue	<b>358,417,652</b>	<b>270,249,585</b>	<b>123,702,339</b>	<b>752,369,576</b>
Depreciation expense – motor vehicles	<b>(93,922,911)</b>	<b>(114,847,693)</b>	-	<b>(208,770,604)</b>
<b>Segment profit</b>	<b>264,494,741</b>	<b>155,401,892</b>	<b>123,702,339</b>	<b>543,598,972</b>
<b>31 December 2020</b>	<b>Short term lease SR</b>	<b>Long term lease SR</b>	<b>Others SR</b>	<b>Total SR</b>
Revenue	254,974,912	249,653,717	155,366,166	659,994,795
Depreciation expense – motor vehicles	(90,699,584)	(107,941,190)	-	(198,640,774)
<b>Segment profit</b>	<b>164,275,328</b>	<b>141,712,527</b>	<b>155,366,166</b>	<b>461,354,021</b>

*Unallocated revenue and expenses:*

	<b>2021</b>	<b>2020</b>
	<b>SR</b>	<b>SR</b>
Segments profit	<b>543,598,972</b>	461,354,021
Cost of revenue	<b>(294,285,903)</b>	(299,340,064)
Selling and marketing expenses	<b>(34,396,855)</b>	(27,187,930)
General and administrative expenses	<b>(36,773,293)</b>	(32,498,326)
Provision for expected credit losses	<b>(25,927,301)</b>	(10,804,062)
Finance costs	<b>(25,630,013)</b>	(31,961,264)
Gain on derivative instrument at FVPL	<b>2,280,247</b>	-
Other income	<b>3,616,742</b>	7,792,299
<b>Income before zakat</b>	<b>132,482,596</b>	<b>67,354,674</b>



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At 31 December 2021

**33. SEGMENTAL INFORMATION (continued)**

*Detail of segment assets and liabilities:*

<b>31 December 2021</b>	<b>Allocated</b>		<b>Unallocated</b>	
	<b>Short term lease SR</b>	<b>Long term lease SR</b>	<b>Other SR</b>	<b>Total SR</b>
Segment assets	<b>442,715,602</b>	<b>609,426,266</b>	<b>466,007,702</b>	<b>1,518,149,570</b>
Segment liabilities	-	-	<b>950,794,190</b>	<b>950,794,190</b>

<b>31 December 2020</b>	<b>Allocated</b>		<b>Unallocated</b>	
	<b>Short term lease SR</b>	<b>Long term lease SR</b>	<b>Other SR</b>	<b>Total SR</b>
Segment assets	324,434,120	553,409,584	429,562,277	1,307,405,981
Segment liabilities	-	-	825,890,545	825,890,545

*Other disclosures:*

<b>31 December 2021</b>	<b>Allocated</b>		<b>Unallocated</b>	
	<b>Short term lease SR</b>	<b>Long term lease SR</b>	<b>Other SR</b>	<b>Total SR</b>
Capital expenditures	<b>282,786,381</b>	<b>214,234,802</b>	<b>6,284,199</b>	<b>503,305,382</b>

<b>31 December 2020</b>	<b>Allocated</b>		<b>Unallocated</b>	
	<b>Lease SR</b>	<b>Long term lease SR</b>	<b>Other SR</b>	<b>Total SR</b>
Capital expenditures	132,927,263	175,059,041	3,874,846	311,861,150

Capital expenditure consists of additions of property and equipment and intangible assets.

Finance income and costs, and gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a Company basis. Zakat and financial assets and liabilities are not allocated to those segments as they are also managed on a Company basis.

The following summary describes the operations in each of the Company's reportable segments:

- (a) Short term lease segment represents activities involving leasing of cars to customers under short term rental arrangements (daily and monthly).
- (b) Long term lease segment represents activities involving leasing of cars to customers under medium to longer term operating lease arrangements.
- (c) Car sales (others) represents the sales of vehicles that were previously held as a part of lease or rental fleet.

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At 31 December 2021

**34. DIVIDENDS**

The Company's Board of Directors approved, in their meeting held on 16 September 2021, to distribute interim cash dividends of SR 0.51 per share totaling to SR 21,930,000. The above-mentioned interim dividends have been distributed to the shareholders.

Further, the Company's Board of Directors approved, in their meeting held on 16 November 2021 to distribute interim cash dividends of SR 0.40 per share totaling to SR 17,200,000.

The Company's Board of Directors recommended, in their meeting held on 22 January 2020, to distribute interim cash dividends of SR 1.17 per share totaling to SR 18,000,000 and were approved by the extraordinary general assembly meeting held on 21 October 2020. The above mentioned interim dividends have been distributed to the shareholders.

Further, the shareholders general assembly meeting held on 17 December 2020 approved management recommendation to distribute interim cash dividends of SR 0.28 per share totaling to SR 12,000,000.

**35. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES**

Changes in liabilities arising from financing activities:

	<i>1 January 2021 SR</i>	<i>Cash flows SR</i>	<i>New leases SR</i>	<i>Others SR</i>	<i>31 December 2021 SR</i>
Current portion of term loans	296,508,006	30,120,916	-	-	326,628,922
Lease liabilities	127,705,065	(33,035,936)	9,234,182	5,138,785	109,042,096
Non-current portion of term loans	248,511,760	39,660,742	-	-	288,172,502
Total	672,724,831	36,745,722	9,234,182	5,138,785	723,843,520
	<i>1 January 2020 SR</i>	<i>Cash flows SR</i>	<i>New leases SR</i>	<i>Others SR</i>	<i>31 December 2020 SR</i>
Current portion of term loans	288,849,161	7,658,845	-	-	296,508,006
Lease liabilities	43,977,933	(26,755,069)	105,756,302	4,725,899	127,705,065
Non-current portion of term loans	316,162,393	(67,650,633)	-	-	248,511,760
Total	648,989,487	(86,746,857)	105,756,302	4,725,899	672,724,831

**36. DERIVATIVES NOT DESIGNED AS HEDGING INSTRUMENTS**

The Company is engaged in interest rate swap agreement with a local bank. Notional amount of SR 75,000,000 (31 December 2020: SR 150,000,000). Derivative not designed as hedging instruments. The change in fair value of those commission rates that are not designed in hedge relationships, but are, nevertheless, intended to reduce the level of commission rate risk. As at 31 December 2021, the fair value of the derivative instrument at FVTPL amounted to SR 480,196 (31 December 2020: SR 2,760,443).

The fair value hierarchy for derivatives not designated as hedging instruments for disclosure purpose is Companied in level 2, with significant inputs being directly or indirectly observable.

**37. COVID - 19**

In December 2019, a novel strain of coronavirus disease (COVID-19) was first reported in Wuhan, Hubei Province, China. Subsequently in March 2020, it was characterized as a pandemic by the World Health Organization (WHO). This disease has since then spread in most countries of the world, causing many countries, including the Kingdom of Saudi Arabia, to take various measures to limit the spread of the coronavirus, including imposition of temporary restrictions, such as travel bans, curfews, banned movement between the cities within the Kingdom of Saudi Arabia and restriction of activities that do not allow social distancing, along with requiring people coming from other countries to stay in quarantine for a certain period of time. Given the various mobility restrictions, it resulted in slowdown in the Company's revenue stream, mainly related to the short-term rental due to a sudden drop in demand for car rental services.

In response to the spread of the COVID-19, the Company's management carried out an impact assessment on its operations, estimated its liquidity requirements and business aspects, including factors like supply chain, services demand, used vehicle demand and other relevant considerations. Management has taken a series of preventive measures, including adopting all applicable Ministry of Health safety guidelines to ensure the health and safety of its employees, customers, and wider community as well. Management has also taken several steps to mitigate the effects of the pandemic, including a coordinated de-fleeting, leveraging government support programs and renegotiating rent and insurance contracts. Further, the Company's management evaluated the cash flow situation, including available bank facilities, continuation of existing leasing contracts and the readiness of operational processes when the situation improves.

However, the extent of the coronavirus pandemic impact on the Company's business, operations, and financial results remains uncertain and will depend on many factors and future developments that the Company may not be able to estimate reliably during the current period, noting that the Company's working capital funding is heavily dependent on cash flows from operations. These factors include the virus transmission rate, the duration of the outbreak, precautionary actions that may be taken by governmental authorities to reduce the spread of the epidemic and the impact of those actions on economic activity, the impact to the businesses of the Company's customers and partners and other factors.

Management is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources, considering the uncertainties discussed. The judgments, estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. Due to the currently unforeseeable global consequences of the COVID-19, these accounting estimates and management judgements are subject to increased uncertainty. Actual amounts may differ from the estimates and management judgements; changes can have a material impact on these interim condensed financial statements. In addition, the magnitude, duration and speed of the global pandemic remains uncertain. As the situation is rapidly evolving with future uncertainties, the Company will continue to evaluate the nature and extent of the impact on its business and financial results and performance.

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At 31 December 2021

**38. COMPANY BRANCHES**

These financial statements cover the activities of the Company and the following branches:

<i>Branch</i>	<i>Commercial registration</i>	<i>License No.</i>	<i>Date of commercial registration</i>
<b>Central region</b>			
Altaawon	1010311975	10102000212	4/8/1432 H (corresponding 5/6/2011)
Alswaidi	1010187020	10102000202	30/3/1424 H (corresponding 31/5/2003)
Alshefa	1010359247	10102000213	16/2/1434 H (corresponding 29/12/2012)
Al-Yasmin	1010396199	10102000215	23/1/1435 H (corresponding 26/11/2013)
Riyadh Showroom, AlRawdah	1010378245	10102000214	27/7/1434 H (corresponding 6/6/2013)
Al-Malaz	1010224758	10102000201	22/10/1427 H (corresponding 13/11/2006)
Um Alhamam	1010181670	10102000207	15/8/1423 H (corresponding 21/10/2002)
King Khalid Airport	1010150661	10102000206	12/4/1419 H (corresponding 5/8/1998)
Car Sales	1010177560	-	23/3/1423 H (corresponding 4/6/2002)
Maintenance Center	1010388439	-	12/11/1434 H (corresponding 18/9/2013)
Real Estate Records	1010317696	-	10/11/1432 H (corresponding 8/10/2011)
Buraida	1131051994	40102000201	12/5/1435H (corresponding 13/03/2014)
Buraida Airport	1131051994	40102000201	12/5/1435 H (corresponding 13/03/2014)
Hail Airport	1010224758	80102000201	22/10/1427 H (corresponding 13/11/2006)
Al Aroubah	1010930285	10102000217	13/4/1439 H (corresponding 31/12/2017)
Al Yarmouk	1010451029	30103000201	15/9/1439 H (corresponding to 29/5/2018)
Dahia Laban	1010598941	14/00001917	15/2/1441H(corresponding to 14/10/2019)
<b>Western region</b>			
Quraish St. Albawadi, Almadina road (1)	4030127038	20202000201	29/1/1420 H (corresponding 15/5/1999)
Prince Mohammed St. Alazizia (Altahlia)	4030127038	20202000205	29/1/1420 H (corresponding 15/5/1999)
Albughdadia	4030127038	20202000206	29/1/1420 H (corresponding 15/5/1999)
Almadina road. Al-Rawdah	4030127038	20202000207	29/1/1420 H (corresponding 15/5/1999)
Al-Fayha	4030127038	20202000209	29/1/1420 H (corresponding 15/5/1999)
Al-Samer	4030127038	20202000210	29/1/1420 H (corresponding 15/5/1999)
Yanbu	4700017234	30202002000	15/3/1435 H (corresponding 16/1/2014)
Yanbu Airport	4700017234	30202000201	15/3/1435 H (corresponding 16/1/2014)
Almadina Almonawara Airport	4650050975	30102000202	4/3/1432 H (corresponding 7/2/2011)
Al-Taif Airport	4032036164	20302000201	18/6/1434 H (corresponding 28/4/2013)
Car sales – Jeddah	4030294835	-	30/8/1437 H (corresponding 6/6/2017)
Al Madinah - King Abdulaziz road	4650050975	30102000201	4/3/1432 H (corresponding 7/2/2011)
Al Amal	4030127038	20202000212	29/1/1420 (corresponding 14/5/1999)
Makah Almurkama branch	4031225251	14/00000537	25/7/1440 (corresponding 01/4/2019)
Altaif branch	4032235084	14/00000208	25/7/1440 (corresponding 01/4/2019)
Alual branch	4651102277	14/00000453	15/2/1441 (corresponding 15/10/2019)
<b>Eastern region</b>			
Dammam	2050034970	50102000201	4/2/1420 H (corresponding 19/5/1999)
Al-Khobar	2050034970	50602000201	4/2/1420 H (corresponding 19/5/1999)
Dammam Airport	2050034970	50102000202	4/2/1420 H (corresponding 19/5/1999)
Al-Jubail	2055009774	51302000201	15/9/1429 H (corresponding 15/9/2008)
Alihasa, Alkhaldia	2251040741	50202000201	22/11/1431 H (corresponding 30/10/2010)
Al Raka - Al-Khobar	2051221149	14/00004067	26/07/1439H(corresponding 11/04/2018)
Al-Jubail-Al-Balad	2055009774	14/00003491	15/9/1429 H (corresponding 15/9/2008)
<b>Eastern region</b>			
Alihsa, Almubarak	2251040741	50202000201	22/11/1431 H (corresponding 30/10/2010)
Azizia Khubar	2050034970	50602000201	4/2/1420 H (corresponding 19/5/1999)
<b>Southern region</b>			
Alkhamis road, Abha Branch	1010150661	60102000201	12/4/1419 H (corresponding 5/8/1998)
Abha Airport	1010150661	60102000203	12/4/1419 H (corresponding 5/8/1998)
Albaha Airport	1010150661	120502000201	12/4/1419 H (corresponding 5/8/1998)
Jazan Airport	5900020957	100102000201	23/3/1434 H (corresponding 4/2/2013)
Albaha Branch	5800020727	120102000201	2/5/1437 H (corresponding 11/02/2016)
Najran Branch	5950032463	110102000202	4/7/1437 H (corresponding 11/04/2016)
Madina road, askaria – khamis mushait	5950031927	110102000201	3/7/1436 H (corresponding 22/4/2015)
Jazan Abu -Areash	5901720213	14/00003382	22/5/1442 H(corresponding 05/01/2021)
<b>Northern region</b>			
Tabuk	3550032407	70102000201	14/2/1435 H (corresponding 17/12/2013)
Tabuk Airport	3550032407	70102000201	14/2/1435 H (corresponding 17/12/2013)
Neom Airport	3550032407	70102000201	14/2/1435 H (corresponding 17/12/2013)

**39. APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were authorized for issue on 29 Rajab 1443H (corresponding to 2 March 2022) by the Board of Directors of the Company.

**40. SUBSEQUENT EVENTS**

In the opinion of management, no significant subsequent events have occurred subsequent since 31 December 2021 that would have a material impact on the financial position or financial performance of the Company.

**41. COMPARATIVE INFORMATION**

Certain comparative information has been reclassified to align with current year presentation.