

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

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

FOR THE YEAR ENDED 31 DECEMBER 2022

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

FINANCIAL STATEMENTS

For the year ended 31 December 2022

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Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
Head Office
Al Faisaliah Office Tower, 14th Floor
King Fahad Road
P.O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

C.R. No. 1010383821
Tel: +966 11 215 9898
+966 11 273 4740
Fax: +966 11 273 4730
ey.ksa@sa.ey.com
ey.com

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 - a Saudi Joint Stock company (the "Company"), which comprise the statement of financial position as at 31 December 2022, 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 2022, 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 the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. 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 19 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>Allowance for expected credit losses</p> <p>The gross balance of accounts receivable as at 31 December 2022 amounted to SR 282.6 million (2021: SR 203.2 million), against which an allowance for expected credit losses of SR 93.2 million (2021: SR 64.2 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 9 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"> • Obtained understanding of the Company's processes around the accounts receivable allowance for expected credit losses. • 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. • Involved our IT experts in testing effectiveness of the Information Technology General Controls (ITGCs) of the respective accounting system. • Evaluated the Company's accounting policy for ECL allowance in accordance with the requirements of IFRS 9. • Assessed the adequacy of the related disclosures in the 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>Carrying values of vehicles</p> <p>Vehicles included under property and equipment as at 31 December 2022 amounted to SR 1,320 million (2021: SR 1,155 million) representing 71% (2021: 76%) 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"> • Evaluated, on a sample basis, the design, implementation and effectiveness of controls over the procurement process and capitalization and depreciation calculation of vehicles. • Assessed management's judgement in determining residual value and useful lives assigned to long-term and short-term rental purpose. • Tested on a sample basis additions and disposals of rental vehicles. • Performed analytical review procedures of the depreciation charge for the year. • Assessed the adequacy of the related disclosures in the financial statements.



**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 2022 Annual Report

Other information consists of the information included in the Company's 2022 annual report, other than the financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information in its annual report. The Company's 2022 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 2022 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 the Board of Directors and Those Charged with Governance for the Financial Statements

The Board of Directors 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 Company's By-laws, and for such internal control as the Board of Directors 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, the Board of Directors 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 the Board of Directors 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 the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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, actions taken to eliminate threats or safeguards applied.

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

Fahad M. Al-Toaimi
Certified Public Accountant
License No. (354)

Riyadh: 22 Sha'ban 1444H
(14 March 2023)

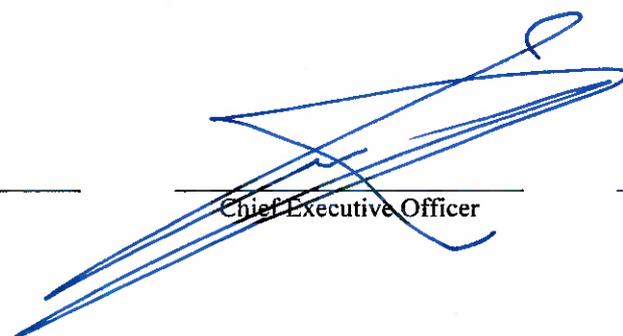


Theeb Rent a Car Company
(A Saudi Joint Stock Company)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 SR	2021 SR
Revenue	21	967,967,678	752,369,576
Cost of revenue	22	(612,847,715)	(503,887,160)
GROSS PROFIT		355,119,963	248,482,416
Selling and marketing expenses	23	(49,107,527)	(34,396,855)
General and administrative expenses	24	(46,810,587)	(35,836,933)
Provision for expected credit losses	9,11	(31,404,486)	(26,033,008)
INCOME FROM OPERATIONS		227,797,363	152,215,620
Other income	25	8,145,514	3,616,742
Finance costs	26	(32,676,379)	(25,630,013)
Gain on derivative instrument at FVPL	35	480,196	2,280,247
INCOME BEFORE ZAKAT		203,746,694	132,482,596
Zakat	19	(10,638,745)	(6,756,530)
NET INCOME FOR THE YEAR		193,107,949	125,726,066
OTHER COMPREHENSIVE INCOME:			
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement loss on employees' defined benefit liabilities	17.4	(3,152,915)	(756,122)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		189,955,034	124,969,944
EARNINGS PER SHARE (EPS)			
Basic and diluted earnings per share	20	4.49	2.92


_____ Chairman _____ Chief Executive Officer _____ Chief Financial Officer

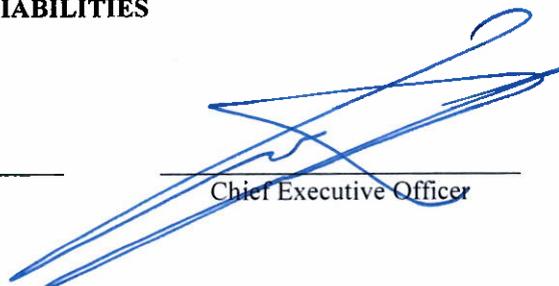
Theeb Rent a Car Company
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 SR	2021 SR
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	6	1,320,362,211	1,155,703,452
Right-of-use assets	7	101,610,688	89,470,488
TOTAL NON-CURRENT ASSETS		1,421,972,899	1,245,173,940
CURRENT ASSETS			
Inventories	8	4,966,089	5,596,190
Accounts receivable	9	189,363,995	138,990,242
Prepayments and other current assets	10	139,318,414	60,784,763
Contract assets	11	10,499,399	9,408,925
Amounts due from related parties	13	-	482,584
Bank balances and cash	12	100,092,690	57,712,926
TOTAL CURRENT ASSETS		444,240,587	272,975,630
TOTAL ASSETS		1,866,213,486	1,518,149,570
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	430,000,000	430,000,000
Statutory reserve	15	38,208,015	18,897,220
Retained earnings		196,652,399	118,458,160
TOTAL EQUITY		664,860,414	567,355,380
NON-CURRENT LIABILITIES			
Non-current portion of term loans	16	455,185,280	288,172,502
Employees' defined benefit liabilities	17	34,935,477	28,153,685
Non-current portion of lease obligation	7	53,707,128	54,686,864
TOTAL NON-CURRENT LIABILITIES		543,827,885	371,013,051
CURRENT LIABILITIES			
Current portion of term loans	16	442,155,580	326,628,922
Current portion of lease obligation	7	53,848,293	54,355,232
Car dealership payable		56,876,824	115,942,535
Accounts payable		29,735,448	18,114,218
Derivative instrument at FVPL	35	-	480,196
Accrued expenses and other current liabilities	18	50,190,659	43,314,033
Zakat payable	19	24,718,383	20,946,003
TOTAL CURRENT LIABILITIES		657,525,187	579,781,139
TOTAL LIABILITIES		1,201,353,072	950,794,190
TOTAL EQUITY AND LIABILITIES		1,866,213,486	1,518,149,570


Chairman


Chief Executive Officer

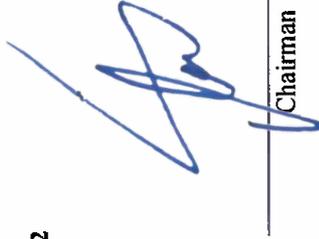

Chief Financial Officer

The attached notes 1 to 39 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 2022

	Notes	Share capital SR	Statutory reserve SR	Retained earnings SR	Total SR
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	33	-	-	(39,130,000)	(39,130,000)
As at 31 December 2021		430,000,000	18,897,220	118,458,160	567,355,380
Net income for the year		-	-	193,107,949	193,107,949
Other comprehensive loss		-	-	(3,152,915)	(3,152,915)
Total comprehensive income		-	-	189,955,034	189,955,034
Transfer to statutory reserve		-	19,310,795	(19,310,795)	-
Dividends	33	-	-	(92,450,000)	(92,450,000)
As at 31 December 2022		430,000,000	38,208,015	196,652,399	664,860,414



 Chairman



 Chief Executive Officer



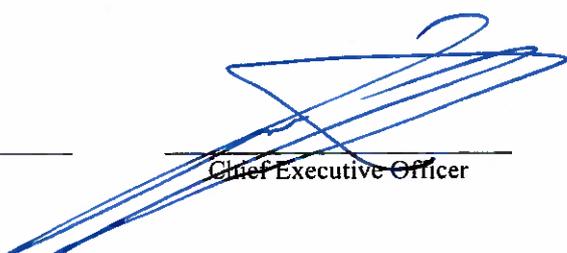
 Chief Financial Officer

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

STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	Notes	2022 SR	2021 SR
OPERATING ACTIVITIES			
Income before zakat		203,746,694	132,482,596
<i>Adjustments to reconcile income before zakat to net cash flows:</i>			
Depreciation of property and equipment	6	249,946,703	213,059,803
Depreciation of right-of-use assets	7	36,553,738	38,981,740
Finance costs	26	27,446,226	19,890,768
Finance cost on lease liability	7	4,342,800	5,138,785
Provision for expected credit losses	9 & 11	31,404,486	26,033,008
Provision for employees' defined benefit liabilities	17.2	4,476,681	4,078,491
Rent concession for leases	7	(4,766,667)	-
Gain on derivative instrument at FVPL		(480,196)	(2,280,247)
Write down of inventories	8	6,466,059	11,936,430
		<u>559,136,524</u>	<u>449,321,374</u>
<i>Working capital adjustments:</i>			
Prepayments and other current assets		(78,533,651)	(25,815,313)
Accounts receivable		(79,352,178)	(55,335,221)
Contract assets		(3,516,535)	(3,508,003)
Amounts due from related parties		482,584	9,650,912
Inventories		133,407,022	104,990,879
Car dealership' payable		(59,065,711)	51,286,994
Accrued expenses and other current liabilities		6,114,560	8,942,252
Accounts payable		11,621,230	11,033,100
		<u>490,293,845</u>	<u>550,566,974</u>
Additions of motor vehicles	6	(548,498,104)	(497,021,183)
Zakat paid	19	(6,866,365)	(5,740,171)
Employees' defined benefit obligations paid	17	(847,804)	(699,312)
Net cash flows (used in) from operating activities		<u>(65,918,428)</u>	<u>47,106,308</u>
INVESTING ACTIVITIES			
Additions of other property and equipment	6	(5,350,338)	(6,284,199)
Net cash flows used in investing activities		<u>(5,350,338)</u>	<u>(6,284,199)</u>
FINANCING ACTIVITIES			
Finance costs paid		(26,684,160)	(20,239,571)
Proceeds from term loans		716,972,936	419,484,372
Repayments of term loans		(434,433,500)	(349,702,714)
Payment of lease liabilities	7	(49,756,746)	(33,035,936)
Dividends paid	33	(92,450,000)	(39,130,000)
Net cash flows from (used in) financing activities		<u>113,648,530</u>	<u>(22,623,849)</u>
Increase in bank balances and cash		42,379,764	18,198,260
Bank balances and cash at the beginning of the year		57,712,926	39,514,666
Bank balances and cash at the end of the year		<u>100,092,690</u>	<u>57,712,926</u>
Significant non-cash transactions:			
Transfer of vehicles from property and equipment to inventories	6	139,242,980	113,952,415
Addition to right-of-use assets and lease liability	7	48,693,938	9,234,182
Write off of total loss cars		6,466,059	10,481,210


Chairman


Chief Executive Officer


Chief Financial Officer

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2022

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 on the basis of five years future plan 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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2022

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 obsolete, damage and expire 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 accounts receivable and contract assets. The Company uses a provision matrix to calculate ECL for accounts receivable and contract assets. 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 9.

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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2022

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 17.

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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2022

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 includes 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 individual customers "Loyalty 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.

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

As at 31 December 2022

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. Differences, if any, resulting from the final assessments are adjusted in the year of their finalization.

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-add 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.

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

As at 31 December 2022

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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2022

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.

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

As at 31 December 2022

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 profit or loss (“FVTPL”) and fair value through other comprehensive income (“FVOCI”).

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.

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

As at 31 December 2022

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).

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

As at 31 December 2022

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.

Theeb Rent a Car Company

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2022

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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2022

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 IN ACCOUNTING POLICIES AND DISCLOSURES

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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.

Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Company cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). 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.

These amendments had no impact on the financial statements of the Company as there were no contracts as being onerous at reporting date.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2022

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations 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 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Company applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the financial statements of the Company as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

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

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of 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.

In accordance with the transitional provisions, the Company applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

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

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the financial statements of the Company as it is not a first-time adopter.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

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. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions, the Company 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 date of initial application). These amendments had no impact on the financial statements of the Company as there were no modifications of the Company's financial instruments during the period.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2022

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended 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 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)

5.4 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 2022

6. PROPERTY AND EQUIPMENT

<i>31 December 2022</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 2022 SR</i>
Cost:						
Balance as at 1 January 2022	88,012,550	6,260,583	1,493,734,664	8,151,590	37,425,977	1,633,585,364
Additions	-	571,003	548,498,104	364,500	4,414,835	553,848,442
Transfer to inventories	-	-	(285,544,029)	-	-	(285,544,029)
Balance as at 31 December 2022	88,012,550	6,831,586	1,756,688,739	8,516,090	41,840,812	1,901,889,777
Accumulated depreciation:						
Balance as at 1 January 2022	-	2,144,560	441,592,796	3,768,157	30,376,399	477,881,912
Charge for the year	-	124,294	246,485,494	844,738	2,492,177	249,946,703
Transfer to inventories	-	-	(146,301,049)	-	-	(146,301,049)
Balance as at 31 December 2022	-	2,268,854	541,777,241	4,612,895	32,868,576	581,527,566
Net book value						
As at 31 December 2022	88,012,550	4,562,732	1,214,911,498	3,903,195	8,972,236	1,320,362,211

Transfer to inventories represents cost and accumulated depreciation of vehicles retired from fleets and transferred to inventories (note 8).

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

6. PROPERTY AND EQUIPMENT (continued)

<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>
<i>Cost:</i>						
Balance as at 1 January 2021	88,012,550	5,204,574	1,225,127,831	7,104,645	33,127,170	1,358,576,770
Additions	-	1,056,009	497,021,183	1,046,945	4,298,807	503,422,944
Transfer to inventories	-	-	(228,414,350)	-	-	(228,414,350)
Balance as at 31 December 2021	<u>88,012,550</u>	<u>6,260,583</u>	<u>1,493,734,664</u>	<u>8,151,590</u>	<u>37,425,977</u>	<u>1,633,585,364</u>
<i>Accumulated depreciation:</i>						
Balance as at 1 January 2021	-	2,046,428	347,284,127	2,974,782	26,978,707	379,284,044
Charge for the year	-	98,132	208,770,604	793,375	3,397,692	213,059,803
Transfer to inventories	-	-	(114,461,935)	-	-	(114,461,935)
Balance as at 31 December 2021	<u>-</u>	<u>2,144,560</u>	<u>441,592,796</u>	<u>3,768,157</u>	<u>30,376,399</u>	<u>477,881,912</u>
<i>Net book value</i>						
As at 31 December 2021	<u><u>88,012,550</u></u>	<u><u>4,116,023</u></u>	<u><u>1,052,141,868</u></u>	<u><u>4,383,433</u></u>	<u><u>7,049,578</u></u>	<u><u>1,155,703,452</u></u>

The depreciation charge for the year is allocated as follows:

	<i>2022 SR</i>	<i>2021 SR</i>
Cost of revenue (note 22)	249,514,049	212,290,781
General and administrative expenses (note 24)	432,654	769,022
	<u><u>249,946,703</u></u>	<u><u>213,059,803</u></u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

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:

	2022 SR	2021 SR
Balance as at 1 January	89,470,488	119,218,046
Additions	48,693,938	9,234,182
Depreciation expense (note 22)	(36,553,738)	(38,981,740)
Balance as at 31 December	<u>101,610,688</u>	<u>89,470,488</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:

	2022 SR	2021 SR
Balance as at 1 January	109,042,096	127,705,065
Additions	48,693,938	9,234,182
Rent concession (*)	(4,766,667)	-
Accretion of interest (note 26)	4,342,800	5,138,785
Payments (**)	(49,756,746)	(33,035,936)
Balance as at 31 December	<u>107,555,421</u>	<u>109,042,096</u>
Less: current portion	<u>53,848,293</u>	<u>54,355,232</u>
Non-current portion	<u>53,707,128</u>	<u>54,686,864</u>

(*) Rent concession includes credit note received from General Authority of Civil Aviation (GACA) for Jeddah Airport amounting to SR 3.6 million (31 December 2021: SR nil) and Dammam Airport amounting to SR 1.17 million (31 December 2021: SR nil).

(**) Payment of lease liability includes repayment of principal portion of SR 45,413,946 (31 December 2021: SR 27,897,151) and payment of interest amounted to SR 4,342,800 (31 December 2021: SR 5,138,785).

The maturity analysis of lease liabilities is disclosed in note 29.

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

	2022 SR	2021 SR
Depreciation on right-of-use assets allocated to cost of revenue (note 22)	36,553,738	38,981,740
Short-term leases recognised on straight-line basis as rent expense (note 22)	10,272,806	8,134,543
Finance cost on lease liabilities (note 26)	4,342,800	5,138,785
	<u>51,169,344</u>	<u>52,255,068</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

8. INVENTORIES

	2022 SR	2021 SR
Spare parts and supplies	4,635,116	4,508,190
Vehicles held for sale	330,973	1,088,000
	<u>4,966,089</u>	<u>5,596,190</u>

During the year ended 31 December 2022, the Company wrote down SR 6,466,059 (31 December 2021: SR 11,936,430) of inventories. This expense is included in the cost of revenues in the statement of comprehensive income.

9. ACCOUNTS RECEIVABLE

	2022 SR	2021 SR
Accounts receivable	282,586,954	203,234,776
Less: allowance for expected credit losses	(93,222,959)	(64,244,534)
	<u>189,363,995</u>	<u>138,990,242</u>

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

	2022 SR	2021 SR
At the beginning of the year	64,244,534	38,748,087
Provided during the year	28,978,425	25,496,447
At the end of the year	<u>93,222,959</u>	<u>64,244,534</u>

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

<i>31 December 2022</i>	<i>Total</i>	<i>0-90</i>	<i>91-180</i>	<i>181-270</i>	<i>271-360</i>	<i>> 361</i>
	<i>SR</i>	<i>days</i>	<i>days</i>	<i>days</i>	<i>days</i>	<i>days</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Expected credit loss rate	32.99%	5.13%	21.54%	37.18%	41.76%	70.04%
Gross carrying amount	282,586,954	118,285,886	32,156,048	19,231,354	21,234,118	91,679,548
Expected credit loss	93,222,959	6,067,028	6,926,484	7,149,396	8,867,766	64,212,285
<i>31 December 2021</i>						
	<i>Total</i>	<i>0-90</i>	<i>91-180</i>	<i>181-270</i>	<i>271-360</i>	<i>> 361</i>
	<i>SR</i>	<i>days</i>	<i>days</i>	<i>days</i>	<i>days</i>	<i>days</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
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

Please refer to note 29 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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

10. PREPAYMENTS AND OTHER CURRENT ASSETS

	2022 SR	2021 SR
Advances to suppliers	80,888,607	23,281,390
Prepayments	21,321,519	14,706,000
Insurance receivable	29,011,759	15,811,776
Employees' receivables	2,131,947	1,982,729
Margin deposit	1,733,404	1,023,929
VAT receivable	-	846,126
Others	4,231,178	3,132,813
	<u>139,318,414</u>	<u>60,784,763</u>

11. CONTRACT ASSETS

	2022 SR	2021 SR
Contract assets	16,432,319	12,915,784
Less: allowance for expected credit losses	(5,932,920)	(3,506,859)
	<u>10,499,399</u>	<u>9,408,925</u>

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

	2022 SR	2021 SR
At the beginning of the year	3,506,859	2,970,298
Provided during the year	2,426,061	536,561
At the end of the year	<u>5,932,920</u>	<u>3,506,859</u>

12. BANK BALANCES AND CASH

	2022 SR	2021 SR
Bank balances	99,442,695	57,011,991
Cash on hand	649,995	700,935
	<u>100,092,690</u>	<u>57,712,926</u>

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

At 31 December 2022

13. 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
Mohammed Ahmed Abdullah Al-Theeb	Shareholder
Mohammad Hamoud Altheeb	Shareholder
Naif Mohammed Ahmed Abdullah Al-Theeb	Shareholder
Alfareedah	Affiliate
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>	2022 SR	2021 SR
Madareem Company	Expenses and revenue	(11,970)	-
Hamoud Abdullah Altheeb	Car rental and other income	-	13,603
Mohammad Hamoud Altheeb	Car rental and other income	3,393	-
Naif Mohammed AlTheeb	Car rental and other income	68,509	-
Alfareedah	Expenses and other income	(107,088)	-
Mohammad Ahmed AlTheeb	Expenses and other income	(560,000)	(312,500)

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>	2022 SR	2021 SR
Key management personnel	Short term employees' benefits	5,873,417	4,724,321
	Long term employees' benefits	805,966	229,700
Board of Directors	Board of Directors' remuneration	1,580,000	915,414

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

	2022 SR	2021 SR
Madareem Company	-	439,583
Others	-	43,001
	<u>-</u>	<u>482,584</u>

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

At 31 December 2022

14. SHARE CAPITAL

The Company's share capital is divided into 43,000,000 shares of SR 10 each (31 December 2021: 43,000,000 shares of SR 10 each).

15. STATUTORY RESERVE

In accordance with Saudi Arabian Regulations for Companies and the Companies' By-laws, the Company must set aside 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.

16. TERM LOANS

	2022 SR	2021 SR
Term loans	897,340,860	614,801,424
Less: current portion	(442,155,580)	(326,628,922)
Non-current portion	<u>455,185,280</u>	<u>288,172,502</u>

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 July 2026. The installments due within the next 12 months 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 2022 primarily owing to the loans, used to finance purchase of vehicles classified under non-current assets in the statement of financial position, as part of the normal course of business. This is consistent with previously reported periods.

17. EMPLOYEES' DEFINED BENEFIT LIABILITIES

The Company operates an unfunded employees' end of service benefits plan ("EOSB") for its employees as required by the Saudi Arabian Labor Law.

17.1 Movement in the provision for employees' defined benefit liabilities:

	2022 SR	2021 SR
At the beginning of the year	28,153,685	24,018,384
Charge for the year (note 17.2)	4,476,681	4,078,491
Actuarial loss on defined benefit plan	3,152,915	756,122
Benefits paid	(847,804)	(699,312)
At the end of the year	<u>34,935,477</u>	<u>28,153,685</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

17. EMPLOYEES' DEFINED BENEFIT LIABILITY (continued)

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

	2022 SR	2021 SR
Current service cost	3,589,328	3,478,031
Interest cost (note 26)	887,353	600,460
Total end of service benefits expense	<u>4,476,681</u>	<u>4,078,491</u>

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

	2022 SR	2021 SR
Cost of revenue	1,758,771	1,746,235
Selling and marketing expenses	1,184,478	1,107,075
General and administrative expenses	646,079	624,721
Total end of service benefits expense	<u>3,589,328</u>	<u>3,478,031</u>

17.3 Actuarial assumptions:

Key assumptions used for the purpose of the actuarial valuation were as follows:

	2022 SR	2021 SR
Salary increase rates	5.50%	3.50%
Discount rate	5.15%	3.20%

17.4 Amount recognised in other comprehensive income was as follow:

	2022 SR	2021 SR
Actuarial loss (gain) due to change in financial assumptions	296,007	(464,377)
Actuarial loss due to experience adjustments	2,856,908	1,220,499
Total actuarial loss	<u>3,152,915</u>	<u>756,122</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

17. EMPLOYEES' DEFINED BENEFIT LIABILITY (continued)

17.5 Sensitivity analysis of significant actuarial assumptions:

A quantitative sensitivity analysis for significant assumption on the employees' terminal benefits liabilities as at 31 December 2022 and 31 December 2021 is shown below:

31 December 2022

	<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%	34,935,477	32,191,951	38,113,870
Salary growth rate	+/-1%	34,935,477	38,160,401	32,099,567
Mortality rate	+/-10%	34,935,477	34,929,787	34,941,187
Withdrawal rate	+/-10%	34,935,477	34,654,849	35,244,924

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

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 2022 and 31 December 2021. 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:

	<i>2022 SR</i>	<i>2021 SR</i>
Within the next 12 months (next annual reporting period)	3,723,255	3,146,796
Between 2 and 5 years	10,686,856	8,703,723
Beyond 5 years	43,952,627	26,410,463
	58,362,738	38,260,982

18. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<i>2022 SR</i>	<i>2021 SR</i>
Contract liabilities	20,577,343	20,384,378
Accrued expenses	20,047,976	16,798,652
VAT payable	7,240,716	-
Loyalty points	1,211,843	4,598,057
Other	1,112,781	1,532,946
	50,190,659	43,314,033

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19. ZAKAT PROVISION

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

	2022 SR	2021 SR
Charge for the year	10,638,745	6,756,530
	2022 SR	2021 SR
At the beginning of the year	20,946,003	19,929,644
Provided during the year	10,638,745	6,756,530
Paid during the year	(6,866,365)	(5,740,171)
At the end of the year	24,718,383	20,946,003

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

	2022 SR	2021 SR
Equity	567,355,380	481,515,436
Opening provisions and other adjustments	1,094,738,448	887,461,111
Book value of long-term assets	(1,502,913,930)	(1,267,283,941)
Zakatable income	159,179,898	101,692,606
Zakat base	261,423,650	165,408,660
Zakat	420,603,548	267,101,266
	10,638,745	6,756,530

19.3 *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 2021 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 of 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 which is in progress. Management believes that the current provision as set out above is adequate.
- During the year ended 31 December 2020, the Company received from ZATCA a preliminary assessment showing zakat differences for the year 2018 of SR 4,014,060, and the Company has made a provision for the full amount. Based on the clarifications provided by the Company to ZATCA, ZATCA had issued an amendment and reduced the differences to SR 1,785,077, accordingly, the Company reversed the excess provision in the statement of income for the year ended 31 December 2020. Further, the Company filed an appeal to the Tax Violations and Dispute Appellate Committee (TVDAC) against these differences which is in progress.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

19. ZAKAT PROVISION (continued)

19.3 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 years ended 31 December 2019 and 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 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 former 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.

20. 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.

	2022	2021
Net income for the year	193,107,949	125,726,066
Weighted average number of ordinary shares for basic and diluted EPS	43,000,000	43,000,000
Earnings per share	4.49	2.92

21. REVENUE

Disaggregated revenue information

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

	2022 SR	2021 SR
Short term rental	478,262,446	358,417,652
Long term lease	314,694,746	270,249,585
Sales of motor vehicles	175,010,486	123,702,339
	967,967,678	752,369,576

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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21. REVENUE (continued)

Timing of revenue recognition

	2022 SR	2021 SR
Services transferred over time	792,957,192	628,667,237
Services transferred at point in time	175,010,486	123,702,339
	<u>967,967,678</u>	<u>752,369,576</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 terminate 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 is as follows:

	2022 SR	2021 SR
Within 1 year	236,605,209	239,892,190
After 1 year, but not more than 5 years	268,232,220	249,521,137
	<u>504,837,429</u>	<u>489,413,327</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.

21.1 Contract balances

	2022 SR	2021 SR
Contract assets (note 11)	10,499,399	9,408,925
Contract liabilities (note 18) *	20,577,343	20,384,378

* Contract liabilities represent advances received from customers against rental services not yet provided.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

22. COST OF REVENUE

	2022 SR	2021 SR
Depreciation of property and equipment (note 6)	249,514,049	212,290,781
Cost of vehicles sold	134,130,494	106,559,205
Employees' salaries and other benefits	59,858,442	52,238,017
Maintenance and repairs	52,214,428	33,468,233
Insurance	47,849,995	33,642,350
Depreciation on right-of-use assets (note 7)	36,553,738	38,981,740
Rental (note 7.2)	10,272,806	8,134,543
Shipping	4,552,333	3,819,235
Other penalties	3,372,008	830,653
Bank charges	3,760,054	4,579,180
Utilities	1,539,629	1,362,842
Impairment of inventory	-	1,455,220
Others	9,229,739	6,525,161
	<u>612,847,715</u>	<u>503,887,160</u>

23. SELLING AND MARKETING EXPENSES

	2022 SR	2021 SR
Employees' salaries and other benefits	40,312,828	31,898,583
Advertising	7,676,511	1,842,623
Others	1,118,188	655,649
	<u>49,107,527</u>	<u>34,396,855</u>

24. GENERAL AND ADMINISTRATIVE EXPENSES

	2022 SR	2021 SR
Employees' salaries and other benefits	22,225,142	17,357,436
Professional fees	3,661,904	3,939,043
Governmental fees	3,649,725	2,793,168
IT/ERP system	2,655,765	2,097,977
Utilities	1,993,870	1,686,203
VAT deemed supply	1,704,925	1,260,000
Maintenance and repairs	1,770,256	281,181
Charity donations	1,660,691	825,283
BOD members remuneration	1,580,000	915,414
Communication	1,149,805	1,201,776
Hospitality	980,320	482,219
Depreciation of property and equipment (note 6)	432,654	769,022
Others	3,345,530	2,228,211
	<u>46,810,587</u>	<u>35,836,933</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

25. OTHER INCOME

	2022 SR	2021 SR
Reversal of loyalty points expired *	4,055,567	-
Rebate income	2,754,997	2,032,022
Car sales fee	179,978	158,100
Miscellaneous income	1,154,972	1,426,620
	<u>8,145,514</u>	<u>3,616,742</u>

* This amount represents the amount of expired loyalty points.

26. FINANCE COSTS

	2022 SR	2021 SR
Finance cost on bank borrowings	27,446,226	19,890,768
Finance cost on lease liabilities (note 7.2)	4,342,800	5,138,785
Interest on employees' defined benefit liabilities (note 17.2)	887,353	600,460
	<u>32,676,379</u>	<u>25,630,013</u>

27. COMMITMENTS AND CONTINGENCIES

At 31 December 2022, the Company issued letters of guarantees amounted to SR 63.5 million (31 December 2021: SR 46.6 million) mainly in respect of the Company's leased properties and bidding securities.

As mentioned in note 19 to the financial statements, the Company has disclosed contingent liability in relation to correspondence received from ZATCA.

28. FAIR VALUE OF ASSETS AND LIABILITIES

As at 31 December 2022 and 2021, 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 2022 and 31 December 2021.

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 2022 and 31 December 2021, the carrying amounts of borrowings were not materially different from their calculated fair values.

During the year ended 31 December 2022 and 2021, there were no movements between the levels.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

29. 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:

	2022	2021
	SR	SR
<i>Gain (loss) through the statement of comprehensive income</i>		
<i>Floating rate debt:</i>		
SIBOR +/- 100bps	42,591	41,600

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 and hence Company is not affected by such risk. 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 2022

29. 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:

	2022 SR	2021 SR
Accounts receivable (note 9)	282,586,954	203,234,776
Contract assets (note 11)	16,432,319	12,915,784
Bank balances (note 12)	99,442,695	57,011,991
	398,461,968	273,162,551

a) Accounts receivable and contract assets

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 16% of outstanding accounts receivable at 31 December 2022 (2021: 15%).

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. Also the Company has bank facilities to meet its requirements

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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At 31 December 2022

29. 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>
31 December 2022				
Term loans	475,703,106	478,159,231	-	953,862,337
Car dealership' payable	56,876,824	-	-	56,876,824
Other current liabilities	30,142,683	-	-	30,142,683
Lease liabilities	56,801,861	56,140,056	3,835,000	116,776,917
Accounts payable	29,735,448	-	-	29,735,448
	<u>649,259,922</u>	<u>534,299,287</u>	<u>3,835,000</u>	<u>1,187,394,209</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>
31 December 2021				
Term loans	326,628,922	288,172,502	-	614,801,424
Car dealership' payable	115,942,535	-	-	115,942,535
Other current liabilities	26,515,381	-	-	26,515,381
Lease liabilities	57,419,980	58,832,656	1,970,000	118,222,636
Accounts payable	18,114,218	-	-	18,114,218
	<u>544,621,036</u>	<u>347,005,158</u>	<u>1,970,000</u>	<u>893,596,194</u>

30. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

30.1 *Financial assets*

	2022 SR	2021 SR
Financial assets at amortised cost:		
Accounts receivable	189,363,995	138,990,242
Amounts due from related parties	-	482,584
	<u>189,363,995</u>	<u>139,472,826</u>
Bank balances and cash	100,092,690	57,712,926
Total financial assets	<u>289,456,685</u>	<u>197,185,752</u>

30.2 *Financial liabilities*

		Maturity	2022 SR	2021 SR
Current interest-bearing liabilities				
Current portion of term loans	Note 16	Less than 1 year	442,155,580	326,628,922
Current portion of lease obligation	Note 7	Less than 1 year	53,848,293	54,355,232
Non-current interest-bearing liabilities				
Term loans	Note 16	1 to 5 years	455,185,280	288,172,502
Lease obligation	Note 7	1 to 10 years	53,707,128	54,686,864

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

31. 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.

	2022 SR	2021 SR
Non-current portion of term loans	455,185,280	288,172,502
Non-current portion of lease obligation	53,707,128	54,686,864
Current portion of term loans	442,155,580	326,628,922
Current portion of lease obligation	53,848,293	54,355,232
	<u>1,004,896,281</u>	<u>723,843,520</u>
Equity	<u>664,860,414</u>	<u>567,355,380</u>
Gearing ratio	1.51	1.28

32. 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.

31 December 2022	Short term lease SR	Long term lease SR	Others SR	Total SR
Revenue	478,262,446	314,694,746	175,010,486	967,967,678
Depreciation expense – motor vehicles	(106,057,600)	(140,427,894)	-	(246,485,494)
Segment profit	<u>372,204,846</u>	<u>174,266,852</u>	<u>175,010,486</u>	<u>721,482,184</u>
31 December 2021	Short term lease SR	Long term lease SR	Others SR	Total SR
Revenue	358,417,652	270,249,585	123,702,339	752,369,576
Depreciation expense – motor vehicles	(93,922,911)	(114,847,693)	-	(208,770,604)
Segment profit	<u>264,494,741</u>	<u>155,401,892</u>	<u>123,702,339</u>	<u>543,598,972</u>

Unallocated revenue and expenses:

	2022 SR	2021 SR
Segments profit	721,482,184	543,598,972
Cost of revenue	(366,362,221)	(295,116,556)
Selling and marketing expenses	(49,107,527)	(34,396,855)
General and administrative expenses	(46,810,587)	(35,836,933)
Provision for expected credit losses	(31,404,486)	(26,033,008)
Finance costs	(32,676,379)	(25,630,013)
Gain on derivative instrument at FVPL	480,196	2,280,247
Other income	8,145,514	3,616,742
Income before zakat	<u>203,746,694</u>	<u>132,482,596</u>

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At 31 December 2022

32. SEGMENTAL INFORMATION (continued)

Detail of segment assets and liabilities:

31 December 2022	<i>Allocated</i>		<i>Unallocated</i>	
	<i>Short term lease</i> SR	<i>Long term lease</i> SR	<i>Other</i> SR	<i>Total</i> SR
Segment assets	503,995,133	710,916,365	651,301,988	1,866,213,486
Segment liabilities	-	-	1,201,353,072	1,201,353,072

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

Other disclosures:

31 December 2022	<i>Allocated</i>		<i>Unallocated</i>	
	<i>Short term lease</i> SR	<i>Long term lease</i> SR	<i>Other</i> SR	<i>Total</i> SR
Capital expenditures	298,730,244	249,767,860	5,350,338	553,848,442

31 December 2021	<i>Allocated</i>		<i>Unallocated</i>	
	<i>Short term Lease</i> SR	<i>Long term lease</i> SR	<i>Other</i> SR	<i>Total</i> SR
Capital expenditures	282,786,381	214,234,802	6,401,761	503,422,944

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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NOTES TO THE FINANCIAL STATEMENTS (continued)

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33. DIVIDENDS

The Company's Board of Directors approved, in their meeting held on 21 March 2022, to distribute interim cash dividends of SR 0.54 per share totaling to SR 23,220,000. The above-mentioned interim dividends have been distributed to the shareholders on 20 April 2022.

The Company's Board of Directors approved, in their meeting held on 7 June 2022, to distribute interim cash dividends of SR 0.49 per share totaling to SR 21,070,000. The above-mentioned interim dividends were distributed to the shareholders on 3 July 2022.

The Company's Board of Directors approved, in their meeting held on 30 August 2022, to distribute interim cash dividends of SR 0.50 per share totaling to SR 21,500,000. The above-mentioned interim dividends have been distributed to the shareholders on 20 September 2022.

The Company's Board of Directors approved, in their meeting held on 13 November 2022, to distribute interim cash dividends of SR 0.62 per share totaling to SR 26,660,000. The above-mentioned interim dividends have been distributed to the shareholders on 27 November 2022.

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 on 21 September 2021.

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 above-mentioned interim dividends have been distributed to the shareholders on 28 November 2021.

34. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Changes in liabilities arising from financing activities:

	<i>1 January 2022 SR</i>	<i>Cash flows SR</i>	<i>New leases SR</i>	<i>Others SR</i>	<i>31 December 2022 SR</i>
Current portion of term loans	326,628,922	115,526,658	-	-	442,155,580
Lease liabilities	109,042,096	(49,756,746)	43,927,271	4,342,800	107,555,421
Non-current portion of term loans	288,172,502	167,012,778	-	-	455,185,280
Total	723,843,520	232,782,690	43,927,271	4,342,800	1,004,896,281
	<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

35. DERIVATIVES NOT DESIGNED AS HEDGING INSTRUMENTS

The Company is engaged in interest rate swap agreement with a local bank. Notional amount of SR nil (31 December 2021: SR 75,000,000). 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 2022, the fair value of the derivative instrument at FVTPL amounted to SR nil (31 December 2021: SR 480,196).

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.

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36. 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>
Central region			
Altaawon	1010311975	14/00004212	4/8/1432 H (corresponding 5/6/2011)
Alswaidi	1010187020	14/00004223	30/3/1424 H (corresponding 31/5/2003)
Alshefa	1010359247	14/00004224	16/2/1434 H (corresponding 29/12/2012)
Al-Yasmin	1010396199	14/00004237	23/1/1435 H (corresponding 26/11/2013)
Riyadh Showroom, AlRawdah	1010378245	10102000200	27/7/1434 H (corresponding 6/6/2013)
Al-Malaz	1010224758	14/00004220	22/10/1427 H (corresponding 13/11/2006)
Um Alhamam	1010181670	14/00004221	15/8/1423 H (corresponding 21/10/2002)
King Khalid Airport Terminal 5	1010150661	14/00004578	12/4/1419 H (corresponding 5/8/1998)
King Khalid Airport Terminal 1	1010150661	14/00005459	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	14/00006564	12/5/1435H (corresponding 13/03/2014)
Buraida Airport	1131051994	14/00005030	12/5/1435H (corresponding 13/03/2014)
Al Qadisyah	1010758112	-	12/4/1443H (corresponding 18/11/2021)
Hail	3350139352	14/00006656	4/7/1439 H (corresponding 21/3/2018)
Hail Airport	3350139352	80102000201	4/7/1439 H (corresponding 21/3/2018)
Al Aroubah	1010930285	14/00004238	13/4/1439 H (corresponding 31/12/2017)
Al Yarmouk	1010451029	14/00004239	15/9/1439 H (corresponding to 29/5/2018)
Al Musanada	1010150661	14/00004222	22/3/1441 H (corresponding to 20/11/2019)
Wadi Lanan	1010598941	14/00001917	15/02/1441H (corresponding to 15/10/2019)
Buses	1010604548	-	22/03/1441H (corresponding to 20/11/2019)
Operating and Maintenance	1010610736	-	25/11/1438H (corresponding to 18/8/2017)
Car Maintenance	1010428416	-	8/2/1436H (corresponding to 1/12/2014)
Leath company for rent Car	1010215369	-	4/12/1426H (corresponding to 4/1/2006)
Twaiq New branch	1010150661	14/00008289	12/4/1419 H (corresponding 5/8/1998)
North Industrial New branch	1010150661	14/00007031	12/4/1419 H (corresponding 5/8/1998)
Al Sulay	1010150661	14/00006294	22/3/1441 H (corresponding to 20/11/2019)
Western region			
Al Tahlia New Branch	4030127038	under process	29/1/1420 H (corresponding 15/5/1999)
Albughdadia	4030127038	14/00004447	29/1/1420 H (corresponding 15/5/1999)
Almadina road	4030127038	14/00004443	29/1/1420 H (corresponding 15/5/1999)
Al-Fayha	4030127038	14/00004446	29/1/1420 H (corresponding 15/5/1999)
Al-Samer	4030290391	14/00004445	23/1/1420 H (corresponding 15/5/1999)
Yanbu	4700017234	3022002000	15/3/1435 H (corresponding 16/1/2014)
Almadina Almonawara	4650050975	30102000201	4/3/1432 H (corresponding 7/2/2011)
Almadina Airport	4650050975	14/00002912	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	-	30/8/1438 H (corresponding 6/6/2017)
Al Amal	4030127038	14/00004444	29/1/1420H (corresponding 14/5/1999)
Makah Almukarmah branch	4031225251	14/00000537	25/7/1440H (corresponding 01/4/2019)
Altaif branch	4032235084	14/00001325	25/7/1440H (corresponding 01/4/2019)
Alual branch	4651102277	14/00000453	15/2/1441H (corresponding 15/10/2019)
Asfan Maintenance	4030403857	-	22/5/1442H (corresponding 6/1/2021)
Prince Majied Road	4030127038	14/00007944	29/1/1420 H (corresponding 15/5/1999)
King Abdulaziz Airport Terminal 1	4030127038	14/00004456	29/1/1420 H (corresponding 15/5/1999)
Eastern region			
Dammam	2050034970	20102000201	4/2/1420 H (corresponding 19/5/1999)
Al-Khobar	2051221149	14/00005781	26/7/1439 H (corresponding 12/4/2018)
Dammam Airport	2050034970	14/00004321	4/2/1420 H (corresponding 19/5/1999)
Al-Jubail Al Balad	2055009774	14/00003491	15/9/1429 H (corresponding 15/9/2008)
Al-Jubail Royal Commission	2055009774	51302000201	15/9/1429 H (corresponding 15/9/2008)
Alihasa, Alkhalidia	2251040741	50202000201	22/11/1431 H (corresponding 30/10/2010)
Al Kair Maintenance	2050148928	-	12/2/1443H (corresponding 20/9/2021)
Qurtoba	2051221149	14/00004067	26/7/1439 H (corresponding 12/4/2018)
Alihsa, Almubaraz	2031100133	14/00004346	25/10/1439 H (corresponding 9/7/2018)
Azizia Khubar	2050034970	14/00004319	4/2/1420 H (corresponding 19/5/1999)
Al Qatif New branch	2050034970	under process	4/2/1420 H (corresponding 19/5/1999)

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

36. COMPANY BRANCHES (continued)

<i>Branch</i>	<i>Commercial registration</i>	<i>License No.</i>	<i>Date of commercial registration</i>
Southern region			
Abha Branch	5850069435	60102000202	2/5/1437 H (corresponding 11/2/2016)
Abha Airport	5850234565	14/00007890	2/7/1439 H (corresponding 9/7/2018)
Albaha Airport	5800021384	120502000201	9/6/1438 H (corresponding 8/3/2017)
Jazan Airport	5900020957	14/00007889	23/3/1434 H (corresponding 4/2/2013)
Albaha Branch	5800020727	14/00007982	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	5855070943	60202000201	27/8/1438 H (corresponding 24/5/2017)
Najran Airport	5950115357	14/00000539	16/8/1440 H (corresponding 22/4/2019)
Abo Aresh	5901720213	14/00003382	22/5/1442 H (corresponding 6/1/2021)
Northern region			
Tabuk	3550032407	70102000201	14/2/1435 H (corresponding 17/12/2013)
Tabuk Airport	3550032407	14/00002915	14/2/1435 H (corresponding 17/12/2013)
Neom Airport	3550032407	-	14/2/1435 H (corresponding 17/12/2013)

37. EVENTS AFTER THE REPORTING PERIOD

In the opinion of management, no significant subsequent events have occurred subsequent to 31 December 2022 that would require disclosures or adjustments in these financial statements.

38. COMPARATIVE INFORMATION

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

39. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issue on 15 Sha'ban 1444H (corresponding 7 March 2023) by the Board of Directors of the Company.