

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

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

FINANCIAL STATEMENTS

31 December 2020

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Theeb Rent a Car Company (A SAUDI CLOSED JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of Theeb Rent a Car Company (the "Company"), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in shareholder's 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 2020, 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 Certified Public Accountants.

Basis for Opinion

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

Emphasis of a matter

We draw attention to note 20 to the financial statements. As stated therein, subsequent to the year ended 31 December 2020, management has received a correspondence from the General Authority of Zakat and Income Tax ("GAZT"), regarding certain possible taxes on the Company relating to the ownership interests of one of the Company's shareholders. As at the date of this report, no official assessment has been received from GAZT. Our opinion has not been modified in respect of this matter.

Other matters

The financial statements of the Company for the year ended 31 December 2019 have been audited by another auditor who expressed an unqualified opinion on the financial statements on 13 Rajab 1441 (corresponding to 8 March 2020).

Responsibilities of Management and the Board of Directors for the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Theeb Rent a Car Company
(A SAUDI CLOSED JOINT STOCK COMPANY) (continued)**

Responsibilities of Management and the Board of Directors for the Financial Statements (continued)

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Theeb Rent a Car Company
(A SAUDI CLOSED JOINT STOCK COMPANY) (continued)

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

- 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.

We communicate with the Board of Directors 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.

for Ernst & Young



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

Riyadh: 15 Sha'aban 1442H
(28 March 2021)



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

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 SR	2019 (Restated, note 37) SR
Revenue	22	659,994,795	631,140,094
Cost of revenue	23	(497,980,838)	(409,990,050)
GROSS PROFIT		162,013,957	221,150,044
Selling and marketing expenses	24	(27,187,930)	(33,253,039)
General and administrative expenses	25	(32,498,326)	(31,733,602)
Provision for expected credit losses	10,12	(10,804,062)	(6,746,837)
Other income	26	7,792,299	2,878,719
INCOME FROM OPERATIONS		99,315,938	152,295,285
Finance cost	27	(31,961,264)	(25,381,796)
Loss on derivative instrument at FVPL	36	-	(2,760,443)
INCOME BEFORE ZAKAT		67,354,674	124,153,046
Zakat	20	(4,108,546)	(8,127,686)
NET INCOME FOR THE YEAR		63,246,128	116,025,360
Other comprehensive income:			
Items that will not be reclassified to income in subsequent periods:			
Re-measurement loss on defined benefit plans	18.4	(344,064)	(1,177,353)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		62,902,064	114,848,007
EARNINGS PER SHARE (EPS)			
Basic and diluted earnings per share (restated)	21	1.46	2.67

Chairman

Chief Executive Officer

Chief Financial Officer

The attached notes 1 to 42 form an integral part of these financial statements.

Theeb Rent a Car Company
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	2020 SR	2019 (Restated, note 37) SR
ASSETS			
NON-CURRENT ASSETS			
Property and equipment, net	6	979,087,072	1,027,075,894
Right-of-use assets	7	119,218,046	46,922,683
Intangible assets	8	323,216	457,559
TOTAL NON-CURRENT ASSETS		1,098,628,334	1,074,456,136
CURRENT ASSETS			
Inventories	9	8,571,084	6,760,680
Accounts receivable, net	10	109,151,468	85,397,651
Prepayments and other current assets	11	34,969,450	37,687,684
Contract asset, net	12	6,437,483	7,824,616
Amounts due from related parties	14	10,133,496	4,415,046
Bank balances and cash	13	39,514,666	58,970,106
TOTAL CURRENT ASSETS		208,777,647	201,055,783
TOTAL ASSETS		1,307,405,981	1,275,511,919
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	15	430,000,000	153,902,000
Statutory reserve	16	6,290,206	55,338,077
Retained earnings		45,225,230	239,373,295
TOTAL EQUITY		481,515,436	448,613,372
NON-CURRENT LIABILITIES			
Non-current portion of term loans	17	248,511,760	316,162,393
Employees' defined benefit liability	18	24,018,384	23,264,087
Non - current portion of lease obligation	7	92,913,993	28,613,209
TOTAL NON-CURRENT LIABILITIES		365,444,137	368,039,689
CURRENT LIABILITIES			
Current portion of term loans	17	296,508,006	288,849,161
Current portion of lease obligation	7	34,791,072	15,364,724
Car dealership' payable		64,655,541	91,923,948
Accounts payable		7,081,118	3,533,867
Derivative instrument at FVPL	36	2,760,443	2,760,443
Contract liability		-	241,767
Accrued expenses and other payables	19	34,720,584	36,330,577
Zakat provision	20	19,929,644	19,854,371
TOTAL CURRENT LIABILITIES		460,446,408	458,858,858
TOTAL LIABILITIES		825,890,545	826,898,547
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,307,405,981	1,275,511,919

Chairman

Chief Executive Officer

Chief Financial Officer

The attached notes 1 to 42 form an integral part of these financial statements.

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2020

	Notes	Share capital SR	Statutory reserve SR	Retained earnings SR	Total SR
As at 31 December 2018		153,902,000	55,338,077	174,525,288	383,765,365
Net income for the year, as restated	37	-	-	116,025,360	116,025,360
Other comprehensive income		-	-	(1,177,353)	(1,177,353)
Total comprehensive income		-	-	114,848,007	114,848,007
Dividends	34	-	-	(50,000,000)	(50,000,000)
Balance at 31 December 2019		153,902,000	55,338,077	239,373,295	448,613,372
Capital increase		276,098,000	(55,338,077)	(220,759,923)	-
Net income for the year	15	-	-	63,246,128	63,246,128
Other comprehensive income		-	-	(344,064)	(344,064)
Total comprehensive income		-	-	62,902,064	62,902,064
Transfer to statutory reserve		-	6,290,206	(6,290,206)	-
Dividends	34	-	-	(30,000,000)	(30,000,000)
As at 31 December 2020		430,000,000	6,290,206	45,225,230	481,515,436

Chairman

Chief Executive Officer

Chief Financial Officer

The attached notes 1 to 42 form an integral part of these financial statements.

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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 SR	2019 (Restated, note 37) SR
OPERATING ACTIVITIES			
Income before zakat		67,354,674	124,153,046
<i>Adjustments to reconcile income before zakat to net cash flows:</i>			
Depreciation of property and equipment	6	201,937,052	177,137,224
Amortisation of intangible assets	8	251,905	221,935
Depreciation of right-of-use assets	7	33,460,939	15,895,357
Finance costs	27	26,653,763	22,338,769
Finance cost on lease liability	7	4,725,899	2,179,480
Provision for expected credit losses	10,12	10,804,062	6,746,837
Employees' benefit obligation	18.3	3,593,955	3,524,484
Loss on derivative instrument at FVPL		-	2,760,443
Write down of inventories	9	12,833,970	7,568,299
Write off (reversal) of property and equipment	6	(16,634)	-
		<u>361,599,585</u>	<u>362,525,874</u>
<i>Working capital adjustments (decrease) increase:</i>			
Prepayments and other current assets		2,718,234	(10,982,591)
Accounts receivables		(34,363,265)	(27,262,408)
Accrued revenue, net		1,192,519	(2,256,592)
Amounts due from related parties		(5,716,494)	(4,314,832)
Inventories		143,285,180	84,482,888
Car dealership' payable		(27,268,407)	1,913,167
Accrued expenses and other payables		(3,389,107)	11,140,307
Unearned revenue		(241,767)	(362,650)
Accounts payable		3,545,295	1,852,305
		<u>441,361,773</u>	<u>416,735,468</u>
Additions of motor vehicles	6	(307,986,304)	(541,928,654)
Zakat paid	20	(4,033,273)	(2,039,236)
Employees' defined benefit obligations paid	18	(3,183,722)	(1,620,119)
Net cash flows from (used in) operating activities		<u>126,158,474</u>	<u>(128,852,541)</u>
INVESTING ACTIVITIES			
Additions of other property and equipment	6	(3,874,846)	(3,870,083)
Additions of intangible assets	8	(117,562)	(95,830)
Net cash flows used in investing activities		<u>(3,992,408)</u>	<u>(3,965,913)</u>
FINANCING ACTIVITIES			
Finance costs paid		(24,874,649)	(20,460,358)
Proceeds from term loans		320,097,794	547,274,850
Repayments of term loans		(380,089,582)	(301,206,145)
Payment of lease liabilities		(26,755,069)	(16,943,303)
Dividends paid		(30,000,000)	(50,000,000)
Net cash flows (used in) from financing activities		<u>(141,621,506)</u>	<u>158,665,044</u>
(Decrease) increase in bank balances and cash		<u>(19,455,440)</u>	<u>25,846,590</u>
Bank balances and cash at the beginning of the year		58,970,106	33,123,516
Bank balances and cash at the end of the year		<u>39,514,666</u>	<u>58,970,106</u>
Significant non-cash transactions:			
Share capital increase through transfer from statutory reserve and retained earnings	15	276,098,000	-
Transfer of vehicles from property and equipment to inventories	6	157,929,554	91,782,939
Addition to right-of-use assets	7	105,756,302	6,779,646
Disposal of total loss cars		9,233,779	7,266,238

Chairman

Chief Executive Officer

Chief Financial Officer

The attached notes 1 to 42 form an integral part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2020

1. CORPORATE INFORMATION

Theeb Rent A Car Company (the “Company”), is a Closed Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration numbered 1010150661 dated 12 Rabi 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). The listing procedures are still in process as of the date of approving these financial statements.

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 Certified Public Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in KSA”).

2.2 *Basis of measurement*

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

2.3 *Functional and presentation currency*

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

2.4 *Significant accounting judgments, estimates and assumptions*

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

Judgments

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

Going concern

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

Lease classification – Company as a lessor

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2020

2. BASIS OF PREPARATION (continued)

2.4 Significant accounting judgments, estimates and assumptions (continued)

Judgments (continued)

Determining the lease term of contracts – Company as a lessee

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

Estimates and assumptions

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

Useful lives and residual value of property and equipment

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

Allowance for inventory

The Company recognises an allowance for inventories due to factors such as obsolescence, technical faults, 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 trade receivables and contract assets

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

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

Impairment of non-financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2020

2. BASIS OF PREPARATION (continued)

2.4 Significant accounting judgments, estimates and assumptions (continued)

Estimates and assumptions (continued)

Defined benefit plan

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

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

Fair value measurement of financial instruments

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

Provisions

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

Leases - Estimating the incremental borrowing rate

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently, except for new standard adopted during the year as disclosed in note 5, 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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Current versus non-current classification (continued)

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

3.2 Revenue from contracts with customers

Rental income – the Company as a lessor

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

Sale of inventories (vehicles)

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

Income from other services

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

Loyalty points

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

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

3.3 Expenses

Cost of revenue

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

Selling, marketing and administrative expenses

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2020

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 the General Authority of Zakat and Tax ("GAZT"). Provision for zakat for the Company is charged to the statement of comprehensive income.

Withholding tax

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

Value added tax

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

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

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

3.6 Property and equipment

Recognition and measurement

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

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

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

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

Subsequent costs

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

Capital work in progress

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

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

As at 31 December 2020

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.

For discussion on impairment assessment of property and equipment, please refer note 6.

The cost less estimated residual value of remaining property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets, effective from the date when it was available for use, as follows:

<i>Category of property and equipment</i>	<i>Useful life</i>
Buildings and equipment	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
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NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2020

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, technical faults, physical damage etc.

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

As at 31 December 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Inventories (continued)

Spare parts and supplies

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

3.10 Financial instruments

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

i) Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables 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. Trade receivables 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 trade receivables, 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 2020

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 2020

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 Companies 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
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NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2020

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
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NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2020

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 shareholders' equity.

4. CHANGES TO THE COMPANY'S ACCOUNTING POLICIES

Several amendments and interpretations apply for the first time in 2020, but do not have an impact or not applicable on the financial statements as mentioned below:

4.1 AMENDMENTS AND INTERPRETATIONS EFFECTIVE AS OF 1 JANUARY 2020

Several amendments and interpretations apply for the first time in 2020, which are effective for annual periods beginning on or after 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4.1.1 AMENDMENTS TO IFRS 3: DEFINITION OF A BUSINESS

THE AMENDMENT TO IFRS 3 BUSINESS COMBINATIONS CLARIFIES THAT TO BE CONSIDERED a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the company but may impact future periods should the Company enter into any business combinations. This amendment had no impact on the financial statements of the Company but may impact future periods should the Company enter any business combinations.

4.1.2 AMENDMENTS TO IFRS 7, IFRS 9 AND IAS 39: INTEREST RATE BENCHMARK REFORM

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Company as it does not have any interest rate hedge relationships. This amendment had no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

4.1.3 AMENDMENTS TO IAS 1 AND IAS 8: DEFINITION OF MATERIAL

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Company. This amendment had no impact on the financial statements of, nor is there expected to be any future impact to the Company.

4. CHANGES TO THE COMPANY'S ACCOUNTING POLICIES (continued)

4.1 AMENDMENTS AND INTERPRETATIONS EFFECTIVE AS OF 1 JANUARY 2020 (continued)

4.1.4 CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING ISSUED ON 29 MARCH 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. This amendment had no impact on the financial statements of the Company. This amendment had no impact on the financial statements of the Company.

4.1.5 AMENDMENTS TO IFRS 16 COVID-19 RELATED RENT CONCESSIONS

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 applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the Company. This amendment had no impact on the financial statements of the Company.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

5.1 IFRS 17 Insurance Contracts

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

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

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

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, 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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2020

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

5.3 Reference to the Conceptual Framework – Amendments to IFRS 3

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

At 31 December 2020

6. PROPERTY AND EQUIPMENT

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

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

6. PROPERTY AND EQUIPMENT (continued)

<i>31 December 2019</i>	<i>Lands SR</i>	<i>Buildings SR</i>	<i>Motor vehicles SR</i>	<i>Leasehold improvement SR</i>	<i>Other fixed assets SR</i>	<i>Total 2019 SR</i>
<i>Cost:</i>						
Balance as at 1 January 2019	88,012,550	4,717,984	867,438,265	6,018,302	25,947,787	992,134,888
Additions	-	486,590	541,928,654	642,113	2,741,380	545,798,737
Transfer to inventories	-	-	(183,253,941)	-	-	(183,253,941)
Balance as at 31 December 2019	<u>88,012,550</u>	<u>5,204,574</u>	<u>1,226,112,978</u>	<u>6,660,415</u>	<u>28,689,167</u>	<u>1,354,679,684</u>
<i>Accumulated depreciation:</i>						
Balance as at 1 January 2019	-	1,871,647	217,571,100	1,628,706	20,794,510	241,865,963
Charge for the year	-	83,704	173,601,786	643,288	2,808,446	177,137,224
Transfer to inventories	-	-	(91,471,002)	-	-	(91,471,002)
Impairment loss	-	-	-	-	71,605	71,605
Balance as at 31 December 2019	<u>-</u>	<u>1,955,351</u>	<u>299,701,884</u>	<u>2,271,994</u>	<u>23,674,561</u>	<u>327,603,790</u>
<i>Net book value</i>						
At 31 December 2019	<u><u>88,012,550</u></u>	<u><u>3,249,223</u></u>	<u><u>926,411,094</u></u>	<u><u>4,388,421</u></u>	<u><u>5,014,606</u></u>	<u><u>1,027,075,894</u></u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

6. PROPERTY AND EQUIPMENT (continued)

The depreciation charge for the year is allocated as follows:

	2020 SR	2019 SR
Cost of revenue (note 23)	201,363,131	176,684,029
General and administrative expenses (note 25)	573,921	453,195
	<u>201,937,052</u>	<u>177,137,224</u>

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:

	2020 SR	2019 SR
Balance as at 1 January	46,922,683	56,038,394
Additions	105,756,302	6,779,646
Depreciation expense (note 23)	(33,460,939)	(15,895,357)
Balance as at 31 December	<u>119,218,046</u>	<u>46,922,683</u>

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

	2020 SR	2019 SR
Balance as at 1 January	43,977,933	51,962,110
Additions	105,756,302	6,779,646
Accretion of interest (note 27)	4,725,899	2,179,480
Payments	(26,755,069)	(16,943,303)
Balance as at 31 December	<u>127,705,065</u>	<u>43,977,933</u>
Less: current portion	<u>34,791,072</u>	<u>15,364,724</u>
Non-current portion	<u>92,913,993</u>	<u>28,613,209</u>

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

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

At 31 December 2020

8. INTANGIBLE ASSETS

	2020 SR	2019 SR
<i>Cost:</i>		
Balance as at 1 January	1,007,386	911,556
Additions	117,562	95,830
Balance as at 31 December	1,124,948	1,007,386
<i>Accumulated amortisation:</i>		
Balance as at 1 January	549,827	327,892
Charge for the year (note 23)	251,905	221,935
Balance as at 31 December	801,732	549,827
Net book value	323,216	457,559

9. INVENTORIES

	2020 SR	2019 SR
Vehicles held for sale	5,004,677	4,045,459
Spare parts and supplies	3,566,407	2,715,221
	8,571,084	6,760,680

During the year ended 31 December 2020, the Company wrote down SR 12,833,970 (31 December 2019: SR 7,568,299) of inventories.

10. ACCOUNTS RECEIVABLE, NET

	2020 SR	2019 SR
Accounts receivable	148,005,262	113,536,290
Less: allowance for expected credit losses	(38,748,087)	(28,138,639)
Less: accounts receivable written off	(105,707)	-
	109,151,468	85,397,651

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

	2020 SR	2019 SR
At the beginning of the year	28,138,639	21,596,696
Provided during the year	10,609,448	6,541,943
At the end of the year	38,748,087	28,138,639

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

10. ACCOUNTS RECEIVABLE, NET (continued)

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

The credit risk exposure of the Company on trade receivables, excluding secured receivables and using a provision matrix, ranges from 16.82% to 97.36%.

11. PREPAYMENTS AND OTHER CURRENT ASSETS

	2020 SR	2019 SR
Prepayments	14,924,360	12,546,648
Advances to suppliers	9,066,680	6,738,955
Insurance receivable	5,256,888	6,791,806
Employees' receivables	2,454,040	1,775,993
Margin deposit	827,907	1,436,729
Other receivables	2,439,575	8,397,553
	<u>34,969,450</u>	<u>37,687,684</u>

12. CONTRACT ASSET, NET

	2020 SR	2019 SR
Contract asset	9,407,781	10,600,300
Less: allowance for expected credit losses	(2,970,298)	(2,775,684)
	<u>6,437,483</u>	<u>7,824,616</u>

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

	2020 SR	2019 SR
At the beginning of the year	2,775,684	2,570,790
Provided during the year	194,614	204,894
At the end of the year	<u>2,970,298</u>	<u>2,775,684</u>

13. BANK BALANCES AND CASH

	2020 SR	2019 SR
Bank balances	38,917,437	58,393,044
Cash on hand	597,229	577,062
	<u>39,514,666</u>	<u>58,970,106</u>

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

At 31 December 2020

14. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

Following is a list of related parties of the Company:

<i>Related party</i>	<i>Nature of relationship</i>
Investcorp Saudi Arabia Investments Company	Affiliate
Hamoud Abdullah Ibrahim Al-Theeb	Shareholder
Theeb Sons Company	Affiliate
Mohammed Ahmed Abdullah Al-Theeb	Shareholder
Nawaf Mohammed Ahmed Abdullah Al-Theeb	Shareholder
Naif Mohammed Ahmed Abdullah Al-Theeb	Shareholder
Ibrahim Ahmad AlTheeb	Other
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>	2020 SR	2019 SR
Theeb Sons Company	Revenue	1,992,460	9,683,135
Madareem Company	Revenue	482,499	112,625
Hamoud Abdullah Altheeb	Revenue and other income	108,991	150,060
Ibrahim Ahmad AlTheeb	Revenue	-	417,900
Investcorp Saudi Arabia Investments Company	Revenue	-	80,825
Naif Mohammed AlTheeb	Revenue and other income	19,340	58,983
Ahmed Mohammed AlTheeb	Revenue	-	19,005
Nawaf Mohammed AlTheeb	Other income	-	28,291
Mohammad Ahmed AlTheeb	Expenses	(300,000)	(530,519)

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>	2020 SR	2019 SR
Key management personnel	Short term employees' benefits	4,561,184	4,547,389
	Long term employees' benefits	230,361	209,477
Board of Directors	Board of Directors' remuneration	480,301	-

The breakdown of amounts due from (to) related party is as follows:

	2020 SR	2019 SR
Initial Public Offering ("IPO") costs incurred on behalf of shareholders (*)	9,665,418	4,377,183
Madareem Company	440,183	-
Others	27,895	37,863
Total related party balance	10,133,496	4,415,046

(*) As on the period ended 31 December 2020, the Company had incurred total IPO costs on behalf of the shareholders amounted to SR 9,665,418 (31 December 2019: SR 4,377,183). This amount represents the IPO cost which was agreed to be reimbursed by the shareholders upon the successful listing process.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

15. SHARE CAPITAL

The Company's share capital is divided into 43,000,000 shares of SR 10 each (31 December 2019: 15,390,200 shares of SR 10 each).

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

The shareholding pattern of Company's share capital is as follows:

<i>Shareholders</i>	<i>Nationality</i>	2020 SR	2019 SR
Hamoud Abdullah Ibrahim Al-Theeb	Saudi	32.90%	32.90%
Mohammed Ahmed Abdullah Al-Theeb	Saudi	32.90%	32.90%
Growth Opportunities Company for Trading	Saudi	30.00%	30.00%
Mohammed Hamoud Abdullah Ibrahim Al-Theeb	Saudi	0.70%	0.70%
Naif Mohammed Ahmed Abdullah Al-Theeb	Saudi	0.70%	0.70%
Nawaf Mohammed Ahmed Abdullah Al-Theeb	Saudi	0.70%	0.70%
Ahmed Mohammed Ahmed Abdullah Al-Theeb	Saudi	0.70%	0.70%
Ahmed Hamoud Abdullah Ibrahim Al-Theeb	Saudi	0.35%	0.35%
Salman Hamoud Abdullah Ibrahim Al-Theeb	Saudi	0.35%	0.35%
Sari Hamoud Abdullah Ibrahim Al-Theeb	Saudi	0.35%	0.35%
Abdullah Hamoud Abdullah Al-Theeb	Saudi	0.35%	0.35%
		<u>100.00%</u>	<u>100.00%</u>

16. STATUTORY RESERVE

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

17. TERM LOANS

	2020 SR	2019 SR
Term loans	545,019,766	605,011,554
Less: current portion	(296,508,006)	(288,849,161)
Non-current portion	<u>248,511,760</u>	<u>316,162,393</u>

The Company has obtained bank facilities from local banks in the form of term loans. These facilities are secured by personal guarantees from the shareholders. 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 December 2023. The installments due in 2021 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 2020 primarily owing to the loans, used to finance purchase of vehicles classified under non-current assets in the balance sheet, as part of the normal course of business. This is consistent with previously reported periods.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

18. EMPLOYEES' DEFINED BENEFIT LIABILITY

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

18.1 Actuarial assumptions:

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

	2020 SR	2019 SR
Salary increase rates:	3.50%	3.50%
Discount rate	3.50%	3.50%

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

	2020 SR	2019 SR
At the beginning of the year	23,264,087	20,182,369
Charge for the year (see note 18.3)	3,593,955	3,524,484
Actuarial loss on defined benefit plan	344,064	1,177,353
Benefits paid	(3,183,722)	(1,620,119)
At the end of the year	<u>24,018,384</u>	<u>23,264,087</u>

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

	2020 SR	2019 SR
Current service cost	3,012,353	2,660,937
Interest cost, net (note 27)	581,602	863,547
Total end of service benefits expense	<u>3,593,955</u>	<u>3,524,484</u>

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

	2020 SR	2019 SR
Cost of revenue	1,521,073	1,403,995
Selling and marketing expenses	869,315	800,259
General and administrative expenses	621,965	456,683
Total end of service benefits expense	<u>3,012,353</u>	<u>2,660,937</u>

18.4 Amount recognised in other comprehensive income was as follow:

	2020 SR	2019 SR
Actuarial losses due to change in financial assumptions	989,636	1,410,427
Actuarial gains due to experience adjustments	(645,572)	(233,074)
Total actuarial loss	<u>344,064</u>	<u>1,177,353</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

18. EMPLOYEES' DEFINED BENEFIT LIABILITY (continued)

18.5 Sensitivity analysis of significant actuarial assumptions:

A quantitative sensitivity analysis for significant assumption on the employees' terminal benefits liabilities as at 31 December 2020 and 31 December 2019 is shown below:

31 December 2020

	<i>Change in Assumption</i>	<i>Base value SR</i>	<i>Impact on defined benefit obligation</i>	
			<i>Increase in assumption SR</i>	<i>Decrease in assumption SR</i>
Discount rate	+/-1%	23,364,087	22,057,273	26,305,659
Salary growth rate	+/-1%	23,364,087	26,333,569	21,994,653
Mortality rate	+/-10%	23,364,087	24,013,860	24,022,926
Withdrawal rate	+/-10%	23,364,087	23,783,362	24,278,574

31 December 2019

	<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%	20,182,369	21,525,357	25,274,888
Salary growth rate	+/-1%	20,182,369	25,373,888	21,407,432
Mortality rate	+/-10%	20,182,369	23,261,739	23,266,443
Withdrawal rate	+/-10%	20,182,369	23,105,300	23,438,464

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 2020 and 31 December 2019. 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>2020 SR</i>	<i>2019 SR</i>
Within the next 12 months (next annual reporting period)	2,544,858	2,941,832
Between 2 and 5 years	7,849,801	7,613,025
Beyond 5 years	22,107,398	21,344,020
	32,502,057	31,898,877

19. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<i>2020 SR</i>	<i>2019 SR</i>
Accrued expenses	16,024,342	21,158,433
Advance from customers	12,142,021	10,399,604
Loyalty points	4,077,604	3,585,569
VAT payable	1,427,938	-
Other payables	1,048,679	1,186,971
	34,720,584	36,330,577

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

20. ZAKAT PROVISION

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

	2020 SR	2019 SR
Charge for the year	6,401,349	4,033,274
(Reversal) Additional provision for prior years	(2,292,803)	4,094,412
Total	4,108,546	8,127,686
	2020 SR	2019 SR
At the beginning of the year	19,854,371	13,765,921
Provided during the year	4,108,546	8,127,686
Paid during the year	(4,033,273)	(2,039,236)
At the end of the year	19,929,644	19,854,371

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

	2020 SR	2019 SR
Shareholders' equity	448,613,372	278,427,288
Opening provisions and other adjustments	817,995,986	824,060,903
Book value of long-term assets	(1,098,628,334)	(1,080,288,637)
	167,981,024	22,199,554
Zakatable income	82,378,646	138,441,542
Zakat base	250,359,670	160,641,096
Zakat	6,401,349	4,033,274

20.3 *Status of zakat assessment*

- The Company has filed its zakat returns and financial statements to The General Authority of Zakat and Tax ("GAZT") for all years up to 31 December 2019 and obtained zakat certificate for those years.
- The Company finalized its zakat position with GAZT for all years up to 2009.
- During the year ended 31 December 2019, GAZT has issued a letter showing zakat differences by SR 13,903,441 for the years from 2010 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 GAZT against these differences.
- During the year ended 31 December 2020, the Company received from GAZT a preliminary assessment showing zakat differences for the year of 2018 by SR 4,014,060, and the Company has made a provision for the full amount. Further, GAZT has issued an amendment to zakat differences for the year of 2018 based on the clarifications provided by the Company and reduced the differences to SR 1,785,077. Accordingly, the Company reversed the excess provision in the statement of comprehensive income for the year ended 31 December 2020.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

20. ZAKAT PROVISION (continued)

20.3 Status of zakat assessment (continued)

- Subsequent to the year ended 31 December 2020, management received a correspondence from the General Authority of Zakat and Income Tax ("GAZT"), regarding the ownership of shares by Growth Opportunities Company for Trading, one of the shareholders in the Company, that there are certain possible taxes on the company. GAZT's view based on certain assumptions, is that the Company is partially subject to income tax. In the above-mentioned correspondence, GAZT assumed that the above-mentioned shareholder is fully owned directly or indirectly by non-GCC nationals and accordingly, the total amount of income tax exposure as stated by GAZT is SR 29.76 million for income tax and withholding tax exposure was set out by GAZT 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 GAZT. Additional potential exposure for the year ended 31 December 2019 and for the period ended 31 December 2020 could arise if GAZT imposes the above-mentioned principle to all assessment years.

The Company is currently registered with GAZT as a 100% zakatable company on the basis of its ownership structure with all direct and indirect shareholders of the Company 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 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 GAZT in connection with the above matter are still on-going and are in an early stage and the outcome of the above matter is still uncertain. Moreover, in case of any imposed position by GAZT, in addition to any relevant fines and delay penalties, the above-mentioned shareholder has provided to the Company an indemnity undertaking letter to bear any tax related liability that might be imposed on the Company by GAZT in connection with the above matter. Therefore, in the light of the information currently available and the indemnity undertaking letter from the above-mentioned shareholder, the management is of the view that it is highly unlikely that there will be any material exposure for the Company in connection with the above communication received from GAZT.

21. EARNINGS PER SHARE

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

	2020	2019
Net income for the year (Saudi Riyals)	62,902,064	114,848,007
Weighted average number of ordinary shares for basic and diluted EPS	43,000,000	43,000,000
Earnings per share (Saudi Riyals) (restated)	1.46	2.67

Weighted average of ordinary shares of the comparative year has been restated to be consistent with the weighted average of ordinary shares in the current year. The comparative basic and diluted earnings per share has been restated accordingly.

22. REVENUE

Disaggregated revenue information

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

	2020 SR	2019 SR
Short term rental	254,974,912	349,396,532
Long term lease	249,653,717	191,150,055
Sales of motor vehicles	155,366,166	90,593,507
	659,994,795	631,140,094

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

22. REVENUE (continued)

Timing of revenue recognition

	2020 SR	2019 SR
Services transferred over time	504,628,629	540,546,587
Services transferred at point in time	155,366,166	90,593,507
	<u>659,994,795</u>	<u>631,140,094</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 does not provide customers with any right of return. There are no unsatisfied performance obligations as at the reporting date; therefore, there are no transaction price that are required to be allocated over the remaining or unsatisfied performance obligations.

Operating leases – the Company as lessor

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

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

	2020 SR	2019 SR
Within 1 year	224,334,192	199,813,267
After 1 year, but not more than 5 years	267,044,825	292,978,489
	<u>491,379,017</u>	<u>492,791,756</u>

22.1 Contract balances

	2020 SR	2019 SR
Contract asset (note 12)	6,437,483	7,824,616
Contract liability	-	241,767

23. COST OF REVENUE

	2020 SR	2019 SR
Depreciation of property and equipment (note 6)	201,363,131	176,684,029
Cost of sold vehicles	144,146,595	84,789,815
Employees' salaries and other benefits	42,614,559	49,217,135
Depreciation on right of use assets (note 7)	33,460,939	15,895,357
Insurance	33,070,586	34,105,459
Maintenance and repair	23,565,674	21,539,129
Rental	4,128,559	11,640,999
Write down of inventory	3,583,557	302,061
Shipping	3,531,114	3,852,272
Bank charges	2,751,491	3,461,390
Utilities	1,166,628	1,335,364
Amortisation of intangible assets (note 8)	251,905	221,935
Others	4,346,100	6,945,105
	<u>497,980,838</u>	<u>409,990,050</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

24. SELLING AND MARKETING EXPENSES

	2020 SR	2019 SR
Employees' salaries and other benefits	24,827,967	29,248,731
Advertising	1,573,594	2,053,321
Others	786,369	1,950,987
	<u>27,187,930</u>	<u>33,253,039</u>

25. GENERAL AND ADMINISTRATIVE EXPENSES

	2020 SR	2019 SR
Employees' salaries and other benefits	15,768,641	18,709,881
Professional fees	2,257,476	2,247,982
Provision for expected credit losses	2,428,892	1,256,732
Governmental fees	2,139,736	1,854,983
IT/ERP system	2,119,232	1,471,816
Insurance receivable write-off	1,603,944	-
Utilities	1,571,164	1,197,903
Communication	1,042,248	1,130,851
Depreciation of property and equipment (note 6)	573,921	453,195
Hospitality	383,612	865,333
Maintenance and repair	129,512	303,379
Others	2,479,948	2,241,547
	<u>32,498,326</u>	<u>31,733,602</u>

26. OTHER INCOME

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

27. FINANCE COSTS

	2020 SR	2019 SR
Finance cost on bank borrowings	26,653,763	22,338,769
Finance cost on lease liabilities (note 7.2)	4,725,899	2,179,480
Interest on employees' defined benefit liabilities (note 18.3)	581,602	863,547
	<u>31,961,264</u>	<u>25,381,796</u>

28. COMMITMENTS AND CONTINGENCIES

At 31 December 2020, The Company issued letters of guarantees amounted to SR 43,697,385 (2019: SR 28,582,520) mainly in respect of the Company's leased properties and bidding securities.

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

29. FAIR VALUE OF ASSETS AND LIABILITIES

As at 31 December 2020 and 2019, 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 trade receivables as at 31 December 2020 and 31 December 2019.

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 2020 and 31 December 2019, the carrying amounts of borrowings were not materially different from their calculated fair values.

During the year ended 31 December 2020 and 2019, there were no movements between the levels.

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At 31 December 2020

30. FINANCIAL INSTRUMENTS RISK MANAGEMENT

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

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

Market risk

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

Commission rate risk

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

Foreign currency risk

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

Credit risk

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

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:

	2020 SR	2019 SR
Accounts receivable (note 10)	148,005,262	113,536,290
Bank balances (note 13)	38,917,437	58,393,044
	<u>186,922,699</u>	<u>171,929,334</u>

a) Accounts receivable

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. The 5 largest customers account for 27% of outstanding accounts receivable at 31 December 2020 (2019: 24%).

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

30. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Credit risk (continued)

a) Accounts receivable (continued)

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

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

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

b) Bank balances

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

Liquidity risk

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

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

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

The table below analyses the Company's financial liabilities into the relevant maturity 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 2020				
Term loans	296,508,006	248,511,760	-	545,019,766
Car dealership' payable	64,655,641	-	-	64,655,641
Accrued expenses and other payable	34,720,584	-	-	34,720,584
Lease liabilities	34,791,072	89,011,286	3,902,707	127,705,065
Accounts payable	7,079,162	-	-	7,079,162
	<u>437,754,465</u>	<u>337,523,046</u>	<u>3,902,707</u>	<u>779,180,218</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

30. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Liquidity risk (continued)

	<i>Within 1 year SR</i>	<i>1 to 5 years SR</i>	<i>More than 5 years SR</i>	<i>Total SR</i>
<i>31 December 2019</i>				
Term loans	288,849,161	316,162,393	-	605,011,554
Car dealership' payable	91,923,948	-	-	91,923,948
Accrued expenses and other payable	36,330,577	-	-	36,330,577
Lease liabilities	15,364,724	26,299,060	2,314,149	43,977,933
Accounts payable	3,533,867	-	-	3,533,867
	<u>436,002,277</u>	<u>342,461,453</u>	<u>2,314,149</u>	<u>780,777,879</u>

31. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

31.1 FINANCIAL ASSETS

	<i>2020 SR</i>	<i>2019 SR</i>
Financial assets at amortised cost:		
Accounts receivable	109,151,468	85,397,651
Amounts due from related parties	10,133,496	4,415,046
	119,284,964	89,812,697
Bank balances and cash	39,514,666	58,970,106
Total financial assets	158,799,630	148,782,803

31.2 FINANCIAL LIABILITIES

	<i>Effective Interest rate</i>	<i>Maturity</i>	<i>2020 SR</i>	<i>2019 SR</i>
Current interest-bearing liabilities				
Current portion of term loans	Note 17	Less than 1 year	296,508,006	288,849,161
Current portion of lease obligation	Note 7	Less than 1 year	34,791,072	15,364,724
Non-current interest-bearing liabilities				
Term loans	Note 17		248,511,760	316,162,393
Lease obligation	Note 7		92,913,993	28,613,209

32. CAPITAL MANAGEMENT

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

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

	<i>2020 SR</i>	<i>2019 SR</i>
Non-current portion of term loans	248,511,760	316,162,393
Non-current portion of lease obligation	92,913,993	28,613,209
Current portion of term loans	296,508,006	288,849,161
Current portion of lease obligation	34,791,072	15,364,724
	<u>672,724,831</u>	<u>648,989,487</u>
Equity	<u>482,051,357</u>	<u>448,613,372</u>
Gearing ratio	1.39	1.45

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33. SEGMENTAL INFORMATION

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

<i>31 December 2020</i>	<i>Short term lease SR</i>	<i>Long term lease SR</i>	<i>Others SR</i>	<i>Total SR</i>
Revenue	254,974,912	249,653,717	155,366,166	659,994,795
Depreciation expense – motor vehicles	(90,699,584)	(107,941,190)	-	(198,640,774)
Segment profit	164,275,328	141,712,527	155,366,166	461,354,021
<i>31 December 2019</i>	<i>Short term lease SR</i>	<i>Long term lease SR</i>	<i>Others SR</i>	<i>Total SR</i>
Revenue	349,396,532	191,150,055	90,593,507	631,140,094
Depreciation expense – motor vehicles	(92,193,544)	(81,408,242)	-	(173,601,786)
Segment profit	257,202,988	109,741,813	90,593,507	457,538,308

Unallocated revenue and expenses:

	<i>2020 SR</i>	<i>2019 SR</i>
Cost of revenue	(299,340,064)	(236,388,264)
Selling and marketing expenses	(27,187,930)	(33,253,039)
General and administrative expenses	(32,498,326)	(31,733,602)
Provision for expected credit losses	(10,804,062)	(6,746,837)
Finance costs	(31,961,264)	(28,142,239)
Other income	7,792,299	2,878,719
Income before zakat	67,354,674	124,153,046

Detail of segment assets and liabilities:

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

<i>31 December 2019</i>	<i>Allocated Short term lease SR</i>	<i>Long term lease SR</i>	<i>Unallocated Other SR</i>	<i>Total SR</i>
Segment assets	388,348,654	538,062,440	349,100,825	1,275,511,919
Segment liabilities	-	-	826,898,547	826,898,547

Other disclosures:

<i>31 December 2020</i>	<i>Allocated Short term lease SR</i>	<i>Long term lease SR</i>	<i>Unallocated Other SR</i>	<i>Total SR</i>
Capital expenditures	132,927,263	175,059,041	3,018,385	311,004,689
<i>31 December 2019</i>	<i>Allocated Short term lease SR</i>	<i>Long term lease SR</i>	<i>Unallocated Other SR</i>	<i>Total SR</i>
Capital expenditures	222,418,852	319,509,802	3,948,913	545,877,567

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

33. SEGMENTAL INFORMATION (continued)

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.

34. DIVIDENDS

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

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

The Company's Board of Directors recommended the following during the year ended 31 December 2019:

- distribution of interim cash dividends, in their meeting held on 4 March 2019, of SR 0.65 per share totaling to SR 10,000,000.
- distribution of interim cash dividends in their meeting held on 9 April 2019, of SR 0.71 per share totaling to SR 11,000,000.
- distribution of interim cash dividends in their meeting held on 16 July 2019, of SR 0.71 per share totaling to SR 11,000,000.
- distribution of interim cash dividends in their meeting held on 20 October 2019, of SR 1.17 per share totaling to SR 18,000,000.

The recommendations of the Board of Directors to distribute interim cash dividends during the year ended 31 December 2019 were approved by the extraordinary general assembly meeting held on 19 March 2020.

35. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Changes in liabilities arising from financing activities:

	<i>1 January 2020 SR</i>	<i>Cash flows SR</i>	<i>New leases SR</i>	<i>Others SR</i>	<i>31 December 2020 SR</i>
Current portion of term loans	288,849,161	7,658,845	-	-	296,508,006
Lease liabilities	43,977,933	(26,755,069)	105,756,302	4,725,899	127,705,065
Non-current portion of term loans	316,162,393	(67,650,633)	-	-	248,511,760
Total	648,989,487	(86,746,857)	105,756,302	4,725,899	672,724,831
	<i>1 January 2019 SR</i>	<i>Cash flows SR</i>	<i>New leases SR</i>	<i>Others SR</i>	<i>31 December 2019 SR</i>
Current portion of term loans	129,320,089	159,529,072	-	-	288,849,161
Lease liabilities	51,962,110	(16,943,303)	6,779,646	2,179,480	43,977,933
Non-current portion of term loans	229,622,760	86,539,633	-	-	316,162,393
Total	410,904,959	229,125,402	6,779,646	2,179,480	648,989,487

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36. DERIVATIVES NOT DESIGNED AS HEDGING INSTRUMENTS

The Company is engaged in interest rate swap agreements, with local banks. Notional amount of SR 150,000,000 (31 December 2019: SR 150,000,000). Derivative not designed as hedging instruments. The change in fair value of those commission rates that are not designed in hedge relationships, but are, nevertheless, intended to reduce the level of commission rate risk. As at 31 December 2020, the fair value of the derivative instrument at FVTPL amounted to SR 2,760,443 (31 December 2019: SR 2,760,443).

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

37. RESTATEMENT

During the year ended 31 December 2020, management noted an error of not recording losses on derivatives designated at FVTPL amounted to SR 2,760,443, resulting in overstatement of the total comprehensive income for the year ended 31 December 2019 and understatement of the outstanding balance derivative instrument at FVTPL.

The above-mentioned error has been rectified and opening retained earnings were accordingly restated to rectify that error. The effect of correcting the error is set out below:

	<i>As previously stated SR</i>	<i>Adjustments SR</i>	<i>Restated SR</i>
<i>On the statement of financial position</i>			
Retained earnings 31 December 2019	242,133,738	(2,760,443)	239,373,295
Derivative instrument at FVTPL (*)	-	2,760,443	2,760,443
<i>On the statement of comprehensive income</i>			
Loss on derivative instrument at FVTPL	-	(2,760,443)	(2,760,443)

(*) Management did not restate year ended 31 December 2018, since the impact of the fair valuation of the derivative instrument at FVTPL is not material to the financial statements taken as a whole. Accordingly, management did not present financial position as of 1 January 2019, being the beginning of the earliest prior period presented.

Further to the above, certain prior year figures were reclassified to conform to the current period presentation.

38. COVID - 19

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

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

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At 31 December 2020

38. COVID - 19 (continued)

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

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

39. 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	10102000212	4/8/1432 H (corresponding 5/6/2011)
Alswaidi	1010187020	10102000202	30/3/1424 H (corresponding 31/5/2003)
Alshefa	1010359247	10102000213	16/2/1434 H (corresponding 29/12/2012)
Al-Yasmin	1010396199	10102000215	23/1/1435 H (corresponding 26/11/2013)
Riyadh Showroom, AlRawdah	1010378245	10102000214	27/7/1434 H (corresponding 6/6/2013)
Al-Malaz	1010224758	10102000201	22/10/1427 H (corresponding 13/11/2006)
Um Alhamam	1010181670	10102000207	15/8/1423 H (corresponding 21/10/2002)
King Khalid Airport	1010150661	10102000206	12/4/1419 H (corresponding 5/8/1998)
Car Sales	1010177560	-	23/3/1423 H (corresponding 4/6/2002)
Maintenance Center	1010388439	-	12/11/1434 H (corresponding 18/9/2013)
Real Estate Records	1010317696	-	10/11/1432 H (corresponding 8/10/2011)
Buraida	1131051994	40102000201	12/5/1435H (corresponding 13/03/2014)
Buraida Airport	1131051994	40102000201	12/5/1435 H (corresponding 13/03/2014)
Hail Airport	1010224758	80102000201	22/10/1427 H (corresponding 13/11/2006)
Al Aroubah	1010930285	10102000217	13/4/1439 H (corresponding 31/12/2017)
Al Yarmouk	1010451029	30103000201	15/9/1439 H (corresponding to 29/5/2018)
Western region			
Quraish St. Albawadi, Almadina road (1)	4030127038	20202000201	29/1/1420 H (corresponding 15/5/1999)
Prince Mohammed St. Alazizia (Altahlia)	4030127038	20202000205	29/1/1420 H (corresponding 15/5/1999)
Albughdadia	4030127038	20202000206	29/1/1420 H (corresponding 15/5/1999)
Almadina road - al rawdah	4030127038	20202000207	29/1/1420 H 9corresponding to 15/5/1999)
Almadina road. Al-Rawdah	4030127038	20202000207	29/1/1420 H (corresponding 15/5/1999)
Al-Fayha	4030127038	20202000209	29/1/1420 H (corresponding 15/5/1999)
Al-Samer	4030127038	20202000210	29/1/1420 H (corresponding 15/5/1999)
Yanbu	4700017234	-	15/3/1435 H (corresponding 16/1/2014)
Yanbu Airport	4700017234	30202000201	15/3/1435 H (corresponding 16/1/2014)
Almadina Almonawara Airport	4650050975	30102000202	4/3/1432 H (corresponding 7/2/2011)
Al-Taif Airport	4032036164	20302000201	18/6/1434 H (corresponding 28/4/2013)
Car sales – Jeddah	4030294835	-	30/8/1437 H (corresponding 6/6/2017)
Al Madinah - King Abdulaziz road	4650050975	30102000201	4/3/1432 H (corresponding 7/2/2011)
Al Amal	4030127038	20202000212	29/1/1420 (corresponding 14/5/1999)
Makah Almukarmah branch	4031225251	14/00000537	25/7/1440 (corresponding 01/4/2019)
Altaif branch	4032235084	14/00000208	25/7/1440 (corresponding 01/4/2019)
Alual branch	4651102277	14/00000453	15/2/1441 (corresponding 15/10/2019)
Eastern region			
Dammam	2050034970	50102000201	4/2/1420 H (corresponding 19/5/1999)
Al-Khobar	2050034970	50602000201	4/2/1420 H (corresponding 19/5/1999)
Dammam Airport	2050034970	50102000202	4/2/1420 H (corresponding 19/5/1999)
Al-Jubail	2055009774	51302000201	15/9/1429 H (corresponding 15/9/2008)

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

Alihasa, Alkhaldia 2251040741 50202000201 22/11/1431 H (corresponding 30/10/2010)
39. COMPANY BRANCHES (continued)

Eastern region

Alihsa, Almubaraz 2251040741 50202000201 22/11/1431 H (corresponding 30/10/2010)
 Azizia Khubar 2050034970 50602000201 4/2/1420 H (corresponding 19/5/1999)

Southern region

Alkhamis road, Abha Branch 1010150661 60102000201 12/4/1419 H (corresponding 5/8/1998)
 Abha Airport 1010150661 60102000203 12/4/1419 H (corresponding 5/8/1998)
 Albaha Airport 1010150661 120502000201 12/4/1419 H (corresponding 5/8/1998)
 Jazan Airport 5900020957 100102000201 23/3/1434 H (corresponding 4/2/2013)
 Albaha Branch 5800020727 120102000201 2/5/1437 H (corresponding 11/02/2016)
 Najran Branch 5950032463 110102000202 4/7/1437 H (corresponding 11/04/2016)
 Madina road, askaria – khamis mushait 5950031927 110102000201 3/7/1436 H (corresponding 22/4/2015)

Northern region

Tabuk 3550032407 70102000201 14/2/1435 H (corresponding 17/12/2013)
 Tabuk Airport 3550032407 70102000201 14/2/1435 H (corresponding 17/12/2013)
 Neom Airport 3550032407 70102000201 14/2/1435 H (corresponding 17/12/2013)

40. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issue on 11 Sha'aban 1442H (corresponding to 24 March 2021) by the Board of Directors of the Company

41. SUBSEQUENT EVENTS

In the opinion of management, no significant subsequent events have occurred subsequent since 31 December 2020 that would have a material impact on the financial position or financial performance of the Company.

42. COMPARATIVE INFORMATION

Other than the adjustments disclosed in note (37), certain comparative information has been reclassified to align with current year presentation