Derayah - Pillar III Disclosure -2016
Prudential Disclosure Report

12/31/2016
Derayah Financial

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1. OVERVIEW

These disclosures have been prepared by Derayah Financial ("**Derayah**" or the "**Company**"), a Saudi Arabian closed joint stock company with commercial registration number 1010266977 licensed by the Saudi Arabian Capital Market Authority ("**CMA**" or the "**Authority**") under license number 08109-27 dated 23/06/2008 with authorised and paid up capital of SAR 152 million. Derayah has been granted licenses including dealing (agent, principal and margin lending), managing, advisory and custody and as such, is required to comply with the three "Pillars" of the Capital Requirements defined in Prudential Rules ("**PRs**"). These are:

- Pillar 1, which sets out the minimum amount of capital that Derayah needs to meet its basic regulatory obligations;
- Pillar 2: requires Derayah to determine whether Pillar 1 capital is adequate to cover these risks and additional defined risks. This is achieved through Derayah's risk based Internal Capital Adequacy Assessment Process ("ICAAP") and is subject to annual review.
- Pillar 3, which require Derayah to disclose to market participants key information about its underlying risks, risk assessment, management, controls and capital position hence the adequacy of capital.

The purpose of this document is to comply with the obligations in respect of Pillar 3. Derayah does not have any material or legal impediments effecting prompt transfer of capital or repayment of liabilities.

All figures in this document are correct as at 31st December 2016 unless stated otherwise.

Frequency of disclosures;
These disclosures will be published at least annually (or more frequently if appropriate) and as soon as practicable following material updates to Derayah's internal capital adequacy assessments process. Given its size and complexity, Derayah assesses that this annual publication should generally meet its disclosure requirements. Therefore, these disclosures have been tracked with version control.

2. CAPITAL STRUCTURE

Derayah's capital structure comprised of following elements which forms a capital base;

- *Paid-up share Capital: authorised and issued capital of SAR 152 million consisting 15.2 million shares @ SAR 10 each.*
- *Audited Retained Earning*: represents accumulated profits/ (losses) which at the end of 2016 were SAR 21,346 thousand in respect of profit amount.
- *Tier 1 deduction*: deductions in the form of intangible assets and unrealized losses for held for trading investments amounting to SAR (8,558) thousand.
- *Tier 2 Capital*: comprised of an amount SAR 3,276 thousand on account of revaluation of available for sale investments.

Capital is held to ensure that a suitable operating margin is maintained in excess of the higher of Pillar 1 and Pillar 2 capital requirements. Pillar 2 capital requirements are determined using a risk-based approach that explicitly takes into account management's view of specific risk exposures.
Therefore base capital shall be greater of Pillar 1 capital requirements:

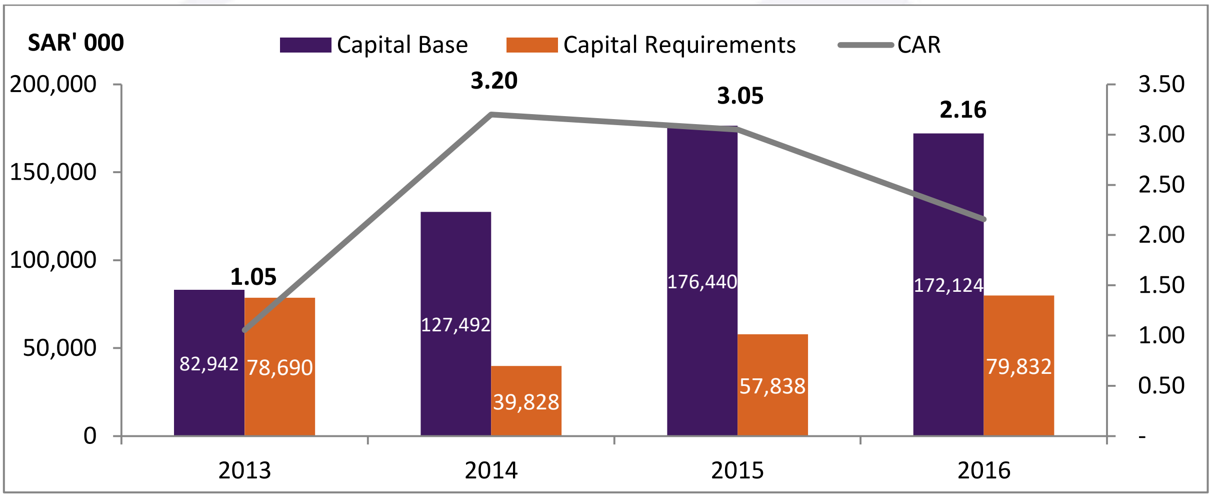
- Base capital SAR 172,124 thousand;

- The sum of market risk, credit risk and operational risk (Pillar I) requirements of SAR 79,832 thousand;

We have determined that, as at 31st December 2016, the base capital is as follows to reflect Tier 1 capital with applicable deductions.

2.1. Disclosure on Capital Base

Capital Base	December 2013	December 2014	December 2015	December 2016
	SAR '000	SAR '000	SAR '000	SAR '000
Tier-1 capital	-			
Paid-up capital	152,000	152,000	152,000	152,000
Audited retained earnings	(63,274)	(19,812)	29,537	21,346
Share premium	-	-	-	-
Reserves (other than revaluation reserves)	-	-	3,282	4,061
Tier-1 capital contribution	-	-	-	-
Deductions from Tier-1 capital	(5,784)	(4,752)	(8,796)	(8,558)
Total Tier-1 capital	**82,942**	**127,436**	**176,022**	**168,849**
Tier-2 capital	-	-	-	-
Subordinated loans	-	-	-	-
Cumulative preference shares	-	-	-	-
Revaluation reserves	-	56	418	3,276
Other deductions from Tier-2 (-)	-	-	-	-
Deduction to meet Tier-2 capital limit (-)	-	-	-	-
TOTAL CAPITAL BASE	**82,942**	**127,492**	**176,440**	**172,124**



3. CAPITAL ADEQUACY

Derayah ensures that it discharges fully its obligations that arise from the Prudential Rules by maintaining its capital above the minimum level set by the regulations. In this respect, Derayah calculates its capital adequacy ratio on the eligible proprietary investments and its risk taking activities by complying with the regulatory capital requirements as frequent as on a monthly basis with annual audit by external auditors and regular reviews by internal audit.

Derayah's capital adequacy ratio as at 31st December 2016 was 2.16 times (216%) the minimum capital adequacy requirements which is well above the minimum required ratio of 1.0 (100%).

It is Derayah's policy that it has sufficient capital to:

- meet regulatory requirements;
- keep an appropriate credit standing with counterparties by maintaining financial prudence; and
- maintain sufficient liquid funds to meet working capital requirements.

Calculation of Derayah's capital resources requirement

The capital resources requirement of Derayah for regulatory reporting purposes is the sum of the credit risk, market risk and operational risk capital requirements.

Credit risk

Risk of loss resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which Derayah is exposed. Derayah has adopted the standardized approach for credit risk to calculate the credit risk capital charge requirement under Pillar 1 of the capital requirements defined in Prudential Rules. Considering that this is regulatory approach to calculate credit risk requirements which expand at various assets class level and vary from intent of trading exposure by allocating applicable risk weight.

Market risk

The market risk is mainly due to volatility in asset values of investment exposure which arises as a result of movements in relative assets prices. Derayah calculates its market risk capital requirement for Pillar 1 in accordance with prudential requirements defined in annex 2 chapters and as of 31st December 2016 had a capital risk charge on investment positions calculated in accordance defined guidelines in prudential rules.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, mechanisms, people and systems or from external events and it includes legal risk as well. Derayah follows the basic indicator approach for calculating the Pillar 1 capital requirements for operational risk. The operational risk capital requirement is therefore calculated as higher of the 15% of three years' average of gross revenues or 25% of one year overhead expense as per article 39 to 44 and annex 4 of prudential rules.

3.1. Disclosure on Capital Adequacy

Exposure Class	Exposures before CRM SAR '000	Net Exposures after CRM SAR '000	Risk Weighted Assets SR '000	Capital Requirement SAR '000
Credit Risk				

On-balance Sheet Exposures	-	-	-	-
Governments and Central Banks	-	-	-	-
Authorised Persons and Banks	15,200	15,200	10,840	1,518
Corporates	246	246	1,754	246
Retail	20,355	20,355	61,066	8,549
Investments	68,485	68,485	160,420	22,459
High risk investments (Land)	12,299	12,299	49,197	6,888
Margin Financing	54,726	54,726	109,737	15,363
Other Assets	10,109	10,109	38,969	5,456
Total On-Balance sheet Exposures	**181,421**	**181,421**	**431,984**	**60,478**
Off-balance Sheet Exposures	-	-	-	-
OTC/Credit Derivatives	-	-	-	-
Repurchase agreements	-	-	-	-
Securities borrowing/lending	-	-	-	-
Commitments	-	-	-	-
Other off-balance sheet exposures	-	-	-	-
Total Off-Balance sheet Exposures	-	-	-	-
Total On and Off-Balance sheet Exposures	**181,421**	**181,421**	**431,984**	**60,478**

Prohibited Exposure Risk Requirement					
	-	-	-	-	-
Total Credit Risk Exposures				**431,984**	**60,478**

Market Risk	**Long Position**	**Short Position**		**Capital Requirement SAR '000**
Interest rate risks	-	-		-
Equity price risks	2,337	-		421
Risks related to investment funds	18,259	-		2,921
Securitization/resecuritisation positions	-	-		-
Excess exposure risks	-	-		-
Settlement risks and counterparty risks	-	-		-
Foreign exchange rate risks	761	-		35
Commodities risks.	-	-		-
Total Market Risk Exposures	**20,667**	**-**		**3,377**
Operational Risk				**15,978**
Minimum Capital requirements (a)				**79,832**

Capital Base (b)					**172,124**
Surplus/ (Deficit) in capital (b-a)					**92,292**
Total Capital ratio (b/a)					**2.16**

Note: though margin financing generally is collateralized however, the exposure numbers are taken without applying credit risk mitigation techniques.

4. RISK MANAGEMENT

4.1. Overview

i. Risk Management Purpose:

The aim of Derayah's Risk Management function is to establish effective risk management policies and procedures that ensure compliance with regulatory requirements. In particular, through the efficient implementation of these policies, Derayah will be able to identify the risks relating to its risk taking activities, processes, systems and where appropriate to set the level of risk Derayah is willing to assume as a risk appetite.

In addition, the risk management strategies and processes will facilitate the process of an on-going assessment and maintenance of the amounts, types and distribution of internal capital that Derayah considers adequate to cover the level of risks to which it might be exposed to.

ii. Risk Management Strategy

Derayah's risk management strategy is embedded within risk management policies by clearly defining risk limits and risk taking activities as its risk appetite. This has prioritized the business risk and has defined risk response strategies to manage these risks. These policies provide an integrated risk management support on an enterprise level to Derayah.

iii. Risk Management Policy:

The risk management policies are set and defined directly by the Board of Directors who has the responsibility to update or amend it. The Board is also responsible for overseeing and approving the risk management strategy and policies, internal compliance and internal controls. The governing of risk and its supervision is with Board level Risk and Compliance committee, which has direct oversight on all risk related issues. Senior Management of Derayah is required by the Board to assess risk and associated internal compliance and control procedures and report back on the efficiency and effectiveness of risk management practices. Whereas, Limit breaches, if any, are reported by the Risk Management function to the CEO and to Risk and Compliance Committee. The limits are reviewed and revised, when required.

The process of risk management and internal compliance and control includes:

- Identifying and assessing significant risks that might impact upon the achievement of Derayah's objectives through preventive controls.
- Developing risk management strategies to manage identified risks, design and implement appropriate risk management policies and procedures.
- Monitoring the performance of the risk management procedures and improving the effectiveness of risk management function.

iv. Structure of the Risk Management Function:

Derayah has established a dedicated Risk Management Function to oversee risks related with its business. Risk Management of Derayah is appropriately resourced and performs its responsibilities as documented and approved in the form of written policies.

The Senior Management in co-operation with Derayah's employees is responsible for the monitoring of the risks to which their respective departments are exposed to, and to report to the Risk Management Function. The Risk Management function reports to management level

Risk and Investment Committee and Board level Risk and Compliance Committee. In addition to this risk management has direct access to Board.

The responsible governing committees are functioning with defined responsibilities for their governance oversight and they have established reporting, monitoring and authorities within their charters.

The risk management function is subject to regular audit and reviews by internal audit.

4.2. Types of risks

Credit Risk

Credit risk is defined as the potential that counterparty will fail to meet its obligations in accordance with agreed terms. The goal of credit risk management is to maximize returns by maintaining optimal credit risk exposure within acceptable parameters.

Derayah has exposure to margin financing and other counter parties as part of its investments therefore, following are the controls to manage the credit risk:

- Established counterparties risk assessment policies and selection criteria.
- Established lending policies, approval authorization, single-party credit and portfolio concentration limits. Limits on individual clients have been established;
- Assigns risk rating before accepting the clients for screening purpose using credit bureaus information ;
- Monitors collaterals on continuous basis.
- Assess and reviews overall portfolios quality.
- Monitors and improves credit risk management techniques in order to implement the internal riskbased approaches on counter parties.
- Concentration Limits are in place, reviewed and monitored.
- Performs independent risk reviews periodically to validate the effectiveness of the credit management system.

Market Risk

Market risk is the risk that the value of an investment will decrease due to movements in market prices and in particular, due to changes in interest rates, foreign exchange rates, equity and commodity prices. The associated market risk factors are the interest rate risk, the currency risk, the equity price risk and the commodity risk.

The associated market risks are captured in policies as follows;

- Equity price risk, the risk that stock prices and/or the implied volatility will change.
- Interest rate risk, the risk that interest rates and/or the implied volatility will change.
- Preventive measure identifies, monitors, and reports market risk using a combination of tools including securities analysis, value-at-risk and stress testing.
- Ensures that Derayah's market risk limits are in line with its policies and prudential requirements.
- Appraisal of Limits defined on asset class level, geographic level considering liquidity as major element.

Operational Risk

Operational risk is the risk of loss resulting from inadequate and/or lack of internal control processes, mechanisms, people and systems and/or from external events and it includes legal risk as well. It is inherent in all company's business functions and can occur from a variety of circumstances such as fraud, negligence, error, omission or system failure. To mitigate this Derayah has established control and governance framework. In addition to this a well-defined self-risk assessment process is in place.

For calculating its capital requirements for operational risk the company follows the Basic Indicator Approach as described in Prudential Rules.

Liquidity Risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position may potentially increase the risk of losses. Liquidity risk also arises from the lack of marketability of a security or asset that cannot be traded quickly enough in the market in order to prevent or minimize a loss or to make a profit.

To minimize its exposure to liquidity risk, Derayah has established policies and procedures that enable Derayah to monitor its cash flows and to manage its cash positions properly through its Finance Department. This allows Derayah to maintain sufficient cash and highly liquid current assets in order to be able to cover its present or future financial liabilities.

Other Key Risks

Business Risk

Business risk encompasses the exposure to uncertainty in the wider economic and competitive environment and the impact of that environment on Derayah's ability to carry out its stated business plan. This risk is managed with a long-term focus, assisted by appropriate management oversight and a documented diversified corporate strategy and business plan.

Reputation Risk

Reputation damage most often arises as an ancillary (but often the most potent) effect of the crystallization of other risks. As Derayah is an independent authorized person, reputational risk is particularly important to it. To mitigate this aspect Derayah has in place strong corporate governance framework and code of conduct in addition to directors and officers liability cover.

Concentration Risk

Derayah has as part of its business defined its investment policies to spread over various asset classes, geographic distribution therefore, concentration risk related with investments is minimized however, as overall business concentration Derayah has strategic business plans to minimize its concentration as business overall.

Compliance Risk

Operating in highly regulated environment may result in general non-compliances of regulatory requirements therefore to mitigate any financial and reputational impacts the Compliance function is responsible for monitoring adherence to regulatory standards and for reporting its findings to relevant senior management, appropriate committees and to the Board. The Compliance function is also responsible for the provision of technical regulatory/compliance advice and support.

5. Credit Risk Disclosure

Credit risk is defined as the potential that counterparty will fail to meet its obligations in accordance with agreed terms. The goal of credit risk management is to maximize returns by maintaining optimal credit risk exposure within acceptable parameters.

Past due and impaired financial assets

Derayah has policy in place which defines “past due” as claims which are considered as shortfall event, where a client fails to meet his financial obligations post Derayah’s demand on his equity positions. Where clients remain within shortfall event for 360 days Derayah will arrange for provisions post analyzing recoverable amount and legal opinion on probability of recovery.

In view of above an assessment is made at each statement of financial position date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired at the statement of financial position date. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognized for changes in its carrying amounts.

Provisions against investments

A provision is recognized if, as a result of past events, Derayah has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefit will be required to settle the obligation.

Derayah may make bad debt provisions which fall into two categories:

- Lending arrangements; and
- Other debtors

Lending arrangements principally arise in Derayah’s brokerage business where it has both short term and long terms receivables. The relevant Risk and Investment Committee will determine whether it is necessary to make a provision against a credit exposure. Non-performing exposures (where there has been non-payment of principal, interest or fees for a period exceeding 360 days) will not automatically merit the creation of a provision. Unless Derayah analyses recoverable amount and secures legal opinion on probability of recovery. As of year-end following provisions were made in margin lending.

Exposure Class’ SAR ‘000	December 31st 2016	December 31st 2015
Opening Balance	62,247	-
Provisions for doubtful	(7,520)	-
Reversal	-	-
Closing Balance	**54,726**	**-**

* provions are taken against unsecured part of borrowing

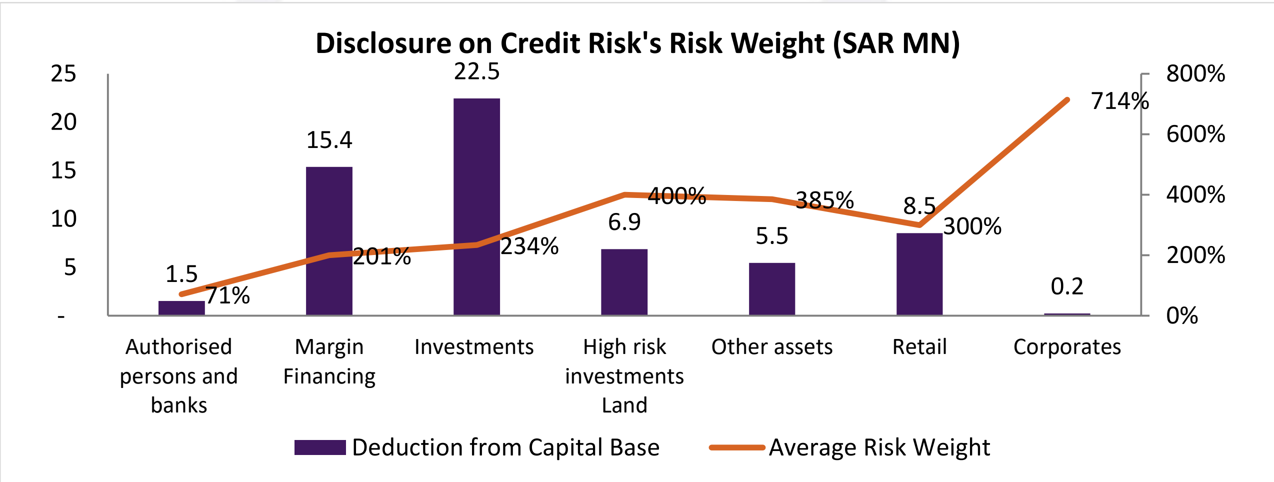
Contingent liabilities disclosures

Derayah filed cases against clients in execution court to claim due receivable. However, few clients in return filed lawsuits against the company whose shares went below margin requirements in margin financing provided by the Company. Plaintiffs require the Company to compensate them as the Company did not liquidate their portfolio on margin call. However, as per the financing agreement, it is stated that "the Company is entitled to, not obliged to, liquidate the portfolio whenever it sees appropriate, and it is entitled to identify the assets to be offered for sale. The Company is not liable in the case of not exercising the procedures stipulated under this item". Accordingly, the Company's management sees that the Company's statuary position is sound. (Reference: note 26 of audited financial statements).

5.1. Disclosure on Credit Risk's Risk Weight

Risk Weights	Exposures after netting and credit risk mitigation							
	Authorised persons and banks	Margin Financing	Retails	Corporates	Investments	High risk investments Land	Other assets	Total Risk Weighted Assets
0%	-	-	-	-	-	-	-	-
20%	9,200	-	-	-	-	-	-	1,840
50%	-	-	-	-	-	-	-	-
100%	-	-	-	-	-	-	-	-
150%	6,000	36,295	-	-	30,023	-	-	108,477
200%	-	-	-	-	-	-	-	-
300%	-	18,431	20,355	-	38,462	-	8,022	255,813
400%	-	-	-	-	-	12,299	-	49,197
500%	-	-	-	-	-	-	-	-
714% (include prohibited exposure)	-	-	-	246	-	-	2,087	16,656
Average Risk Weight	**71%**	**201%**	**300%**	**714**	**234%**	**400%**	**385%**	**431,984**
Deduction from Capital Base	**1,518**	**15,363**	**8,549**	**246**	**22,459**	**6,888**	**5,456**	**60,423**

Note: the risk weights are calculated on weighted average basis.



5.2. Disclosure on Credit Risk's Rated Exposure

Exposure Class SAR '000		Long term Ratings of counterparties	
	Credit quality	1	Unrated

	step		
	S&P	AAA TO AA-	Unrated
	Fitch	AAA TO AA-	Unrated
	Moody's	Aaa TO Aa3	Unrated
	Capital Intelligence	AAA	Unrated
On and Off-balance-sheet Exposures			
Governments and Central Banks		-	-
Authorised Persons and Banks		15,200	-
Corporates		-	246
Retail		-	20,355
Investments		-	68,485
High risk investments Land		-	12,299
Margin Financing		-	54,726
Other Assets		-	10,109
Total		**15,200**	**166,221**

6. Credit Risk Mitigation

Derayah considering its credit risk primarily arising out of margin lending business has adopted robust policies corresponding to its risk requirements. Which include various elements of risk mitigating techniques, including but not limited to detailed credit administration program and a detailed policy on securities risk assessment supported by a comprehensive securities assessment model to evaluate the securities. Which considers key elements in securities admissibility and the selected securities are then mark to market on continuous basis;

Securities admissibility's policies are based on scoring model taking the inputs from elements including but not limited to price volatility, profitability, turnover etc. and derive the results in aggregate weighted score for a security to be eligible to be accepted collateral within Derayah.

As the collaterals are securities which are available as against any margin lending positions the credit related policies cover valuation of collaterals and credit concentrations as various levels.

The following table gives details of the exposure value where the main types of collateral taken by

- Financial collateral, including cash and client portfolios to support client lending. Financial collateral is marked to market daily and compared to loans outstanding.
- Other assets such as bank deposits. Other assets are valued less often depending on the type of assets held.

6.1. Disclosure on Credit Risk Mitigation (CRM)

Exposure Class SAR '000	Exposures before CRM	Exposures covered by Financial Collateral	Exposures after CRM
Credit Risk			
On-balance Sheet Exposures			

Governments and Central Banks	-	-	-
Authorised Persons and Banks	15,200	-	15,200
Corporates	246	-	246
Retail	20,355	-	20,355
Investments	68,485	-	68,485
High risk investments (Land)	12,299	-	12,299
Margin Financing	54,726	-	54,726
Other Assets	10,109	-	10,109
Total On-Balance sheet Exposures	**181,421**	**-**	**181,421**

Note: though margin financing is collateralized and Derayah has CRM techniques in place however, the exposure numbers are taken without applying credit risk mitigation techniques.

7. Counterparty Credit Risk Mitigation

Derayah has written policies on counterparties e.g. banks and authorized person (entity) to place funds with. Based on these policies there is detailed methodology defined to assess the counter party risk which translates in a score for an entity to qualify, having elements including but not limited to rating of an entity, capital adequacy of an entity, non-performing loans, corporate governance and the review of financial defaults disclosed by respective entities.

Derayah does not have any derivatives transactions on its exposure therefore, there is no qualitative information is available.

8. Market Risk Disclosure

Market risk is the risk that the value of a portfolio, either an investment portfolio or a trading portfolio, will decrease due to the change in value of the market risk factors. The standard market risk factors are stock prices, interest rates and foreign exchange rates.

Derayah considers its exposure to interest rate risk to be significantly low, since its income and operating cash flows are substantially independent of changes in market interest rates, as Derayah has no significant interest-bearing assets. Therefore, its exposure to market risk relates with the exposure it has to currencies which is nominal to attract capital requirements. To mitigate market risk elements in general Derayah's principal investment policies cover appropriate range of each asset class from minimum to maximum exposure allowed along with loss tolerance level defined.

Measurement

Derayah calculates its market risk capital requirement for by adopting standardized approach for Pillar 1 in accordance with prudential requirements to segregate such exposures into various asset classes and define according to large exposures and excess exposures by applying respective risk charge for such exposures.

Derayah has following positions as at end of 2016 which are the primary driver against its risk charge on market risk.

8.1. Disclosure on Market Risk Management

Investments SAR '000	Type of Investment	MARKET VALUE	COUNTRY	Capital Risk Charge
Equity Price Risk	Equities	2,337	Global	421
Investment Funds	Investment Funds	18,259	Saudi	2,921

FX Risk	Currencies	600	USD	12
FX Risk	Currencies	161	Other	23
Market Risk Capital Charge		**21,357**		**3,377**

9. Operational Risk Disclosure

Operational risk is the risk of loss resulting from inadequate or failed internal processes, mechanisms, people and systems or from external events and it includes legal risk as well. It is inherent in all Company's business functions and can occur from a variety of circumstances such as fraud, error, negligence, omission or system failure.

For this reason Derayah has in place policy on operational risk with risk identification at a process level. In addition, a business continuity policy that in case of business interruption, it enables the preservation or at least the timely recovery and continuation of essential operations and functions. Internal Audit and Compliance reviews are carried out to identify control weakness besides risk management's operational risk reviews.

Measurement

Derayah calculates the Operational Risk Charge as Expenditure-based approach for operational risk calculated at 25% of one years' overhead expense under Pillar I. However, in order to optimize the capital requirements Derayah may consider adopting other approaches (e.g. standardized approach) with prior approval from the Authority and appropriate disclosures.

Following is the operation risk charge positions as at December 31st 2016.

9.1. Disclosure on Operational Risk Management

Operational Risk SAR '000	Gross Operating Income			Average	Risk Charge	Capital Requirements
Article 39-44 and Annex-4 PRs	**2014**	**2015**	**2016**		**(%)**	**SAR '000**
1. Basic Indicator Approach	94,540	119,098	70,846	**94,828**	**15**	**14,224**
	Overhead Expenses (2016)				Risk Capital Charge	Capital Requirements
2. Expenditure Based Approach			**63,910**		**25**	**15,978**
Operational Risk Capital Charge						**15,978**

10. Liquidity Risk Disclosure

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position may potentially increase the risk of losses. Liquidity risk also arises from the lack of marketability of a security or asset that cannot be traded quickly enough in the market in order to prevent or minimize a loss or to make a profit. Derayah's liquidity and cash management policies have been prepared considering following main objectives;

- Identify the main sources of liquidity risk;
- Define the measurement, monitoring and controlling methodology and process with various internal as well as market indicators of potential liquidity problems at Derayah;
- Provide a formal contingency funding plan (CFP) that sets out strategies for dealing with a liquidity crisis and the procedures for making up cash-flow deficits in emergency situations, as required under Prudential Rules;

Derayah conducts stress testing exercise on regular basis which is based on various assumptions that include consideration of the impact of a sudden liquidity shortage as a result of negative market conditions. Short terms liquid assets can be utilize as free cash available to meet any and all sudden liquidity requirements.

Measurement

To minimize its exposure to liquidity risk, Derayah has established procedures that enable to monitor on a daily basis its cash flows and to manage them properly through its Finance Department. Derayah actively manages its funding requirements through a number of measures includes matching of structural liquidity requirement.

This allows Derayah to maintain sufficient cash and highly liquid current assets in order to be able to cover its present or future financial liabilities with sufficient positive liquidity gap. The following table reflects the high level of cushion/comfort in meeting Derayah's short-term liabilities compared to any short terms payments.

10.1. Disclosure on Liquidity Risk Management

Description , SAR (000)	2012	2013	2014	2015	2016
Total current assets (a)	82,726	95,443	106,223	167,714	90,788
Total current liabilities (b)	4,631	6,003	24,913	44,922	13,440
Current Ratio (a/b)	18	16	4	4	7

Current Ratio figures rounded off.