

**Gulf Insurance Group K.S.C.P. and
Subsidiaries**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

31 MARCH 2016 (UNAUDITED)



Building a better
working world

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF GULF INSURANCE GROUP K.S.C.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Gulf Insurance Group K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group") as at 31 March 2016 and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016 and the executive regulation of Law No. 25 of 2012 or by the Parent Company's Articles of Association and Memorandum of Incorporation, as amended, during the three months period ended 31 March 2016 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

DR. SAUD HAMAD AL-HUMAIDI
LICENSE NO. 51 A
OF DR. SAUD HAMAD AL-HUMAIDI & PARTNERS
MEMBER OF BAKER TILLY INTERNATIONAL

8 May 2016
Kuwait

Gulf Insurance Group K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Period ended 31 March 2016

	Notes	3 months ended 31 March	
		2016 KD	2015 KD
Revenue:			
Premiums written		60,123,346	54,273,639
Reinsurance premiums ceded		(21,537,412)	(21,608,449)
Net premiums written		38,585,934	32,665,190
Movement in unearned premiums reserve		(2,255,313)	(494,564)
Movement in life mathematical reserve		(10,044,624)	(10,757,011)
Net premiums earned		26,285,997	21,413,615
Commission received on ceded reinsurance		4,131,351	3,946,636
Policy issuance fees		1,075,805	960,426
Net investment income from designated life insurance	3	242,025	988,143
		31,735,178	27,308,820
Expenses:			
Claims incurred		17,414,683	16,292,440
Commission and discounts		4,182,181	2,591,203
Maturity and cancellations of life insurance policies		588,583	732,887
General and administrative expenses		5,098,284	4,123,770
		27,283,731	23,740,300
Net underwriting income		4,451,447	3,568,520
Net investment income from non-life insurance	3	2,381,598	1,630,667
Share of results of associates		(366,690)	999,040
Net sundry income		158,099	117,193
		6,624,454	6,315,420
Other charges:			
Unallocated general and administrative expenses		(2,128,543)	(2,011,820)
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		4,495,911	4,303,600
Contribution to KFAS		(49,490)	(50,015)
NLST		(57,718)	(66,785)
Zakat		(17,401)	(12,355)
PROFIT FOR THE PERIOD		4,371,302	4,174,445
Attributable to:			
Equity holders of the Parent Company		3,301,751	3,741,587
Non-controlling interests		1,069,551	432,858
		4,371,302	4,174,445
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	4	18.44 fils	20.86 fils

The attached notes 1 to 9 form part of this interim condensed consolidated financial information.

Gulf Insurance Group K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Period ended 31 March 2016

	Note	3 months ended 31 March	
		2016 KD	2015 KD
Profit for the period		<u>4,371,302</u>	<u>4,174,445</u>
Other comprehensive income:			
<i>Items that are or may be subsequently reclassified to interim condensed consolidated statement of income:</i>			
Net unrealised (loss) gain on investments available for sale		(593,324)	384,272
Net realised gain transferred to statement of income on sale of investments available for sale	3	(168,287)	(190,923)
Impairment loss on investments available for sale	3	341,579	181,002
Share of other comprehensive income of associates		90,344	12,647
Exchange differences on translation of foreign operations		(1,971,819)	157,233
Other comprehensive (loss) income for the period		<u>(2,301,507)</u>	<u>544,231</u>
Total comprehensive income for the period		<u>2,069,795</u>	<u>4,718,676</u>
Attributable to:			
Equity holders of the Parent Company		1,000,244	4,285,818
Non-controlling interests		1,069,551	432,858
		<u>2,069,795</u>	<u>4,718,676</u>


The attached notes 1 to 9 form part of this interim condensed consolidated financial information.

Gulf Insurance Group K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 31 March 2016

	Note	31 March 2016 KD	(Audited) 31 December 2015 KD	31 March 2015 KD
ASSETS				
Property and equipment		16,677,351	16,730,834	14,599,337
Investments in associates		38,972,466	39,633,670	29,425,549
Goodwill		12,931,332	12,931,332	8,998,351
Financial instruments:				
Investments held to maturity		25,145,704	25,880,471	19,719,366
Debt securities (loans)		19,760,179	18,047,621	11,726,869
Investments available for sale		18,961,728	21,806,598	37,933,140
Investments carried at fair value through income statement		24,422,102	25,864,826	20,754,399
Loans secured by life insurance policies		1,402,688	1,347,099	1,221,240
Premiums and insurance balances receivable		68,512,241	62,205,924	54,276,943
Reinsurance recoverable on outstanding claims		43,657,459	42,838,901	54,345,468
Properties held for sale		3,461,555	3,532,554	229,455
Other assets		22,904,350	18,971,114	15,444,427
Time deposits		40,033,715	34,660,920	43,060,199
Cash and cash equivalents	5	36,390,864	43,972,593	49,183,336
TOTAL ASSETS		373,233,734	368,424,457	360,918,079
LIABILITIES AND EQUITY				
LIABILITIES				
Liabilities arising from insurance contracts:				
Outstanding claims reserve (gross)		95,949,437	97,460,110	103,548,373
Unearned premiums reserve (net)		35,990,349	34,462,862	31,963,913
Life mathematical reserve (net)		31,989,985	21,943,942	32,443,031
Incurred but not reported reserve (net)		1,650,000	1,650,000	1,650,000
Total liabilities arising from insurance contracts		165,579,771	155,516,914	169,605,317
Premiums received in advance		3,874,718	3,946,431	1,485,416
Insurance payable		41,433,947	49,180,466	40,698,705
Other liabilities		30,686,878	22,389,159	27,421,560
Bank overdraft	5	27,075,776	26,381,565	21,905,844
TOTAL LIABILITIES		268,651,090	257,414,535	261,116,842
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY				
Share capital		18,703,913	18,703,913	18,703,913
Share premium		3,600,000	3,600,000	3,600,000
Treasury shares		(4,136,617)	(4,136,617)	(4,040,263)
Treasury shares reserve		2,051,215	2,051,215	2,051,215
Statutory reserve		18,574,076	18,574,076	17,081,913
Voluntary reserve		22,527,489	22,527,489	21,035,326
Other reserve		(3,061,226)	(3,061,226)	(3,057,705)
Cumulative changes in fair values		(722,783)	(393,095)	2,455,733
Foreign currency translation adjustments		(5,990,938)	(4,019,119)	(3,728,603)
Revaluation reserve		2,559,760	2,559,760	2,559,760
Retained earnings		29,314,399	33,176,581	25,813,287
Equity attributable to the equity holders of the Parent Company		83,419,288	89,582,977	82,474,576
Non-controlling interests		21,163,356	21,426,945	17,326,661
Total equity		104,582,644	111,009,922	99,801,237
TOTAL LIABILITIES AND EQUITY		373,233,734	368,424,457	360,918,079


Khaled Saoud Al-Hassan
Chief Executive Officer

The attached notes 1 to 9 form part of this interim condensed consolidated financial information.

Gulf Insurance Group K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 31 March 2016

	Attributable to equity holders of the Parent Company													
	Share capital KD	Share premium KD	Treasury shares KD	Treasury share reserve KD	Statutory reserve KD	Voluntary reserve KD	Other reserve KD	Cumulative changes in fair values KD	Foreign currency translation adjustments KD	Revaluation reserve KD	Retained earning KD	Sub total KD	Non-controlling interests KD	Total equity KD
Balance at 1 January 2016 (Audited)	18,703,913	3,600,000	(4,136,617)	2,051,215	18,574,076	22,527,489	(3,061,226)	(393,095)	(4,019,119)	2,559,760	33,176,581	89,582,977	21,426,945	111,009,922
Profit for the period	-	-	-	-	-	-	-	-	-	-	3,301,751	3,301,751	1,069,551	4,371,302
Other comprehensive loss	-	-	-	-	-	-	-	(329,688)	(1,971,819)	-	-	(2,301,507)	-	(2,301,507)
Total comprehensive income for the period	-	-	-	-	-	-	-	(329,688)	(1,971,819)	-	3,301,751	1,000,244	1,069,551	2,069,795
Dividends for 2015 (Note 1)	-	-	-	-	-	-	-	-	-	(7,163,933)	(7,163,933)	-	-	(7,163,933)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,333,140)	(1,333,140)	(1,333,140)
Balance at 31 March 2016	18,703,913	3,600,000	(4,136,617)	2,051,215	18,574,076	22,527,489	(3,061,226)	(722,783)	(5,990,938)	2,559,760	29,314,399	83,419,288	21,163,356	104,582,644

The attached notes 1 to 9 form part of this interim condensed consolidated financial information.

Gulf Insurance Group K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 31 March 2016

	Attributable to equity holders of the Parent Company											Total equity KD		
	Share capital KD	Share premium KD	Treasury shares KD	Treasury share reserve KD	Statutory reserve KD	Voluntary reserve KD	Other reserve KD	Cumulative changes in fair values KD	Foreign currency translation adjustments KD	Revaluation reserve KD	Retained earnings KD		Sub total KD	Non-controlling interests KD
Balance at 1 January 2015 (Audited)	18,703,913	3,600,000	(3,967,705)	2,051,215	17,031,913	21,035,326	(3,054,726)	2,068,735	(3,885,836)	2,559,760	27,986,879	84,179,474	17,678,970	101,858,444
Profit for the period	-	-	-	-	-	-	-	386,998	157,233	-	3,741,587	3,741,587	432,858	4,174,445
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	544,231	-	544,231
Total comprehensive income for the period	-	-	-	-	-	-	-	386,998	157,233	-	3,741,587	4,285,818	432,858	4,718,676
Dividends for 2014 (Note 1)	-	-	-	-	-	-	-	-	-	-	(5,915,179)	(5,915,179)	-	(5,915,179)
Purchase of treasury shares	-	-	(72,558)	-	-	-	-	-	-	-	-	(72,558)	-	(72,558)
Change in ownership of a subsidiary	-	-	-	-	-	-	(2,979)	-	-	-	-	(2,979)	-	(2,979)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(785,167)	(785,167)
Balance at 31 March 2015	18,703,913	3,600,000	(4,040,263)	2,051,215	17,081,913	21,035,326	(3,057,705)	2,455,733	(3,728,603)	2,559,760	25,813,287	82,474,576	17,326,661	99,801,237

The attached notes 1 to 9 form part of this interim condensed consolidated financial information.

Gulf Insurance Group K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

Period ended 31 March 2016

	Notes	3 months ended 31 March	
		2016 KD	2015 KD
OPERATING ACTIVITIES			
Profit for the period before contribution to KFAS, NLST and Zakat		4,495,911	4,303,600
Adjustments for:			
Depreciation		305,326	244,694
Net investment income	3	(2,965,202)	(2,799,812)
Impairment loss on investments available for sale	3	341,579	181,002
Share of results of associates		366,690	(999,040)
		<u>2,544,304</u>	<u>930,444</u>
Changes in operating assets and liabilities:			
Investments carried at fair value through income statement		1,590,548	101,730
Premiums and insurance balances receivable		(6,306,317)	(7,112,742)
Reinsurance recoverable on outstanding claims		(818,558)	(4,205,158)
Property held for sale		70,999	57,421
Other assets		(3,426,469)	(3,018,996)
Liabilities arising from insurance contracts		10,062,857	12,682,353
Premiums received in advance		(71,713)	723,972
Insurance payable		(7,746,519)	(3,683,361)
Other liabilities		8,455,686	5,534,427
Net cash from operating activities		<u>4,354,818</u>	<u>2,010,090</u>
INVESTING ACTIVITIES			
Purchase of investment in a subsidiary		(923,635)	(4,435)
Proceeds from sale of property and equipment		299,469	838,179
Net movement of investments available for sale		2,514,004	(2,381,165)
Net movement of debt securities (loans)		(1,712,558)	6,279
Net movement of investments held to maturity		734,767	(447,790)
Movement in time deposits		(5,372,795)	(19,494,661)
Loans secured by life insurance policies		(55,589)	44,913
Dividends income received		436,113	861,900
Dividends received from associates		122,400	-
Interest received		1,423,635	1,087,494
Net cash used in investing activities		<u>(2,534,189)</u>	<u>(19,489,286)</u>
FINANCING ACTIVITIES			
Purchase of treasury shares		-	(72,558)
Dividends paid		(7,163,933)	(5,915,179)
Dividends to non-controlling interests		(1,333,140)	(785,167)
Net cash used in financing activities		<u>(8,497,073)</u>	<u>(6,772,904)</u>
DECREASE IN CASH AND CASH EQUIVALENTS			
Net foreign exchange difference		(6,676,444)	(24,252,100)
Cash and cash equivalents at 1 January		(1,599,496)	(114,538)
		<u>17,591,028</u>	<u>51,644,130</u>
CASH AND CASH EQUIVALENTS AT 31 MARCH	5	<u><u>9,315,088</u></u>	<u><u>27,277,492</u></u>

The attached notes 1 to 9 form part of this interim condensed consolidated financial information.

Gulf Insurance Group K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Period ended 31 March 2016

1 ACTIVITIES

The interim condensed consolidated financial information of Gulf Insurance Group K.S.C.P. (the "Parent Company") and its subsidiaries (the "Group") were authorised for issue by the Board of Directors on 8 May 2016. The general assembly meeting of the Parent Company's shareholders held on 28 March 2016 approved the consolidated financial statements for the year ended 31 December 2015 and approved the proposed distribution of cash dividends of 40 fils per share (2015: 33 fils per share).

The Parent Company is a Kuwaiti Shareholding Company incorporated in the State of Kuwait in accordance with the Amiri Decree No. 25 of 9 April 1962, and is listed on the Kuwait Stock Exchange. The address of the Parent Company's registered office is Khaled Ibn Al-Waleed Street, KIPCO Tower, Floor No 42, Office No 1 & 2, Sharq, Kuwait City P.O. Box 23982 Safat, 13100 State of Kuwait. The Parent Company's objectives include all types of insurance, indemnities, compensations and investing its capital and assets in various financial and real estate investments, both locally and abroad.

The Parent Company is 44.04 % (31 December 2015: 44.04% and 31 March 2015: 44.04%) owned by Kuwait Project Company Holding K.S.C.P. and 41.42% (31 December 2015: 41.42% and 31 March 2015: 41.42%) by Fairfax Financial Holding Limited as at 31 March 2016.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 cancelled the Companies Law No 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 of November 2012, the executive regulation of Law No. 25 of 2012 will continue until a new set of executive regulation is issued.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial information of the Group is prepared in accordance with International Accounting Standard (IAS 34) *Interim Financial Reporting*.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2015.

Amendments to IFRS which are effective for annual accounting periods starting from 1 January 2016 did not have any material impact on the accounting policies, financial position or performance of the Group.

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with the IFRS. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the three months period ended 31 March 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

The interim condensed consolidated financial information is presented in Kuwaiti Dinars (KD).

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2016

3 NET INVESTMENT INCOME

	<i>3 months ended</i>	
	<i>31 March</i>	
	<i>2016</i>	<i>2015</i>
	<i>KD</i>	<i>KD</i>
Net realised gain on sale of investments available for sale	168,287	190,923
Realised gain on sale of investments at fair value through income statement	60,122	151,336
Unrealised gain on investments at fair value through income statement	87,702	810,782
Dividend income	942,880	861,900
Interest on investments held to maturity	549,304	376,679
Interest on debt securities (loans)	298,255	208,245
Interest on time and call deposits	576,076	502,570
Foreign exchange gain	515,893	204,687
Other investment income	142,394	121,507
Impairment loss on investments available for sale	(341,579)	(181,002)
Finance costs	(243,808)	(188,169)
Other investment expenses	(131,903)	(440,648)
	<u>2,623,623</u>	<u>2,618,810</u>

Net investment income is presented in the interim condensed consolidated statement of income as follows:

	<i>3 months ended</i>	
	<i>31 March</i>	
	<i>2016</i>	<i>2015</i>
	<i>KD</i>	<i>KD</i>
Net investment income from life insurance	242,025	988,143
Net investment income from non-life insurance	2,381,598	1,630,667
	<u>2,623,623</u>	<u>2,618,810</u>

4 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

Basic and diluted earnings per share are calculated by dividing profit for the period attributable to equity holders of the Parent Company by the weighted average number of ordinary shares, less treasury shares, outstanding during the period.

	<i>3 months ended</i>	
	<i>31 March</i>	
	<i>2016</i>	<i>2015</i>
	<i>KD</i>	<i>KD</i>
Profit attributable to equity holders of the Parent Company	3,301,751	3,741,587
	<u>Shares</u>	<u>Shares</u>
Weighted average number of shares, less treasury shares outstanding during the period	179,098,297	179,341,966
Basic and diluted earnings per share	18.44 Fils	20.86 fils

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2016

5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the interim condensed consolidated statement of cash flows include the following balances:

	31 March 2016 KD	<i>(Audited)</i> 31 December 2015 KD	31 March 2015 KD
Bank balances and cash	11,606,517	10,025,885	13,931,448
Short term and call deposits	24,784,347	33,946,708	35,251,888
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents in the interim condensed consolidated statement of financial position	36,390,864	43,972,593	49,183,336
Bank overdraft	(27,075,776)	(26,381,565)	(21,905,844)
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	9,315,088	17,591,028	27,277,492
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Gulf Insurance Group K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2016

6 SEGMENT INFORMATION

For the management purpose the Group operates in two segments, general risk insurance and life and medical insurance; there are no inter-segment transactions. The following are the details of these two segments:

a) Segmental interim condensed consolidated statement of income:

	General risk insurance					Life and medical			Total KD	
	Marine and aviation KD	Property KD	Motor KD	Engineering KD	General accidents KD	Sub-total KD	Life insurance KD	Medical insurance KD		Sub-total KD
Three months ended 31 March 2016										
Segment revenue	901,523	1,795,844	11,275,251	947,043	1,738,027	16,657,688	4,636,544	10,440,946	15,077,490	31,735,178
Segment results (net underwriting income)	172,015	1,056,303	(38,741)	547,983	666,201	2,403,761	135,456	1,912,230	2,047,686	4,451,447
Three months ended 31 March 2015										
Segment revenue	922,922	1,531,168	9,279,331	825,994	1,869,740	14,429,155	4,051,872	8,827,793	12,879,665	27,308,820
Segment results (net underwriting income)	425,003	248,724	429,350	260,545	848,086	2,211,708	317,966	1,038,846	1,356,812	3,568,520

Gulf Insurance Group K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2016

6 SEGMENT INFORMATION (continued)

b) Segmental interim condensed consolidated statement of financial position:

<i>As at 31 March 2016</i>	<i>General risk insurance KD</i>	<i>Life and medical insurance KD</i>	<i>Un-allocated KD</i>	<i>Total KD</i>
Total assets	217,143,536	86,413,367	69,676,831	373,233,734
Total liabilities	156,730,497	74,875,835	37,044,758	268,651,090
<i>As at 31 December 2015(Audited)</i>	<i>General risk insurance KD</i>	<i>Life and medical insurance KD</i>	<i>Un-allocated KD</i>	<i>Total KD</i>
Total assets	221,349,921	85,780,172	61,294,364	368,424,457
Total liabilities	158,288,901	68,629,421	30,496,213	257,414,535
<i>As at 31 March 2015</i>	<i>General risk insurance KD</i>	<i>Life and medical insurance KD</i>	<i>Un-allocated KD</i>	<i>Total KD</i>
Total assets	214,427,314	85,292,209	61,198,556	360,918,079
Total liabilities	158,898,257	71,743,593	30,474,992	261,116,842

7 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Transactions with related parties included in the interim condensed consolidated statement of income are as follows:

	<i>3 months ended 31 March 2016</i>		<i>3 months ended 31 March 2015</i>	
	<i>Premiums KD</i>	<i>Claims KD</i>	<i>Premiums KD</i>	<i>Claims KD</i>
Directors and key management personnel	151,412	6,572	169,060	17,631
Other related parties	1,949,058	120,520	1,856,816	5,168
	<u>2,100,470</u>	<u>127,092</u>	<u>2,025,876</u>	<u>22,799</u>

Gulf Insurance Group K.S.C.P. and Subsidiaries

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7 RELATED PARTY TRANSACTIONS (continued)

Balances with related parties included in the interim condensed consolidated statement of financial positions are as follows:

	31 March 2016		(Audited) 31 December 2015		31 March 2015	
	Amounts owed by related parties KD	Amounts owed to related parties KD	Amounts owed related parties KD	Amounts owed to related parties KD	Amounts owed by related parties KD	Amounts owed to related parties KD
Directors and key management personnel	246,604	16,227	129,831	24,719	283,905	-
Other related parties	1,289,055	1,659,568	691,672	1,656,731	1,222,598	(1,107,248)
	<u>1,535,659</u>	<u>1,675,795</u>	<u>821,503</u>	<u>1,681,450</u>	<u>1,506,503</u>	<u>(1,107,248)</u>

The Group has also engaged with related parties in its investment activities as follows:

- The Group holds certain deposits and call accounts with a related party financial institution amounting to KD 5,375,528 (31 December 2015: KD 7,619,836 and 31 March 2015: KD 21,565,446). The Group also holds bonds issued by a major shareholder and other related companies amounting to KD 12,716,179 (31 December 2015: KD 10,979,621 and 31 March 2015: KD 10,726,869).
- Included under other assets an amount of KD 1,402,689 (31 December 2015: KD 1,402,689 and 31 March 2015: KD 1,402,689) which represents loan granted to an entity under common control. This loan is interest free and repayable on demand.

Compensation of key management personnel is as follows:

	3 months ended 31 March	
	2016 KD	2015 KD
Salaries and other short-term benefits	231,651	213,844
Employees' end of service benefits	85,975	54,671
	<u>317,626</u>	<u>268,515</u>

8 CONTINGENT LIABILITIES

At 31 March 2016, the Group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 9,816,557 (31 December 2015: KD 9,556,897 and 31 March 2015: KD 6,995,710).

9 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of investments held to maturity, debt securities (loans), investments available for sale, investments carried at fair value through income statement, loans secured by life insurance policies, premiums and insurance balances receivable, reinsurance on outstanding claims, time deposits, bank balances and short term deposits. Financial liabilities consist of bank overdrafts, insurance payable and certain other liabilities.

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9 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The fair values of financial instruments, with the exception of certain available for sale investments carried at cost, are not materially different from their carrying values. The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	<i>Fair value measurement using</i>			<i>Total fair value KD</i>
	<i>Level 1 KD</i>	<i>Level 2 KD</i>	<i>Level 3 KD</i>	
31 March 2016				
Investments available for sale:				
Quoted equity securities	14,690,935	-	-	14,690,935
Unquoted equity securities	-	-	4,009,205	4,009,205
Unquoted managed funds	-	37,780	126,448	164,228
Investments carried at fair value through income statements:				
<i>Held for trading:</i>				
Quoted securities	11,818,648	-	-	11,818,648
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	12,603,454	-	-	12,603,454
Total	39,113,037	37,780	4,135,653	43,286,470

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9 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	<i>Fair value measurement using</i>			<i>Total fair value</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
31 December 2015 (Audited)	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Investments available for sale:				
Quoted equity securities	17,525,235	-	-	17,525,235
Unquoted equity securities	-	-	4,019,187	4,019,187
Unquoted managed funds	-	37,932	126,534	164,466
Investments carried at fair value through income statements:				
<i>Held for trading:</i>				
Quoted securities	11,538,502	-	-	11,538,502
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	14,326,324	-	-	14,326,324
Total	<u>43,390,061</u>	<u>37,932</u>	<u>4,145,721</u>	<u>47,573,714</u>

	<i>Fair value measurement using</i>			<i>Total fair value</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
31 March 2015	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Investments available for sale:				
Quoted equity securities	24,515,683	-	-	24,515,683
Unquoted equity securities	-	8,857,789	4,397,224	13,255,013
Unquoted managed funds	-	37,602	124,842	162,444
Investments carried at fair value through income statements:				
<i>Held for trading:</i>				
Quoted securities	7,817,503	-	-	7,817,503
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	12,936,896	-	-	12,936,896
Total	<u>45,270,082</u>	<u>8,895,391</u>	<u>4,522,066</u>	<u>58,687,539</u>

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9 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets which are recorded at fair value.

	<i>At 1 January 2016 KD</i>	<i>Gain / (loss) recorded in the consolidated statement of income KD</i>	<i>Gain / (loss) recorded in the consolidated statement of comprehensive income KD</i>	<i>Net purchases and disposals KD</i>	<i>At 31 March 2016 KD</i>
<i>Financial assets available for sale:</i>					
Unquoted equity securities	4,019,187	-	(9,982)	-	4,009,205
Unquoted managed funds	126,534	-	(86)	-	126,448
	<u>4,145,721</u>	<u>-</u>	<u>(10,068)</u>	<u>-</u>	<u>4,135,653</u>

	<i>At 1 January 2015 KD</i>	<i>Transfer from Level 3 to Level 2 KD</i>	<i>Loss recorded in the consolidated statement of income KD</i>	<i>Gain recorded in the consolidated statement of comprehensive income KD</i>	<i>Net purchases and disposals KD</i>	<i>At 31 December 2015 KD</i>
<i>Financial assets available for sale:</i>						
Unquoted equity securities	4,364,196	-	(189,722)	155,490	(310,777)	4,019,187
Unquoted managed funds	163,377	(37,932)	-	1,089	-	126,534
	<u>4,527,573</u>	<u>(37,932)</u>	<u>(189,722)</u>	<u>156,579</u>	<u>(310,777)</u>	<u>4,145,721</u>

	<i>At 1 January 2015 KD</i>	<i>Gain / (loss) recorded in the consolidated statement of income KD</i>	<i>Gain / (loss) recorded in the consolidated statement of comprehensive income KD</i>	<i>Net purchases and disposals KD</i>	<i>At 31 March 2015 KD</i>
<i>Financial assets available for sale:</i>					
Unquoted equity securities	4,364,196	-	33,028	-	4,397,224
Unquoted managed funds	163,377	-	(38,535)	-	124,842
	<u>4,527,573</u>	<u>-</u>	<u>(5,507)</u>	<u>-</u>	<u>4,522,066</u>

During the period ended 31 March 2016, there were no transfers between Level 1 and Level 2 fair value measurements.

The calculation of fair value of level 3 financial instruments is not materially sensitive to changes in assumptions.