

A large, abstract graphic of a network or sphere made of interconnected blue nodes and lines, positioned in the upper right background.

Kuwait

Accounting

FUNDS AND FUND MANAGEMENT 2009

1.1 Requirement to produce financial statements

Requirement to maintain the books and records in the local jurisdiction.

The fund manager and investment trustee are required to maintain the necessary books and records of the fund and the supporting documents for all transactions. The Central Bank of Kuwait has the power to inspect these books and records and supporting documents.

The fund manager is required to prepare a biannual and annual report, which should include an overview of funds activities during the period and audited financial statements. The biannual report and annual report should be issued within 30 days and 45 days respectively, of the end of the period. These reports should be submitted to the Central Bank of Kuwait, the Ministry of Commerce, and the unitholders.

The fund manager is also required to prepare a quarterly report on the fund's activities including the financial position of the fund. This report is submitted to the Central Bank of Kuwait and the unitholders.

A company buying and selling units of foreign funds in Kuwait is required to maintain books of accounts to reflect all the transactions carried out on behalf of customers and the relevant supporting documents for such transactions. These companies should provide their financial statements at least on a semiannual basis. These financial statements are required to be submitted to the Ministry of Commerce and Industry and the Central Bank of Kuwait.

Production of financial statements by collective investment funds

All entities in Kuwait including funds are required to produce financial statements in accordance with International Financial Reporting Standards (IFRS).

The Kuwait Stock Exchange (KSE) listing rules require listed funds to issue annual and quarterly financial statements in accordance with IAS 34 and KSE Instruction No. 2 of 1998.

For corporate vehicles, the directors are responsible for the preparation of the financial statements and are required to sign the income statement and balance sheet of the annual statements. For mutual funds the manager takes responsibility for the preparation of the financial statements. The directors of the manager should sign the income statement and balance sheet.

Choice of period/year-end for collective investment funds

Funds can choose their year-end and are required to specify this in their articles of association.

Requirement for comparatives

Comparatives are required for all financial statements in accordance with IFRS. For interim financial statements, the last annual audited balance sheet, and the balance sheet of the corresponding period end in the previous year are required to be presented along with the current balance sheet.

Restrictions on the currency under which financial statements can be prepared

The reporting currency is generally specified in the prospectus of the fund. It can be any legal currency in existence at the financial year end.

Accounting publications specific to the funds industry (as issued by accounting bodies or the regulators)

There are no accounting publications specific to the funds industry issued by accounting bodies in Kuwait.

The Ministry of Commerce and Industry and the Central Bank of Kuwait, from time to time issue certain presentation and disclosure requirements for financial statements with which funds must comply. Listed funds must comply with the disclosure requirements contained within the KSE's listing rules.

Use of short form accounts

Listed funds may prepare condensed interim financial statements in accordance with IAS 34.

Umbrella schemes

Funds of funds or umbrella funds are not permitted in Kuwait.

1.2 Requirement to audit financial statements

The annual financial statements of investment funds are regulated by the Central Bank of Kuwait and the Ministry of Commerce and Industry. The funds accounts are required to be audited by one or more auditors appointed by the fund manager. Audited accounts must be completed within 45 days of year-end. There is a requirement to review the interim financial statements of listed funds. Interim accounts must be issued within 30 days of the period-end.

Annual accounts must be audited in accordance with International Standards on Auditing and interim accounts of listed funds must be reviewed in accordance with International Standard on Review Engagements 2410. The auditor must be independent of the fund, and must be a certified auditor, approved in Kuwait.

1.3 Publication of financial statements

Funds are required to file their annual and semiannual financial statements with the Central Bank of Kuwait and the Ministry of Commerce and Industry.

A fund's annual financial statements must be published in at least two daily newspapers after the approval of Central Bank of Kuwait. They must be supplied to unit-holders.

For listed funds, the interim report must be filed with the KSE within 45 days of the period end.

1.4 Accounting standards

All funds in Kuwait must apply IFRS.

1.5 Contents of financial statements

Requirements for inclusion in annual financial statements:

	Required by local laws	Required by IFRS	Complied with for Best Practice
Income statement which includes all income less expenses plus realized and unrealized gains and losses	Yes	Yes	n/a
A statement which only includes income less expenses	Not permitted	Not permitted	Not permitted
A statement which only includes income less expenses plus realized gains and losses	Not permitted	Not permitted	Not permitted

	Required by local laws	Required by IFRS	Complied with for Best Practice
Statement of net assets and liabilities (a balance sheet)	Yes	Yes	n/a
Cash flow statement	Yes	Yes	n/a
Statement of changes in unit holders net assets	Yes	Yes	n/a
Statement of accounting policies	Yes	Yes	n/a
3 year net asset value	Not required	Not required	Not required
5 year net asset value	Not required	Not required	Not required
5 year performance record	Not required	Not required	Not required
Related party transactions	Yes	Yes	n/a
Details on the risks of financial instruments used	Yes	Yes	n/a

1.6 Accounting treatments and disclosures

The following items must be included in the annual financial statements:

	Required by local laws	Required by IFRS	Complied with for Best Practice
Futures are shown on balance sheet using the grossed up notional amount	No	No	No
Futures are shown on the balance sheet based on the margin outstanding	Yes	Yes	N/A
Futures are shown on the balance sheet based on the margin outstanding and the margin paid to date	No	No	No
Organization costs are written off immediately	Yes	Yes	N/A
Organization costs are amortized over one year	No	No	No
Organization costs are amortized over more than one year	No	No	No
Issue costs are charged to the statement of operations	No	No	No
Issue costs are netted off against creation proceeds	Yes	Yes	N/A

	Required by local laws	Required by IFRS	Complied with for Best Practice
Holdings in other collective investment funds are consolidated if the fund holds > 50% of the underlying collective investment fund's shares	Yes	Yes	No
Methods used in financial statement presentation to measure listed investments are:			
Cost	No	No	No
Market value:			
bid	Yes	Yes	N/A
mid	No	No	No
offer	No	No	No
close	No	No	No
price at any time during the day	No	No	No
The financial statements distinguish between income and capital	Yes	Yes	N/A

Appendix

Reference material

Relevant laws and regulations for collective investment funds and fund management companies and web addresses (where relevant) are as follows:

Regulator

Central Bank of Kuwait

Law # 32 of 1968 <http://www.cbk.gov.kw>

Laws

Law No. 15/1960 promulgating the Commercial Companies Act, and the subsequent amendments thereto;

Law No. 32/1968 concerning Currency, the Central Bank of Kuwait and the organization of banking business and the subsequent amendments thereto;

Law No. 32/1970 organizing circulation of Corporate Securities; and

Decree Law No. 31/1990, Organizing Circulation of Securities and Establishment of Investment Funds.

Taxation authority

Department of Income Tax - Ministry of Finance <http://www.mof.gov.kw>

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