

A large, abstract graphic of a network or sphere made of interconnected blue nodes and lines, positioned in the upper right quadrant of the page. The nodes are represented by small blue squares, and the lines are thin blue rods connecting them to form a complex, three-dimensional structure.

Guernsey

Accounting

FUNDS AND FUND MANAGEMENT 2009

1.1 Requirement to produce financial statements

Requirement to maintain the books and records in the local jurisdiction

All accounting records of Guernsey authorized and registered funds must be available in Guernsey and the share records must be maintained in Guernsey. Annual accounts must be prepared.

Production of financial statements by collective investment funds

All Guernsey authorized and registered funds are required to produce financial statements under the Protection of Investors (Bailiwick of Guernsey) Law, 1987.

Class A authorized schemes are also required to present semi-annual financial statements.

The Channel Islands Stock Exchange listing rules (section 6) require listed funds with listed equity securities to issue annual (section 6.6.19) and semi-annual accounts (section 6.6.25).

For corporate vehicles, the directors are responsible for the preparation of the financial statements, and are required to sign the directors' report and balance sheet of the annual statements. For unit trusts, the manager takes responsibility for the preparation of the statements. Representatives of the manager should sign the managers' report and balance sheet of the annual statements.

For listed funds, responsibility is determined by the law of the country of domicile of the fund.

For listed funds, the first annual report must be for a period not exceeding 18 months from the date of incorporation or first issue of units. An interim report must be prepared for the first six months of operation, and thereafter semi-annually. However a half-yearly report need not be prepared in relation to the first half-yearly accounting period if the first annual accounting periods is less

than one year. Where the first period exceeds 14 months, an interim report of the second six-month period must be prepared. If the listed fund wishes to change its year-end it must receive prior approval of the exchange.

Choice of period/year-end by collective investment

Guernsey authorized and registered funds can choose their own year-end. Once chosen, they cannot alter the year-end without the consent of the Guernsey Financial Services Commission.

Requirement for comparatives

Requirements for comparatives are driven by accounting standards.

Restrictions on the currency under which financial statements must be prepared

There is no restriction on the reporting currency of the fund.

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

There are no publications other than the detailed disclosure requirements of the relevant laws.

Listed funds must comply with disclosure requirements contained within the exchange's listing rules.

Use of short form accounts

Short form accounts may be issued in cases where the Class A rules are met.

Umbrella schemes

For corporate entities, financial statements must be prepared for the company as a whole. Information on each sub-fund should be included within the company's accounts. There is no requirement to produce separate financial statements for each sub-fund. Separate financials for each sub-fund are permitted – however, reference must be made to the financials of the other sub-funds.

For unit trust umbrella funds, there is a requirement to produce financial statements for the umbrella. There is no requirement to produce separate financials for each sub-fund – although, they are permitted.

For listed funds, the financial statements must comprise the accounts for the umbrella as a whole, including sub-funds.

Classes of shares

Financial statements are required which incorporate all classes of shares. There is no requirement to produce financial statements for each class of share.

1.2 Requirement to audit financial statements

The annual accounts of authorized and registered collective investment funds are required to be audited by a qualified auditor. Generally they must be completed and issued within six months of the year-end, or a period as defined in the prospectus whichever is the sooner. However under Class A authorized scheme rules, financial statements for Class A schemes must be completed and issued within four months of the year-end.

A qualified auditor means a person independent of the fund who has a place of business in Guernsey and holding a practicing certificate issued by the Institutes of Chartered Accountants in England and Wales, Scotland, or Ireland respectively, the Association of Chartered Certified Accountants; or a body outside the United Kingdom undertaking a similarly regulatory role and having equivalent professional standards for membership as the aforementioned bodies. For the purposes of this definition, a person is defined as a partnership, body corporate or an individual with a current practicing certificate issued by the bodies referred to above.

The annual accounts of Guernsey listed funds must be audited in accordance with international, United Kingdom, United States, or any other auditing standards acceptable to the exchange. Interim accounts do not require an audit.

1.3 Publication of the financial statements

Guernsey authorized and registered schemes are required to make available their accounts by the dates specified in the prospectus, or four to six months after the period end as required by the regulator (see above), whichever is earliest. They must be supplied to unitholders' free-of-charge and upon request. The latest annual and/or semi-annual accounts must be offered to investors' free-of-charge before the conclusion of a contract. The accounts may be distributed electronically if permitted by the prospectus.

For listed funds which are required to comply with the disclosure and transparency rules, the annual report must be circulated to unitholders within four months of the end of the period. The semi annual accounts must be published within two months of the semi-annual period-end.

All authorized and registered collective investment schemes are required to submit their financial statements to the Guernsey Financial Services Commission within six months of the year-end or within a period as defined in the prospectus with the exception of Class A authorized schemes where the period is four months.

Listed funds must submit their accounts to the Channel Islands Stock Exchange within six months of the year-end and three months of the period end for semi-annuals.

1.4 Accounting standards

For all corporate or non-corporate vehicles there is no restriction on the type of accounting standards that must be used. UK GAAP, US GAAP, and IFRS standards are all commonly used.

For listed funds, International, United Kingdom, United States, or any other Generally Accepted Accounting Principles (GAAP) acceptable to the Channel Islands Stock Exchange may be used.

Appendix

Reference material

The following details the relevant laws and regulations for collective investment funds and fund management companies and provides web addresses (in certain instances) for where this material can be located:

Sources of information:

Guernsey Financial Services Commission Web site: www.gfsc.gg

Channel Islands Stock Exchange website: <http://www.cisx.com>

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.