

A large, abstract graphic in the top right corner features a network of interconnected blue nodes and lines, resembling a globe or a complex web structure, set against a light blue background.

# Isle of Man

## Accounting

FUNDS AND FUND MANAGEMENT 2009

### 1.1 Requirement to produce financial statements

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

There is no legal or regulatory requirement to maintain the books and records in the Isle of Man although it is normal practice for the books and records to be maintained by the manager/fund administrator (based in the Isle of Man). Specialist funds are able to have an overseas administrator.

#### Production of financial statements by collective investment funds

Authorized schemes are required to produce annual and half-yearly reports under the Financial Supervision (Authorized Collective Investment Schemes) Regulations 2005 (the Authorized Scheme Regulations). Isle of Man companies incorporated under the Companies Acts 1931-2004 are required to produce annual financial statements. There is no such requirement for companies incorporated under the Companies Act 2006. Specialist, qualifying funds, and experienced investor funds must prepare accounts for each financial year and send them to investors within six months.

Authorized schemes are required to include certain information as specified by the Authorized Scheme Regulations (as well as, information required under Companies Acts and generally accepted accounting principles (GAAP)). Disclosures for other funds would follow relevant local legislation and GAAP.

For corporate vehicles, the directors are responsible for the preparation of the financial statements and for Isle of Man companies two directors are required to sign the balance sheet. For partnerships, the general partner is responsible for the preparation of the financial statements and the general partner is required to sign the balance sheet. There is no requirement for management to sign the financial statements.

#### Choice of period/year-end for collective investment funds

Collective investment funds can choose their own year-end. This would normally be included in the scheme particulars.

### Requirement for comparatives

Comparatives are required for the financial statements.

### Restrictions on the currency under which financial statements must be prepared

There is no restriction on the currency to be used (it would generally be specified in the scheme particulars).

### 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, although U.K. SORPs are often referred to for best practice.

### Use of short-form accounts

There is no provision in legislation or regulations for short-form accounts.

### Umbrella schemes

For Isle of Man 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, although how this information is disclosed is not prescribed. There is no requirement to produce separate financial statements for each sub-fund.

### Classes of shares

Financial statements are required which incorporate all classes of shares. There is no requirement to produce separate financial statements for each class, although information on each class would normally be included.

## 1.2 Requirement to audit financial statements

Under Isle of Man company law and/or regulations annual financial statements must be audited. Financial statements of specialist, qualifying funds, and experienced investor funds must be audited by a qualifying auditor.

There is no requirement that interim financial statements be audited.

For Isle of Man companies, the auditor must be independent and a member of one of the main U.K. professional bodies. For specialist, qualifying funds, and experienced Investor funds a qualifying auditor must be Isle of Man based.

### 1.3 Publication of financial statements

Funds are not required to file their accounts with the companies' registry or the financial supervision commission. However, the FSC must be informed if accounts are late, qualified or if an auditors' management letter has been issued.

Authorized schemes must comply with the deadlines for publication set out in the Authorized Schemes Regulations. Other funds must comply with their scheme particulars, which would normally require the distribution of financial statements to all shareholders. Electronic distribution is permitted if specified in the scheme particulars.

### 1.4 Accounting standards

Isle of Man entities normally prepare their financial statements under U.K. GAAP, although any other internationally recognized GAAP can be used if more appropriate. Specialist funds, qualifying funds, and experienced investor funds are required to use either IFRS or U.K. GAAP.

### 1.5 Contents of financial statements

Requirements for inclusion in annual financial statements:

	Required by Law (Isle of Man)	Required by GAAP (U.K.)	Complied with for Best Practice
A statement which includes all income less expenses plus realized and unrealized gains and losses	No	No	Yes
A statement which only includes income less expenses	No	No	No
A statement which only includes income less expenses plus realized gains and losses	No	No	No
Statements of net assets and liabilities	Yes	No	Yes
Statement of changes in net assets	No	Yes	Yes
Cash flow statement	No	No	No
Statement of accounting policies	No	Yes	Yes
3-year net asset value table	Yes for Authorized Schemes	No	Yes for Authorized and Int'l Schemes
5-year net asset value table	No	No	No

## 1.6 Accounting treatments and disclosures

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

	Required by Law (Isle of Man)	Required by GAAP (U.K.)	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	No	No	Yes
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	No	Yes	Yes
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	No	Yes	Yes
Contingent deferred sales charges are recorded as income.	No	No	No
Contingent deferred sales charges are netted off against redemption proceeds	No	No	No
Holdings in other collective investment funds are consolidated if the fund holds > 50 percent of the underlying collective investment fund's shares	No	No	No, if held as part of investment portfolio
Methods used in financial statement presentation to measure listed investments are:			
Cost	No	No	No
Market value	No	No*	Yes
The financial statements distinguish between income and capital	No	No	Yes

\*Yes of FRS 26 is applied

## 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:

### Accounting pronouncements

U.K. Accounting Standards/IFRS

### Regulator

Isle of Man Financial Supervision Commission ([www.fsc.gov.im](http://www.fsc.gov.im))

### Taxation authority

Isle of Man Government Income Tax Division ([www.gov.im](http://www.gov.im))

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