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GROUP

Isle of Man Protected Cell Companies – An Overview

A Protected Cell Company ("PCC") is a single legal corporate entity in which an unlimited number of cells may be created. A cell does not have separate legal personality; assets and liabilities of a cell are segregated from assets and liabilities of other cells and from non-cellular assets and liabilities. This segregation offers security and flexibility.

On creation, each cell must have a distinct name identifying it as a separate cell. It must be clear to any counterparty dealing with a cell of the company that a) the company is a PCC and b) that it is transacting or dealing with an identifiable cell. The name of the PCC must include "Protected Cell Company" or "PCC". A non-cellular company can be converted to a PCC provided the articles of association allow for conversion.

A PCC must be limited by shares. In addition to ordinary shares of the PCC, cell shares may be issued. A cellular shareholder will be entitled to participate in the activity of the cell in which he holds shares. The articles of association will specify the rights and obligations attaching to each class of cell shares. These typically include one or more of a right to vote on cellular matters and a right to participate in the profits generated within the cell.

In the same way as other companies, a board of directors controls the PCC. The directors have responsibility for the management of the PCC as a whole and a duty to keep assets in one cell separate from those in other cells. Cellular assets must be separately identifiable from non-cellular assets. Non-cellular or "core" assets are those that are not held in a cell. These assets do not benefit from security provided by cellular segregation. Where the liabilities of a cell cannot be met from its assets, a creditor may seek recourse from the company and non-cellular assets may used to settle liabilities.

In addition to maintaining separate accounting records for each cell, the directors of a PCC are required to submit a tax return to the Isle of Man Income Tax Division annually in respect of each cell.

PCCs are used to segregate different types of asset within one company. PCCs also allow multiple owners to participate in one entity undertaking similar activities at the cellular level facilitating cost savings and access to markets, products or services that might not otherwise be available.

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