



Financial Services  
Commission

## **Information page**

# Alternative Investment Fund Managers Directive Transparency requirements – Annual Report

Issued : 7 May 2013





**Table of Contents**

1. Introduction .....	3
2. Annual report .....	3
3. General principles for the annual report.....	4
4. Content and format of balance sheet and income statement.....	4
5. Report on the activities of the financial year .....	6
6. Material changes .....	7
7. Remuneration disclosure.....	8
8. Application of implementing measures.....	8

Financial Services Commission  
PO Box 940, Suite 3, Ground Floor,  
Atlantic Suites, Europort Avenue,  
Gibraltar

*Any advice or interpretation covered in this information page represents the views of the FSC as to its expectations of how the requirements of the AIFMD are to be complied with and/or how it fails to be applied. This however is not intended as a definitive interpretation of the AIFMD which is ultimately a matter for the courts to determine. The FSC does not provide, or purport to offer, legal advice.*



## 1. Introduction

- 1.1 In this information page, reference is made to the Alternative Investment Fund Managers Directive 2011/61/EU (“AIFMD”) and to the supplementing Level 2 Delegated Regulation (“Level 2”).
- 1.2 The AIFMD requires Alternative Investment Fund Managers (“AIFMs”) to make certain disclosures in accordance with conditions set out in the AIFMD and Level 2. The purpose of this information page is to provide AIFMs with clear information, based on the AIFMD and Level 2, on what requirements and conditions they must comply with in relation to annual reports.

## 2. Annual report

### *Article 22 of the AIFMD*

- 2.1 An AIFM must, for each of the EU AIFs it manages and for each of the AIFs it markets in the European Union, make available an annual report for each financial year no later than 6 months following the end of the financial year; and:
- (a) the annual report shall be provided to investors on request;
  - (b) the annual report shall be submitted to the FSC and, where applicable, the home Member State of the AIF.
- 2.2 Where the AIF is required to make public an annual financial report in accordance with Directive 2004/109/EC<sup>1</sup>, only the additional information referred to in section 2.3 needs to be provided to investors on request, either:
- (a) separately, or
  - (b) as an additional part of the annual financial report, in which case the annual financial report shall be made public no later than 4 months following the end of the financial year.
- 2.3 All annual reports for each AIF managed/marketed must at least contain the following:
- (a) a balance-sheet or a statement of assets and liabilities;
  - (b) an income and expenditure account for the financial year;
  - (c) a report on the activities of the financial year;
  - (d) any material changes in the information listed in Article 23 of the AIFMD (on disclosure to investors)<sup>2</sup> during the financial year covered by the report;
  - (e) the total amount of remuneration for the financial year, split into fixed and variable remuneration, paid by the AIFM to its staff, and number of beneficiaries, and, where relevant, carried interest paid by the AIF;

---

<sup>1</sup> On the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.

<sup>2</sup> For further information, refer to the FSC information page on “AIFMD – Transparency requirements – Disclosure to investors”.



- (f) the aggregate amount of remuneration broken down by senior management and members of staff of the AIFM whose actions have a material impact on the risk profile of the AIF.
- 2.4 The accounting information given in the annual report shall be prepared in accordance with the accounting standards of:
  - (a) Gibraltar, or
  - (b) the third country where the AIF is established.
- 2.5 The accounting information given in the annual report shall be prepared in accordance with the accounting rules laid down in the AIF rules or instruments of incorporation.
- 2.6 The accounting information given in the annual report shall be audited by one or more persons empowered by law to audit accounts in accordance with Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts.
- 2.7 The auditor's report, including any qualifications, shall be reproduced in full in the annual report.
- 2.8 AIFMs marketing non-EU AIFs may subject the annual reports of those AIFs to an audit meeting international auditing standards in force in the country where the AIF has its registered office.

### **3. General principles for the annual report**

#### *Article 103 of Level 2*

- 3.1 All information provided in the annual report, including the information specified in this information page, shall be presented in a manner that provides materially relevant, reliable, comparable and clear information. The annual report shall contain the information investors need in relation to particular AIF structures.

### **4. Content and format of balance sheet and income statement**

#### *Article 104 of Level 2*

- 4.1 The balance sheet or statement of assets and liabilities shall contain at least the following elements and underlying line items in accordance with section 2.3(a) above:
  - (a) 'assets' comprising the resources controlled by the AIF as a result of past events and from which future economic benefits are expected to flow to the AIF. Assets shall be sub-classified according to the following line items:
    - (i) 'investments', including, but not limited to, debt and equity securities, real estate and property and derivatives;



- (ii) 'cash and cash equivalents', including, but not limited to, cash-in-hand, demand deposits and qualifying short-term liquid investments;
- (iii) 'receivables', including, but not limited to, amounts receivable in relation to dividends and interest, investments sold, amounts due from brokers and 'prepayments', including, but not limited to, amounts paid in advance in relation to expenses of the AIF;
- (b) 'liabilities', comprising present obligations of the AIF arising from past events, the settlement of which is expected to result in an outflow from the AIF of resources embodying economic benefits. Liabilities shall be sub-classified according to the following line items:
  - (i) 'payables', including, but not limited to, amounts payable in relation to the purchase of investments or redemption of units or shares in the AIF and amounts due to brokers and 'accrued expenses', including, but not limited to, liabilities for management fees, advisory fees, performance fees, interest and other expenses incurred in the course of operations of the AIF;
  - (ii) 'borrowings', including, but not limited to, amounts payable to banks and other counterparties;
  - (iii) 'other liabilities', including, but not limited to, amounts due to counterparties for collateral on return of securities loaned, deferred income and dividends and distributions payable;
- (c) 'net assets', representing the residual interest in the assets of the AIF after deducting all its liabilities.

4.2 The income and expenditure account shall contain at least the following elements and underlying line items:

- (a) 'income', representing any increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in net assets other than those relating to contributions from investors. Income shall be sub-classified according to the following line items:
  - (i) 'investment income', which can be further sub-classified as follows:
    - 'dividend income', relating to dividends on equity investments to which the AIF is entitled;
    - 'interest income', relating to interest on debt investments and on cash to which the AIF is entitled;
    - 'rental income', relating to rental income from property investments to which the AIF is entitled;
  - (ii) 'realised gains on investments', representing gains on the disposal of investments;
  - (iii) 'unrealised gains on investments', representing gains on the revaluation of investments; and
  - (iv) 'other income' including, but not limited to, fee income from securities loaned and from miscellaneous sources.
- (b) 'expenses', representing decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to investors. Expenses shall, be sub-classified according to the following line items:

- 'investment advisory or management fees', representing contractual fees due to the advisor or AIFM;
  - 'other expenses', including, but not limited to, administration fees, professional fees, custodian fees and interest. Individual items, if material in nature, should be disclosed separately;
  - 'realised loss on investments', representing loss on the disposal of investments;
  - 'unrealised loss on investments', representing loss on the revaluation of investments;
- (c) 'net income or expenditure', representing the excess of income over expenditure or expenditure over income, as applicable.
- 4.3 The layout, nomenclature and terminology of line items shall be consistent with the accounting standards applicable to or the rules adopted by the AIF, and shall comply with legislation applicable where the AIF is established. Such line items may be amended or extended to ensure compliance with the above.
- 4.4 Additional line items, headings and subtotals shall be presented when such presentation is relevant to the understanding of an AIF's financial position in the balance sheet or statement of assets and liabilities or an AIF's financial performance in the content and format of the income and expenditure account. Where relevant, additional information shall be presented in the notes to the financial statements. The purpose of the notes shall be to provide narrative descriptions or disaggregation of items presented in the primary statements and information about items that do not qualify for recognition in these statements.
- 4.5 Each material class of similar items shall be presented separately. Individual items, if material, shall be disclosed. Materiality shall be assessed under the requirements of the accounting framework adopted.
- 4.6 The presentation and classification of items in the balance sheet or statement of assets and liabilities shall be retained from one reporting or accounting period to the next unless it is apparent that another presentation or classification would be more appropriate, as when a shift in the investment strategy leads to different trading patterns, or because an accounting standard has required a change in presentation.
- 4.7 With respect to the content and format of the income and expenditure account set out to in Annex IV of Level 2, all items of income and expense shall be recognised in a given period in the income and expenditure account unless an accounting standard adopted by the AIF requires otherwise.

## 5. Report on the activities of the financial year

### *Article 105 of Level 2*

- 5.1 The report on activities of the financial year shall include at least:
- (a) an overview of investment activities during the year or period, and an overview of the AIF's portfolio at year-end or period end;
  - (b) an overview of AIF performance over the year or period;

- (c) material changes as defined below in the information listed in Article 23 of the AIFMD (on disclosure to investors)<sup>3</sup> not already present in the financial statements.
- 5.2 The report shall include a fair and balanced review of the activities and performance of the AIF, containing also a description of the principal risks and investment or economic uncertainties that the AIF might face.
- 5.3 To the extent necessary for an understanding of the AIF's investment activities or its performance, the analysis shall include both financial and non-financial key performance indicators relevant to that AIF. The information provided in the report shall be consistent with national rules where the AIF is established.
- 5.4 The information in the report on the activities of the financial year shall form part of the directors or investment managers report insofar as this is usually presented alongside the financial statements of the AIF.

## 6. Material changes

### *Article 106 of Level 2*

- 6.1 Any changes in information shall be deemed material within the meaning of section 2.3(d) above if there is a substantial likelihood that a reasonable investor, becoming aware of such information, would reconsider its investment in the AIF, including because such information could impact an investor's ability to exercise its rights in relation to its investment, or otherwise prejudice the interests of one or more investors in the AIF.
- 6.2 In order to comply with section 2.3(d) above, AIFMs shall assess changes in the information referred to in Article 23 of the AIFMD (on disclosure to investors)<sup>4</sup> during the financial year in accordance with section 6.1.
- 6.3 Information shall be disclosed in line with the requirements of the accounting standards and accounting rules adopted by the AIF together with a description of any potential or anticipated impact on the AIF and, as the case may be, or investors in the AIF. Additional disclosures shall be made when compliance with specific requirements of the accounting standards and accounting rules may be insufficient to enable investors to understand the impact of the change.
- 6.4 Where the information required to be disclosed in accordance with section 6.1 is not covered by the accounting standards applicable to an AIF, or its accounting rules, a description of the material change shall be provided together with any potential or anticipated impact on the AIF and, as the case may be, or investors in the AIF.

---

<sup>3</sup> For further information, refer to the FSC information page on "AIFMD – Transparency requirements – Disclosure to investors".

<sup>4</sup> As above.



## 7. Remuneration disclosure

### *Article 107 of Level 2*

- 7.1 When information required by section 2.3(e) is given, it shall be specified whether or not the total remuneration relates to any of the following:
- (a) the total remuneration of the entire staff of the AIFM indicating the number of beneficiaries;
  - (b) the total remuneration of those staff of the AIFM who are fully or partly involved in the activities of the AIF, indicating the number of beneficiaries;
  - (c) the proportion of the total remuneration of the staff of the AIFM attributable to the AIF, indicating the number of beneficiaries.
- 7.2 Where relevant, the total remuneration for the financial year shall also mention the carried interest paid by the AIF.
- 7.3 Where information is disclosed at the level of the AIFM, an allocation or breakdown shall be provided in relation to each AIF, insofar as this information exists or is readily available. As part of this disclosure, a description of how the allocation or breakdown has been provided shall be included.
- 7.4 AIFMs shall provide general information relating to the financial and non-financial criteria of the remuneration policies and practices for relevant categories of staff to enable investors to assess the incentives created. In accordance with the principles set out in Annex II of the AIFMD (on remuneration policies), AIFMs shall disclose at least the information necessary to provide an understanding of the risk profile of the AIF and the measures it adopts to avoid or manage conflicts of interest.

## 8. Application of implementing measures

Any measures adopted by the European Union Commission under Article 22(4) of the AIFMD will also be applicable.