

PART C

APPENDICES TO PENSION RULES FOR RETIREMENT FUNDS

APPENDIX 3

(SLC 2.3.3 of Part B of the Pension Rules for Retirement Funds)

Annual Report

The contents of the Annual Report are primarily the responsibility of the Retirement Fund ("the Fund") concerned. Moreover, any Service-Providers who include their reports within the Fund's Annual Report, also have a responsibility in ensuring the accuracy and fairness of their disclosures. In the case of the Annual Report which includes the Fund's audited financial statements, the Fund's auditor has a responsibility insofar as the audited financial statements and the opinion expressed thereon are concerned.

A copy of the Annual Report should be produced within the stipulated time limits (laid down in Standard Licence Condition 2.3.6 of Part B of these Pension Rules for Retirement Funds). A copy of the Annual Report should also be submitted to the MFSA, together with a Directors' Confirmation in line with Schedule II and an Auditor's Report in line with Schedule III to this Appendix.

The Fund should ensure that all the necessary checks have been carried out to ensure the accuracy and completeness of the Annual Report.

The Annual Report submitted to the MFSA should be accompanied by a Directors' confirmation to the effect that to the best of their knowledge, the Report is complete and accurate in all material respects and conforms with MFSA's requirements in terms of the Fund's Standard Licence Conditions. A specimen of the wording of such a confirmation is included in Schedule II hereto.

The Fund will be required to request its auditors to review the Report in its entirety to ensure that it includes all disclosures required by these Pension Rules for Retirement Funds and that all references to figures included in the audited financial statements are accurate. The Fund shall require the auditor to provide it with an opinion to this effect, which shall be retained in the Fund's records. A specimen of the wording of such an opinion is included in Schedule III to this Appendix.

MFSA reserves the right to take whatever action it deems appropriate should it come across material misstatements and/or inaccurate or incomplete information therein. Such action may range from requests for clarifications, to the possible imposition of fines and where necessary, amendments to the Reports. The MFSA, if the circumstances so warrant, may issue a Public Notice stating why amendments have been necessary.

A Fund should produce an Annual Report for each financial year.

Dates for the initial reports issued by a Fund should be agreed with the MFSA at the time of Licensing.

The Annual Report should contain the information outlined in Schedule I to this Appendix.

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Schedule I - Information to be contained in the Annual Report

- 3.1 The annual report should include the following as well as any additional information, which will enable Investors to make an informed judgement on the progress of the Retirement Fund and its results.
- 3.2 The Fund's Annual Report shall include:
 - (a) A balance sheet or statement of assets and liabilities, including details of accounting and valuation policies. The statement of assets and liabilities should include:
 - i. *Assets*
 - immovable property;
 - transferable securities;
 - debt instruments;
 - other securities;
 - bank balances;
 - other assets;
 - total assets;
 - ii. *Liabilities*
 - borrowings;
 - other amounts payable;
 - total liabilities.
 - iii. *Net Asset Value*
 - (b) Number of Units issued.
 - (c) Net asset value per Unit, at the beginning and the end of the period.
 - (d) Portfolio details, distinguishing between the different types of investments and categorising each investment in accordance with the most appropriate criteria in the light of the Investment Policy of the Retirement Fund (for example, in accordance with economic, geographical or currency criteria) as a percentage of net assets. For each of the investments the proportion it represents of the total net assets of the Retirement Fund should be stated. Details of the composition of the portfolio should distinguish at least between:
 - i. transferable securities listed on an official stock exchange;
 - ii. transferable securities transacted in on another organised market;
 - iii. recently issued transferable securities;
 - i. other transferable securities;
 - ii. debt instruments.

Note: References in sub-paragraph (iii) to recently issued transferable securities are to securities the terms of issue of which include an undertaking that application will be made for admission to official stock exchange listing or to another organised market.

- (e) A statement of the principal developments which have occurred in the composition of the portfolio during the reference period.
- (f) Where a Fund holds more than 10 per cent of its assets in deposits or other accounts with credit institutions, details of the amounts and the names of the institutions should be provided. Funds holding less than 10 per cent of their assets in deposits or other accounts with credit institutions should submit the relevant details to the MFSA with the report.
- (g) A statement of changes in the assets and liabilities of the Fund during the reference period, including the following:
 - i. Income*
 - income from investments;
 - other income;
 - total income.
 - ii. Charges*
 - management/ investment advisor charges;
 - custodian's charges;
 - other charges and taxes;
 - total charges.
 - iii. Net investment income*
 - appreciation or depreciation in the value of investments;
 - changes in the capital account;
 - cash movements in relation to the creation and cancellation of U nits;
 - details of transactions with the Custodian and the Investment Manager, where appointed, or their associates;
 - any other changes affecting the assets and commitments of the Retirement Fund.
- (h) A comparative table covering the last three financial years (where applicable) and including, for each financial year, at the end of the financial year:
 - i. the total net asset value;
 - ii. the net asset value per unit.

During its first, second and third financial years, a Fund should show the above information for all financial years since its inception.

- (i) Details, by category of transaction carried out by the Fund, on financial derivatives (e.g. options, futures, swaps), of the resulting amount of commitments at the year end date. ("Commitments" are those commitments resulting from the use of techniques and instruments for the purposes of efficient portfolio management, including protection against exchange, interest rate and market risks.)

- (j) Details of any changes with respect to, or additions to the terms and provisions:
 - i. of the Retirement Fund's administration and finances;
 - ii. of the rights and obligations that arise or may arise in respect of the Retirement Fund;
 - iii. of any other matters that appear to the MFSA to be relevant to the Retirement Funds in general or to Retirement Funds of a description to which the Fund in question belongs.
- (k) A report by the Board of Directors and/or the Investment Manager, if appointed, on the activities during the period, providing information sufficient to enable the persons mentioned above to make an informed judgement on the development, management, operation and financial performance of the Retirement Fund.
- (l) A summary of the compliance by the Fund with its provisions and the law.
- (m) A summary of the compliance by the Fund with its constitutional document and the law.
- (n) A statement regarding breaches of Standard Licence Conditions and/or regulatory sanctions. Where there have been no breaches or regulatory sanctions, it is sufficient merely to say so. However, if there have been breaches, a summary must be provided of each breach committed and/or regulatory sanction imposed.
- (o) Names and addresses of all Fund Service Providers and auditors.
- (p) In respect of Umbrella Funds, the annual report shall contain separate information on each of the Sub-funds, as well as consolidated information on all of those Sub-funds.
- (q) The accounting information given in the annual report should be audited. The auditor's report, including any qualifications, should be reproduced in full.

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Schedule II - Specimen Directors' Confirmation

[This confirmation is addressed by the Board of Directors responsible for the preparation of the Annual Report of the Fund to the MFSA].

We, the undersigned, are responsible for the preparation of the Annual Report of (*name of Retirement Fund*) for the year ended _____ and confirm that to the best of our knowledge it is complete and accurate in all material respects and conforms with the MFSA's requirements in terms of the Fund's Licensing Conditions.

We further confirm that the Fund has been administered in accordance with the requirements of the Retirement Pensions Act (Cap.514) and of any regulations made thereunder, and of any Pension Rules, and that the Fund's Licensing Conditions have been observed and complied with.

Director

Director

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Schedule III - Specimen Auditor's Opinion

(This confirmation is addressed by the Auditor to the MFSA)

We, the undersigned, have audited the financial statements of *(name of Retirement Fund)* for the year ended _____ in accordance with International Standards on Auditing. In our opinion the Annual Report is complete in all material respects in accordance with the MFSA's requirements, and the Retirement Fund's Standard Licence Conditions.

Moreover, based on our review procedures, nothing has come to our attention that causes us to believe that the information contained in the Annual Report is inconsistent with the financial statements, the books of account and the records of *(name of Fund)*.

Auditor

(Signature and Date)