

CLICO INVESTMENT FUND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2014

Ernst & Young



**Building a better
working world**



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INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE OF CLICO INVESTMENT FUND

We have audited the accompanying financial statements of CLICO Investment Fund (the "Fund") which comprise the statement of financial position as at 31 December 2014, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Trustee's Responsibility for the Financial Statements

The Trustee is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustee, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE OF

CLICO INVESTMENT FUND

(Continued)

Opinion

In our opinion, the financial statements present fairly in all material respects, the financial position of the Fund as at 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + young

Port of Spain,
TRINIDAD:

31 March 2015

CLICO INVESTMENT FUND

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014
(Expressed in Trinidad and Tobago Dollars)

	Notes	2014	2013
Assets			
Cash and cash equivalents	4	122,028,108	121,207,426
Available-for-sale financial assets	5	5,476,732,612	5,314,706,680
Held-to-maturity financial assets	6	15,600,000	17,000,000
Interest receivable		<u>5,171,222</u>	<u>5,174,126</u>
Total assets		<u><u>5,619,531,942</u></u>	<u><u>5,458,088,232</u></u>
Liabilities			
Accrued expenses		<u>1,434,945</u>	<u>1,391,318</u>
Total liabilities		<u><u>1,434,945</u></u>	<u><u>1,391,318</u></u>
Equity			
Unitholders' balances			
Capital account		5,100,000,000	5,100,000,000
Undistributed income		141,364,385	141,990,234
Investment revaluation reserve		<u>376,732,612</u>	<u>214,706,680</u>
		<u><u>5,618,096,997</u></u>	<u><u>5,456,696,914</u></u>
Total liabilities and equity		<u><u>5,619,531,942</u></u>	<u><u>5,458,088,232</u></u>
Number of units	7	204,000,000	204,000,000
Net assets value per unit		\$27.54	\$26.75

These financial statements were approved by the Trustee and authorised for issue on 31 March 2015.

Kwame A. Dink

[Signature]

The accompanying notes form an integral part of these financial statements.



CLICO INVESTMENT FUND

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014
(Expressed in Trinidad and Tobago Dollars)

	Note	2014	2013
Investment income			
Dividend income		170,307,271	170,307,271
Interest income		29,914,231	29,973,638
Other investment income		—	44,770
Total investment income		<u>200,221,502</u>	<u>200,325,679</u>
Expenses			
Fund administration fee	9	2,002,215	2,042,762
Trustee fees	9	431,476	479,121
Registrar fees		187,085	131,341
Advertising		160,039	101,204
Other expenses	9	117,398	10,862
Audit fees		49,220	49,220
Corporate secretary fee		19,918	10,504
Tax consultancy fee		—	3,232
Total expenses		<u>2,967,351</u>	<u>2,828,246</u>
Net income		<u>197,254,151</u>	<u>197,497,433</u>
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Unrealised gain on revaluation		<u>162,025,932</u>	<u>384,212,435</u>
Total comprehensive income		<u>359,280,083</u>	<u>581,709,868</u>

The accompanying notes form an integral part of these financial statements.

CLICO INVESTMENT FUND

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

(Expressed in Trinidad and Tobago Dollars)

	Capital account	Undistributed income	Investment revaluation reserve	Unitholders' balances
Balance at				
1 January 2013	5,100,000,000	124,012,801	(169,505,755)	5,054,507,046
Net income	–	197,497,433	–	197,497,433
Other comprehensive income	–	–	384,212,435	384,212,435
Distributions	–	(179,520,000)	–	(179,520,000)
Balance at				
31 December 2013	<u>5,100,000,000</u>	<u>141,990,234</u>	<u>214,706,680</u>	<u>5,456,696,914</u>
Balance at				
1 January 2014	5,100,000,000	141,990,234	214,706,680	5,456,696,914
Net income	–	197,254,151	–	197,254,151
Other comprehensive income	–	–	162,025,932	162,025,932
Distributions	–	(197,880,000)	–	(197,880,000)
Balance at				
31 December 2014	<u>5,100,000,000</u>	<u>141,364,385</u>	<u>376,732,612</u>	<u>5,618,096,997</u>

The accompanying notes form an integral part of these financial statements.

CLICO INVESTMENT FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014
(Expressed in Trinidad and Tobago Dollars)

	Note	2014	2013
Cash flows from operating activities			
Net income		197,254,151	197,497,433
Adjustments:			
Amortisation of financial assets		—	(18,800)
Realised gain on disposal		—	(19,479)
Net income before working capital changes		197,254,151	197,459,154
Decrease/(increase) in receivables		2,904	(85,133)
Increase in payables		43,627	98,259
Cash provided by operating activities		46,531	13,126
Net cash flows provided by operating activities		197,300,682	197,472,280
Cash flows from investing activities			
Purchase of investment		(27,024,434)	(19,000,000)
Proceeds on disposal of financial assets		28,424,434	73,019,479
Net cash flows provided by investing activities		1,400,000	54,019,479
Cash flows from financing activities			
Distributions paid		(197,880,000)	(179,520,000)
Net cash flows used in financing activities		(197,880,000)	(179,520,000)
Net increase in cash and cash equivalents		820,682	71,971,759
Cash and cash equivalents at the beginning of the year		121,207,426	49,235,667
Cash and cash equivalents at the end of the year	4	122,028,108	121,207,426
Supplemental information			
Interest received		29,917,135	29,888,505
Dividends received		170,307,271	170,307,271

The accompanying notes form an integral part of these financial statements.

CLICO INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Expressed in Trinidad & Tobago Dollars)

1. Principal activity and status

The CLICO Investment Fund (the "Fund") was established on 31 October 2012 as a close ended mutual fund. A close ended mutual fund is one in which the number of units which may be issued in the Fund is limited. The investment objective of the Fund is to hold the initial assets and the additional Republic Bank Limited shares (RBL), in the event that they become part of the deposited property, for a period of (10) ten years subject to the terms described under clause 19 of the Declaration of Trust, "Termination of the Fund".

The Fund is governed by the laws of the Republic of Trinidad and Tobago and established by a Declaration of Trust made by the Trustee, duly incorporated and validly existing and licensed under the provisions of the Financial Institutions Act, 2008 of the Republic of Trinidad and Tobago. The Trustee of the Fund is CLICO Trust Corporation Limited ("CTC" or "Trustee"). The address of the Trustee is Level 16, Ministry of the Finance and the Economy, Edward Street, Port of Spain. The Administrator of the Fund is Republic Bank Limited. The address of the Administrator is 9-17 Park Street, Port of Spain, Trinidad. Republic Bank Limited and its subsidiaries are therefore considered related parties. The Registrar of the Fund is the Trinidad and Tobago Central Depository Limited. The address of the Registrar is 10th Floor Nicholas Tower, 63-65 Independence Square, Port of Spain.

On 1 December 2011, the Government offered to holders of short term investment products issued by CLICO and BAT (STIPs) with balances greater than \$75,000.00 the following:

- 1) cash up to \$75,999.99 and
- 2) twenty (20), one (1) year zero coupon bonds with maturities ranging from years 1-10 and Government 11-20 Year Bonds in exchange for their STIPs.

Subsequently, the Government agreed to establish a trust into which would be placed the RBL shares and the Government securities which will be held in trust in accordance with the provisions of the Trust Deed.

The Government has acquired the RBL shares and the Government securities and has vested the RBL shares and the Government securities in the Trustee, free from all encumbrances.

CLICO INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Expressed in Trinidad & Tobago Dollars)

(Continued)

1. Principal activity and status (continued)

In the event that the Trustee acquires the additional RBL shares in accordance with clause 2.9 of the Trust Deed, the Trustee shall thereafter hold the additional RBL shares as part of the deposited property in substitution for the Government securities.

On 18 October 2012, the Trustee was incorporated in the Republic of Trinidad and Tobago and on 31 October 2012, the fund sponsor transferred the initial assets to the Trustee.

On 31 October 2012, by way of the Trust Deed, the Trustee declared that it held the initial assets, upon trust, to be applied by the Trustee.

Until 31 October 2012, the CL Financial Group held through its various subsidiaries, 51.4% of the shares of Republic Bank Limited. On 1 November 2012, 24.8% of Republic Bank formerly owned by Colonial Life Insurance Company (Trinidad) Limited (CLICO) was transferred into the Clico Investment Fund. The Trustee of the Fund, CTC, holds 24.8% shareholding in Republic Bank Limited in trust solely for the benefit of subscribing unit holders of the Fund. The Fund is as a consequence, the largest shareholder in Republic Bank Limited. Even though the Fund holds in excess of 20% of the shares of Republic Bank Limited, it is not accounted for as an investment in an associate. This is because it has been demonstrated that the Fund and its Trustee's do not have significant influence over Republic Bank Limited.

In accordance with the provisions of both Notifications, the CBTT has the power to deal with the assets of the Companies, including the Republic Bank Limited shares. The CBTT will not receive any benefit financial or otherwise from the exercise of its powers under the Central Bank Act.

The sole shareholder of the Trustee is the Government.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

a) Basis of preparation

The Fund's financial statements have been prepared on a historical cost basis except for available-for-sale financial assets, which are carried at fair value. These financial statements are expressed in Trinidad and Tobago dollars.

CLICO INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014
(Expressed in Trinidad & Tobago Dollars)
(Continued)

2. Significant accounting policies (continued)

a) Basis of preparation (continued)

The financial statements provide comparative information in respect of the previous period. Where necessary comparative data has been adjusted to conform with the current year's presentation. These changes had no effect on the results or net assets for the previous year.

b) Statement of compliance

The fund's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

c) Changes in accounting policies and disclosures

i) New standards and amendments/revisions to the published standards and interpretations effective 2014

The following amendments to published standards are mandatory for the Fund's accounting period beginning on or after 1 January 2014:

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities (Effective 1 January 2014)

The amendments to IAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and the application of the IAS 32 offsetting criteria to settlement system, which apply gross settlement mechanisms that are not simultaneous. The Fund re-assessed all assets and liabilities which are offset and which can potentially be offset and has confirmed that the treatment of all such assets and liabilities are in compliance with the amended standard. These amendments therefore had no impact on the Fund's financial statements.

Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets (Effective 1 January 2014)

The amendments clarify the disclosure requirements applicable to assets that have been assessed for impairment based on fair value less costs to sell. These amendments have no impact on the Fund's financial statements.

CLICO INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014
(Expressed in Trinidad & Tobago Dollars)
(Continued)

2. Significant accounting policies (continued)

c) Changes in accounting policies and disclosures (continued)

ii) *New standards and amendment/revisions to the published standards and interpretations effective in 2014 but not applicable to the Fund*

The following new and revised IFRS that have been issued do not apply to the activities of the Fund:

IFRIC 21 - Levies (effective 1 January 2014)

Amendments to IFRS 9, IFRS 7 and IAS 39 – Hedge Accounting (effective 1 January 2014)

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities (effective 1 January 2014)

Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (effective 1 January 2014)

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions (effective 1 July 2014)

Annual improvements to IFRS's 2010 - 2012 cycle (issued December 2013) - Effective 1 July 2014

- IFRS 2 - Share-based payment - Definitions of vesting conditions
- IFRS 3 - Business Combinations - Accounting per contingent consideration in a business combination
- IFRS 8 - Operating Segments - Aggregation of operating segments and Reconciliation of the total of the reportable segments' assets to the entity's assets
- IAS 16 - Property, Plant and Equipment - and IAS 38 - Intangible Assets - Revaluation method - proportionate restatement of accumulated depreciation/amortisation

CLICO INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Expressed in Trinidad & Tobago Dollars) (Continued)

2. Significant accounting policies (continued)

c) Changes in accounting policies and disclosures (continued)

ii) *New standards and amendment/revisions to the published standards and interpretations effective in 2014 but not applicable to the Fund* (continued)

Annual improvements to IFRS's 2011 - 2013 cycle (issued December 2013) - Effective 1 July 2014

- IFRS 1 - First-time Adoption of International Financial Reporting Standards - Meaning of 'effective IFRSs'
- IFRS 3 - Business Combinations - Scope exceptions for joint ventures
- IAS 40 - Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

iii) *New interpretations and revised or amended standards that are not yet effective and have not yet been early adopted by the Fund*

Standards issued but not yet effective up to the date of issuance of the Funds financial statements are listed below. This listing is of standards and interpretations issued, which the Fund reasonably expects to be applicable at a future date.

IFRS 9 - Financial Instruments: Classification and Measurement (Phase 1) (effective 1 January 2018)

IFRS 15 Revenue from Contracts with Customers (effective 1 January 2017)

IAS 1 Disclosure Initiative – Amendments to IAS 1 (effective 1 January 2016)

Annual Improvements to IFRS 2010-2012 Cycle (effective 1 July 2014)

Certain limited amendments, which primarily consist of clarifications to existing guidance, were made to the following standards and are not expected to have a material impact on the financial statements:

- IFRS 13 - Fair Value Measurement - Short-term receivables and payables
- IAS 24 - Related Party Disclosures - Key management personnel

CLICO INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Expressed in Trinidad & Tobago Dollars)

(Continued)

2. Significant accounting policies (continued)

c) Changes in accounting policies and disclosures (continued)

iii) New interpretations and revised or amended standards that are not yet effective and have not yet been early adopted by the Fund (continued)

Annual Improvements to IFRSs 2011-2013 Cycle (effective 1 July 2014)

Certain limited amendments, which primarily consist of clarifications to existing guidance, were made to the following standards and are not expected to have a material impact on the financial statements:

- IFRS 13 - Fair Value Measurement - Scope of paragraph 52 (portfolio exception)

d) Financial instruments

The Fund's financial assets and financial liabilities are recognised in the statement of financial position when it becomes party to the contractual obligation of the instrument. A financial asset is derecognised when the right to receive the cash flows from the asset has expired or where the Fund has transferred all the risks and rewards of ownership of the asset. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. All 'regular way' purchases and sales are recognised at settlement date.

e) Financial assets

The Fund classified its financial assets into the following categories:

(i) Available-for-sale

Available-for-sale financial assets are securities intended to be held for an indefinite period of time, but may be sold in response to needs for liquidity or in response to changes in market conditions. Available-for-sale securities are initially recognised at fair value plus transaction costs and are continuously re-measured at fair value based on quoted market prices where available or discounted cash flow models. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in the investment revaluation reserve in Unitholders' balances. When the securities are disposed of, the related accumulated fair value adjustments are included in investment income.

CLICO INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Expressed in Trinidad & Tobago Dollars) (Continued)

2. Significant accounting policies (continued)

e) Financial assets (continued)

(i) Available-for-sale (continued)

When securities become impaired, the related accumulated fair value adjustments previously recognised in the investment revaluation reserve are included in the statement of comprehensive income as an impairment expense on investment securities.

(ii) Held-to-maturity

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturities that the Fund has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at amortised cost less any provision for impairment.

(iii) Fair value measurement

The Fund measures financial instruments at fair value at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

CLICO INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Expressed in Trinidad & Tobago Dollars)

(Continued)

2. Significant accounting policies (continued)

e) Financial assets (continued)

(iii) Fair value measurement (continued)

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs specifically the fair values for unquoted equity instruments or unlisted securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. Assets and liabilities included in level 3 are held at cost, being the fair value of the consideration paid on acquisition and are regularly assessed for impairment.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

CLICO INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Expressed in Trinidad & Tobago Dollars) (Continued)

2. Significant accounting policies (continued)

f) Impairment of the financial assets

The carrying value of all the Fund's financial assets is reviewed for impairment when there is objective evidence that a financial asset or group of financial assets' carrying amount may not exceed its recoverable amount. The identification of impairment and the determination of recoverable amounts is an inherently uncertain process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices.

In order to determine whether negative revaluations on investment securities correctly represent impairment, all investment securities for which the market value has been significantly below cost price for a considerable period of time, are individually reviewed. A distinction is made between negative revaluations due to general market fluctuations and due to issuer specific developments. The impairment review focuses on issuer specific developments regarding financial condition and future prospects, taking into account the intent and ability to hold the securities under the Fund's long term investment strategy.

g) Revenue and expenditure recognition

Dividend income is recognised when the right to receive payment is established. Interest income is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. Interest income is recognised as the interest accrues, taking into account the effective yield on the asset unless collectability is in doubt.

Expenses are accounted for on the accrual basis.

h) Cash and cash equivalents

Cash and cash equivalents are carried at cost and consist of cash at bank and highly liquid investments with original maturities of three months or less.

CLICO INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Expressed in Trinidad & Tobago Dollars)

(Continued)

2. Significant accounting policies (continued)

i) Foreign currencies

Foreign currency transactions during the year are translated into Trinidad and Tobago dollars at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities in foreign currencies, at the statement of financial position date, are expressed in Trinidad and Tobago dollars at the exchange rates ruling at that date. Profits and losses thus arising are recorded in the statement of comprehensive income.

j) Subscriptions

During the initial period, units in the Fund were exchanged for the subscription consideration at the rate of forty (40) units for \$1,000 of face value of Government 11-20 bonds with a minimum subscription for units by a bondholder being \$1,000.00. Thereafter units were offered for sale by the Government, at any time prior to the redemption date, for the Subscription Consideration in the form of \$1,000 Government 11-20 bonds at face value per forty (40) units in an over-the-counter trade at the expense of the subscriber. The bondholders were only permitted to subscribe for units in respect of their entire holdings of Government 11-20 bonds, partial subscription were not permitted subject to the restriction that a single unitholder and its affiliates, was not permitted to hold more than 16% of the units issued.

Subsequent to the initial period, trading is performed by unitholders and investors on the Trinidad and Tobago Stock Exchange.

k) Redemptions

On the trading date, a unitholder shall only be entitled to sell, transfer or otherwise dispose of the units held by a unitholder by trading on the Trinidad and Tobago Stock Exchange in accordance with its rules for effecting transactions in the units or via over the counter trading and at his expense.

CLICO INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Expressed in Trinidad & Tobago Dollars)

(Continued)

2. Significant accounting policies (continued)

l) Net asset value per unit

The net asset value per share is calculated by dividing the net assets in the statement of financial position by the number of units outstanding at the period end. Net assets is total assets less total liabilities in the statement of financial position.

m) Provision

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

n) Distributions

Distributions to the Fund's unit holders is recognized as an appropriation in the Fund's financial statements in the period in which the distribution is approved by the Trustees.

3. Significant accounting judgements and estimates

The Trustee has made the following judgements in its application of the Fund's accounting policies which have the most significant effect on the amounts reported in the financial statements:

Impairment of financial assets

The Trustee makes judgements at each statement of financial position date to determine whether financial assets are impaired. Financial assets are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

CLICO INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Expressed in Trinidad & Tobago Dollars)

(Continued)

3. Significant accounting judgements and estimates (continued)

Valuation of investments

The Fund has applied IAS 39 in its classification of investment securities which requires measurement of securities at fair value. For unlisted securities, fair values are estimated using price/earnings or price/cash flow ratios which have been refined to accommodate the specific circumstances of the issuer.

4. Cash and cash equivalents	2014	2013
Cash and call deposits	1,778,108	1,207,426
Short term funds	<u>120,250,000</u>	<u>120,000,000</u>
	<u>122,028,108</u>	<u>121,207,426</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Call deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Fund and earn interest at the respective short-term deposit rates. Short term funds are deposits held with maturity dates of three months or less. These deposits earn interest of less than 1%.

5. Available-for-sale financial assets	2014	2013
Equities	4,798,257,082	4,641,975,116
Government securities	<u>678,475,530</u>	<u>672,731,564</u>
	<u>5,476,732,612</u>	<u>5,314,706,680</u>

6. Held-to-maturity financial assets		
Fixed deposits	<u>15,600,000</u>	<u>17,000,000</u>
	<u>15,600,000</u>	<u>17,000,000</u>

CLICO INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Expressed in Trinidad & Tobago Dollars)

(Continued)

6. Held-to-maturity financial assets (continued)

Fixed deposits are deposits held with maturity dates greater than three months. These deposits earn interest of less than 1%. The fair value of held-to-maturity financial assets approximate their carrying values.

7. Accrued expenses	2014	2013
Fund administration fee	1,394,945	1,351,318
Audit fees	40,000	40,000
	<u>1,434,945</u>	<u>1,391,318</u>

8. Units

Units are limited to 204,000,000 and are traded on the Trinidad and Tobago Stock Exchange at the prevailing quoted unit prices.

9. Fees

Republic Bank Limited ("RBL") has been appointed as administrator of the Fund. Under the terms of the agreement, RBL is entitled to receive an annual Fund Administrator fee of 1% of the fund income which is payable semi annually.

Trustee fees

The Trustee, Clico Trust Corporation Limited (CTC) is entitled to be paid expenses from the Fund income. Details of the permitted expenses are described in the Declaration of Trust

Other expenses	2014	2013
Legal fees	3,960	862
Acquisition fee	—	10,000
TTSE - Listing fee	113,438	—
	<u>117,398</u>	<u>10,862</u>

CLICO INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(Expressed in Trinidad & Tobago Dollars)

(Continued)

10. Related parties

From time to time the Fund will acquire investments from a related party, the investment manager, at commercial rates and in the normal course of business. Investments in related party instruments and the recognised income thereon were as follows:

Assets	2014	2013
Republic Bank Limited (Group)		
Available for sale	4,798,257,082	4,641,975,116
Cash and cash equivalents	122,028,108	121,207,426
Interest receivable	9,225	4,603
	<u>4,920,294,415</u>	<u>4,763,187,145</u>
Liabilities		
Republic Bank Limited (Group)	<u>1,394,945</u>	<u>1,351,318</u>
Income		
Republic Bank Limited (Group)		
Dividend income	170,307,271	170,307,271
Interest income	27,373	14,545
	<u>170,334,644</u>	<u>170,321,816</u>
Expenses		
Republic Bank Limited (Group)	<u>2,002,215</u>	<u>2,042,762</u>

11. Fair value

Financial instruments recorded at fair value

Certain financial instruments namely available-for-sale investments are recorded at fair value using valuation techniques as current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against the prices of actual market transactions and using the Investment Manager's best estimate of the most appropriate model inputs. These are adjusted to reflect counterparty credit spread.

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(Expressed in Trinidad & Tobago Dollars)

(Continued)

11. Fair value (continued)

Assets for which fair value approximates carrying value

For financial assets and liabilities that are liquid or have a short-term maturity it is assumed that the carrying amounts approximate to their fair value. These include held-to-maturity investments, cash and cash equivalents, interest receivable, accrued expenses and accruals for distributions.

Fair value hierarchy

The following table shows an analysis of financial instruments recognised at fair value, analysed by level of fair value hierarchy:

	31 December 2014			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Available-for-sale investments				
Equities	4,798,257,082	—	—	4,798,257,082
Government securities	—	678,475,530	—	678,475,530
	<u>4,798,257,082</u>	<u>678,475,530</u>	<u>—</u>	<u>5,476,732,612</u>
	31 December 2013			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Available-for-sale investments				
Equities	4,641,975,116	—	—	4,641,975,116
Government securities	—	672,731,564	—	672,731,564
	<u>4,641,975,116</u>	<u>672,731,564</u>	<u>—</u>	<u>5,314,706,680</u>

There were no instruments classified in Level 3 for the year ended 31 December 2014 and 31 December 2013.

There were no transfers of financial instruments between levels for the years ended 31 December 2014 and 31 December 2013.

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12. Risk management

Introduction

Risk is inherent in the Fund's activities but it is managed through a process of ongoing identification and measurement and monitoring, subject to risk limits and other controls.

This process of risk management is critical to the Fund's continuing profitability.

Role of the Trustee

The Trustee's responsibility is that of safeguarding unitholders' interests. The Trustee will act as custodian of the Fund's assets and will ensure that the rights of the unit holders are no way infringed. The sole shareholder of the Trustee is the Government.

Risk management structure

Republic Bank Limited (the "Bank"), which acts as the Fund administrator, performs or arranges for the performance of the administrative services necessary for the daily operation of the Fund. These include maintaining the corporate and financial books and records of the Fund, preparing financial statements of the Fund, calculation of the NAV and performing all duties required on termination of the Fund.

The Fund is exposed to various risks. A summary of these risks is as follows:

Market risk

Market risk is the risk that investments held in the portfolio will fluctuate due to changes in market prices. Market risk comprises of interest rate risk, currency risk and equity price risk.

Equity price risk

Equity risk is the risk that investments held in the portfolio will fluctuate due to changes in market price.

The Fund invests in financial instruments that are traded on registered exchanges. These securities are susceptible to market price risk arising from uncertainties about future prices of the instruments. The Fund has set investment objectives to reduce its market risk by setting limits to its exposure by geographical concentration and industry sector.

CLICO INVESTMENT FUND

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(Continued)

12. Risk management (continued)

Equity price risk (continued)

Through ongoing daily control procedures, management closely monitors the exposure of the Fund's investment portfolio to changes in market prices and is therefore able to mitigate the market risk resulting from fluctuations in underlying prices.

The table below summarises the Fund's exposure to price risks by geographical concentrations:

	2014		2013	
	\$	%	\$	%
Domestic	<u>4,798,257,082</u>	<u>100</u>	<u>4,641,975,116</u>	<u>100</u>
	<u>4,798,257,082</u>	<u>100</u>	<u>4,641,975,116</u>	<u>100</u>

The tables below summarises the concentration of the Plan's assets by sector:

	2014		2013	
	\$	%	\$	%
Finance	<u>4,798,257,082</u>	<u>100</u>	<u>4,641,975,116</u>	<u>100</u>
	<u>4,798,257,082</u>	<u>100</u>	<u>4,641,975,116</u>	<u>100</u>

The effect on net assets at 31 December due to a reasonably possible change in equity indices, with all other variables held constant, as follows:

Change in equity price	\$ Effect on net assets	\$ Effect on net assets
%	2014	2013
+/-	+/-	+/-
1	47,982,571	46,419,751

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(Continued)

12. Risk management (continued)

Interest rate risk

The Fund's interest-bearing financial assets and liabilities exposes it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Investment Manager reviews the interest rate risk using gap analysis, interest rate sensitivity and exposure limits for financial instruments.

The table below demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Fund's and net assets.

	Change in basis points	\$ Effect on net assets
	+/-	+/-
2014	100	86,632,557
2013	100	89,540,030

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund has no material financial assets or financial liabilities denominated in currencies other than the reporting currency. As a result the Fund's exposure to currency risk is considered immaterial.

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with the Fund. Impairment provisions are provided for losses that have been incurred by the statement of financial position date, if any.

The Fund's main credit risk concentration lies in debt securities. The Fund manages credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits. The investment manager monitors the Fund's credit exposure on a quarterly basis.

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(Continued)

12. Risk management (continued)

Credit risk (continued)

The following table shows the maximum exposure to credit risk without taking account of any collateral or other credit enhancements:

Assets	Gross maximum exposure	
	2014	2013
Cash and cash equivalents	122,028,108	121,207,426
Held to maturity	15,600,000	17,000,000
Available-for-sale investments	678,475,530	672,731,564
Interest receivables	<u>5,171,222</u>	<u>5,174,126</u>
	<u>821,274,860</u>	<u>816,113,116</u>

Total credit risk exposure

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by asset class, geographical region and industry sector. All of the Fund's assets are concentrated in Trinidad and Tobago. Information with respect to the Fund's concentration of risk by asset class is as follows:

Assets	2014	2013
Government bonds	683,631,493	677,887,525
Money market instruments	15,606,035	17,013,563
Cash with financial institutions	<u>122,037,332</u>	<u>121,212,029</u>
	<u>821,274,860</u>	<u>816,113,117</u>

CLICO INVESTMENT FUND

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(Continued)

12. Risk management (continued)

Risk concentrations of the maximum exposure to credit risk (continued)

The following table is an analysis of the Fund's assets by industry sector:

	2014	2013
Financial sector	137,643,367	138,225,591
Government	<u>683,631,493</u>	<u>677,887,525</u>
	<u>821,274,860</u>	<u>816,113,116</u>

Analysis of financial assets bearing credit risk

	Neither past due nor impaired	Past due but not	Impaired	Total
2014				
Cash	122,028,108	-	-	122,028,108
Available-for-sale	678,475,530	-	-	678,475,530
Held to maturity	15,600,000	-	-	15,600,000
Interest receivable	<u>5,171,222</u>	<u>-</u>	<u>-</u>	<u>5,171,222</u>
	<u>821,274,860</u>	<u>-</u>	<u>-</u>	<u>821,274,860</u>
2013				
Cash	121,207,426	-	-	121,207,426
Available-for-sale financial assets	672,731,564	-	-	672,731,564
Held to maturity	17,000,000	-	-	17,000,000
Interest receivable	<u>5,174,126</u>	<u>-</u>	<u>-</u>	<u>5,174,126</u>
	<u>816,113,116</u>	<u>-</u>	<u>-</u>	<u>816,113,116</u>

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(Expressed in Trinidad & Tobago Dollars)

(Continued)

12. Risk management (continued)

Credit quality per class of financial assets

The credit quality of financial assets that are not impaired is managed by the Fund using internal investments ratings. These ratings are based on the financial strength, reputation and market position of the issuing company and the ability of that company to service the debt.

Superior: Investments classified as superior comprise of Government and Government guaranteed bonds secured by a letter of comfort from the Government. These securities are considered risk free. Also included in this category are corporate bonds where the issuing company has excellent financial strength and reputation. These instruments are current and are being serviced in accordance with the terms and conditions of the underlying agreements.

Desirable: Investments classified as desirable include corporate bonds and money market instruments. These instruments are current and are being serviced in accordance with the terms and conditions of the underlying agreements. Issuing company has good financial strength and reputation.

Acceptable: Acceptable investments include mortgages and corporate loans. These securities are current and are being serviced in accordance with the terms and conditions of the underlying agreements. Issuing company has fair financial strength and reputation.

Sub-standard: Assets classified as sub-standard represent securities displaying indicators of impairment however are being serviced in accordance with their existing terms and conditions, or have been restructured in prior financial years but are currently being serviced in accordance with their new terms and conditions.

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(Continued)

12. Risk management (continued)

Credit quality per class of financial assets (continued)

2014	Superior	Desirable	Acceptable	Sub- standard	Total
Assets					
Cash and fixed deposits	–	137,628,108	–	–	137,628,108
Available-for-sale investments	678,475,530	–	–	–	678,475,530
Interest Receivable	<u>5,155,963</u>	<u>15,259</u>	<u>–</u>	<u>–</u>	<u>5,171,222</u>
	<u>683,631,493</u>	<u>137,643,367</u>	<u>–</u>	<u>–</u>	<u>821,274,860</u>
2013	Superior	Desirable	Acceptable	Sub- standard	Total
Assets					
Cash and fixed deposits	–	138,207,426	–	–	138,207,426
Available-for-sale investments	672,731,564	–	–	–	672,731,564
Interest Receivable	<u>5,155,961</u>	<u>18,165</u>	<u>–</u>	<u>–</u>	<u>5,174,126</u>
	<u>677,887,525</u>	<u>138,225,591</u>	<u>–</u>	<u>–</u>	<u>816,113,116</u>

Liquidity risk

Liquidity risk is the risk that the Fund will be unable to liquidate positions to satisfy its commitments to Unitholders due to market conditions. The Fund has limited exposure to liquidity risk as it is a close ended mutual fund with a set redemption date of 2 January 2023, except where the Fund is terminated as a result of a Special Transaction. In both instances, the Trustees shall distribute the Deposited Property, that comprises of the RBL shares and any other assets and fund income, to the Unitholders in accordance with the provisions as detailed in the Declaration of Trust dated 31 October 2012.

CLICO INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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(Continued)

13. Taxation

Tax on interest income is withheld on distributions to non-resident unit-holders at the rates applicable to the country in which the unitholders reside. Resident unit-holders are exempted from tax on distributions.

14. Distributions

Distributions in the Fund are made semi annually on the 21 February and 21 August each year.

15. Fund management

When managing capital, which is represented by unitholders' balances, the objectives of the Fund Administrator are:

- To comply with the requirements set out in the Fund's prospectus and Trust Deed;
- To safeguard the Fund's ability to continue as a going concern so that it can continue to provide returns for unitholders'; and
- To maintain a strong capital base to support the development of its business.

The Fund endeavours to invest the proceeds from the issue of units in appropriate investments while maintaining sufficient liquidity to meet redemptions where necessary, such liquidity being augmented by disposal of investment securities where necessary.

The use of proceeds from the issue of units is monitored on a daily basis by the Fund Distributor, based on guidelines set out in the Prospectus and the Trust Deed. The Fund complied with the requirements set out in the Prospectus and Trust Deed during the reported financial periods and no changes were made to the Fund's objectives, policies and processes from the previous year.

