

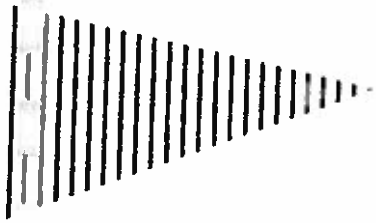
CLICO INVESTMENT FUND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2016

Ernst & Young



**Building a better
working world**

CLICO INVESTMENT FUND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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**INDEPENDENT AUDITOR'S REPORT
TO THE TRUSTEE OF CLICO INVESTMENT FUND**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Clico Investment Fund ("the Fund"), which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Responsibilities of Management and the Trustee for the Financial Statements

The Trustee is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.



INDEPENDENT AUDITOR'S REPORT

TO THE TRUSTEE OF CLICO INVESTMENT FUND

Report on the Audit of the Financial Statements (Continued)

Responsibilities of Management and the Trustee for the Financial Statements (Continued)

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Trustee is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

TO THE TRUSTEE OF CLICO INVESTMENT FUND

**Report on the Audit of the Financial Statements
(Continued)**

**Auditor's Responsibilities for the Audit of the Financial Statements
(Continued)**

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also: (continued)

- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



**INDEPENDENT AUDITOR'S REPORT
TO THE TRUSTEE OF CLICO INVESTMENT FUND**

**Report on the Audit of the Financial Statements
(Continued)**

**Auditor's Responsibilities for the Audit of the Financial Statements
(Continued)**

We communicate with the Trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Trustee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner in charge of the audit resulting in this independent auditor's report is Adrienne D'Arcy.

Ernst & Young

Port of Spain,
TRINIDAD:
22 March 2017

CLICO INVESTMENT FUND

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

(Expressed in Trinidad and Tobago Dollars)

	Notes	2016	2015
Assets			
Cash and cash equivalents	4	124,299,968	125,135,202
Available-for-sale financial assets	5	4,920,079,312	5,087,501,844
Held-to-maturity financial assets	6	16,640,499	16,106,063
Interest receivable		<u>5,242,021</u>	<u>5,317,946</u>
Total assets		<u>5,066,261,800</u>	<u>5,234,061,055</u>
Liabilities			
Accrued expenses	7	<u>1,473,494</u>	<u>1,475,080</u>
		<u>1,473,494</u>	<u>1,475,080</u>
Equity			
Capital account		5,100,000,000	5,100,000,000
Undistributed income		144,708,995	145,084,132
Investment revaluation reserve		<u>(179,920,689)</u>	<u>(12,498,157)</u>
		<u>5,064,788,306</u>	<u>5,232,585,975</u>
Total liabilities and equity		<u>5,066,261,800</u>	<u>5,234,061,055</u>
Number of units	8	204,000,000	204,000,000
Net assets value per unit		\$24.83	\$25.66

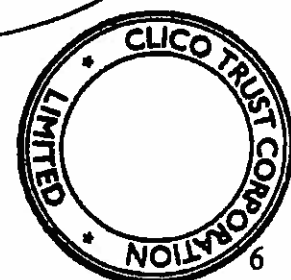
These financial statements were approved by the Trustee and authorised for issue on 22 March 2017.

Masa Mohamed

[Signature]

: Trustee

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



CLICO INVESTMENT FUND

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016
(Expressed in Trinidad and Tobago Dollars)

	Note	2016	2015
Investment income			
Dividend income		174,314,501	174,314,501
Interest income		<u>30,258,074</u>	<u>30,111,762</u>
Total investment income		<u>204,572,575</u>	<u>204,426,263</u>
Expenses			
Fees and expenses	9	<u>2,987,712</u>	<u>2,826,516</u>
Total expenses		<u>2,987,712</u>	<u>2,826,516</u>
Net income		<u>201,584,863</u>	<u>201,599,747</u>
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Unrealised loss on revaluation		<u>(167,422,532)</u>	<u>(389,230,769)</u>
Total comprehensive income/(loss)		<u>34,162,331</u>	<u>(187,631,022)</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 2016
(Expressed in Trinidad and Tobago Dollars)

	Capital account	Undistributed income	Investment revaluation reserve	Unitholders' balances
Balance at 1 January 2015	5,100,000,000	141,364,385	376,732,612	5,618,096,997
Net income	-	201,599,747	-	201,599,747
Other comprehensive loss	-	-	(389,230,769)	(389,230,769)
Distributions (Note 13)	-	(197,880,000)	-	(197,880,000)
Balance at 31 December 2015	<u>5,100,000,000</u>	<u>145,084,132</u>	<u>(12,498,157)</u>	<u>5,232,585,975</u>
Balance at 1 January 2016	5,100,000,000	145,084,132	(12,498,157)	5,232,585,975
Net income	-	201,584,863	-	201,584,863
Other comprehensive loss	-	-	(167,422,532)	(167,422,532)
Distributions (Note 13)	-	(201,960,000)	-	(201,960,000)
Balance at 31 December 2016	<u>5,100,000,000</u>	<u>144,708,995</u>	<u>(179,920,689)</u>	<u>5,064,788,306</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 2016
(Expressed in Trinidad and Tobago Dollars)

	Notes	2016	2015
Cash flows from operating activities			
Net income		<u>201,584,863</u>	<u>201,599,747</u>
Net income before working capital changes		201,584,863	201,599,747
Decrease/(increase) in receivables		75,925	(146,724)
(Decrease)/increase in payables		<u>(1,586)</u>	<u>40,135</u>
Cash provided by/(used in) operating activities		<u>74,339</u>	<u>(106,589)</u>
Net cash flows provided by operating activities		<u>201,659,202</u>	<u>201,493,158</u>
Cash flows from investing activities			
Purchase of investments		(81,340,499)	(32,606,063)
Proceeds on disposal of financial assets		<u>80,806,062</u>	<u>32,100,000</u>
Net cash flows used in investing activities		<u>(534,437)</u>	<u>(506,063)</u>
Cash flows from financing activities			
Distributions paid	13	<u>(201,960,000)</u>	<u>(197,880,000)</u>
Net cash flows used in financing activities		<u>(201,960,000)</u>	<u>(197,880,000)</u>
Net (decrease)/increase in cash and cash equivalents		(835,235)	3,107,095
Cash and cash equivalents at the beginning of the year		<u>125,135,203</u>	<u>122,028,108</u>
Cash and cash equivalents at the end of the year	4	<u>124,299,968</u>	<u>125,135,203</u>
Supplemental information			
Interest received		30,333,999	29,965,037
Dividends received		174,314,501	174,314,501

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 2016 (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 Financial Holdings Limited shares (RFHL), in the event that they become part of the deposited property, for a period of ten (10) 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 (formally 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 Financial Holdings Limited, the financial holding company for the Republic Group, is therefore considered a related party. 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 of the Republic of Trinidad and Tobago ("GORTT" or "the Government") offered to holders of short term investment products (STIPs) issued by Colonial Life Insurance Company (Trinidad) Limited (CLICO) and British American Insurance Company (Trinidad) Limited (BAT) 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 RFHL 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 RFHL shares and the Government securities and has vested the RFHL 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 2016 (Expressed in Trinidad & Tobago Dollars) (Continued)

1. Principal activity and status (continued)

In the event that the Trustee acquires the additional RFHL shares in accordance with clause 2.9 of the Trust Deed, the Trustee shall thereafter hold the additional RFHL 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 Financial Holdings Limited. On 1 November 2012, 24.8% of RFHL formerly owned by CLICO was transferred into the Clico Investment Fund. The Trustee of the Fund, CTC, holds 24.8% shareholding in RFHL in trust solely for the benefit of subscribing unit holders of the Fund. The Fund is as a consequence, the largest shareholder in RFHL. Even though the Fund holds in excess of 20% of the shares of RFHL, 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 RFHL.

In accordance with the provisions of both Notifications, the Central Bank of Trinidad and Tobago ("CBTT") has the power to deal with the assets of the Companies, including the RFHL 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 2016
(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 2016*

The following amendments to published standards are mandatory for the Fund's accounting period beginning on or after 1 January 2016:

IAS 1 - Amendments - Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:-

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of income and other comprehensive income and the statement of financial position may be disaggregated.
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of other comprehensive income arising from investments accounted for under the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

CLICO INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Expressed in Trinidad & Tobago Dollars)
(Continued)

2. Significant accounting policies (continued)

c) Changes in accounting policies and disclosures (continued)

i) *New standards and amendments/revisions to the published standards and interpretations effective 2016 (continued)*

Furthermore, the amendments give guidance on what additional subtotals are acceptable and how they are presented in the statement(s) of income and other comprehensive income and the statement of financial position. The fund concluded that no changes are required to the presentation of its financial statements.

ii) *New standards and amendments/revisions to the published standards and interpretations effective 2016 but not applicable to the Fund*

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

- IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception - Amendments to IFRS 10, IFRS 12 and IAS 28
- IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10
- IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11
- IFRS 14 - Regulatory Deferral Accounts
- IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38
- IAS 16 and IAS 41 - Agriculture - Bearer Plants - Amendments to IAS 16 and IAS 41
- IAS 27 - Equity Method in Separate Financial Statements - Amendments to IAS 27

CLICO INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Expressed in Trinidad & Tobago Dollars)
(Continued)

2. Significant accounting policies (continued)

c) Changes in accounting policies and disclosures (continued)

ii) *New standards and amendments/revisions to the published standards and interpretations effective 2016 but not applicable to the Fund* (continued)

The following new and revised IFRSs that have been issued do not apply to the activities of the Fund: (continued)

- Annual improvements (AIP) Effective 1 January 2016
 - IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal
 - IAS 19 - Employee Benefits - Discount rate: regional market issue
 - IAS 34 - Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'
 - IFRS 7 - Financial Instruments: Disclosures - Servicing contracts and applicability of the offsetting disclosures to condensed interim financial statements.

iii) *New interpretations and revised/amended standards that are not yet effective and have not 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.

- IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (effective 1 January 2017)
- IAS 7 – Disclosure Initiative – Amendments to IAS 7 (effective 1 January 2017)
- IFRS 2 – Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2 (effective 1 January 2018)
- IFRS 9 – Financial Instruments: Classification and Measurement (Phase 1) (effective 1 January 2018)
- IFRS 15 – Revenue from Contracts with Customers (effective 1 January 2018)
- IFRS 16 – Leases (effective 1 January 2019)

CLICO INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Expressed in Trinidad & Tobago Dollars)
(Continued)

2. Significant accounting policies (continued)

c) Changes in accounting policies and disclosures (continued)

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

The Trustee is currently assessing the potential impact of these Standards and Interpretations and will adopt them when they are effective.

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 2016
(Expressed in Trinidad & Tobago Dollars)
(Continued)

2. **Significant accounting policies** (continued)

e) **Financial assets** (continued)

The Fund classified its financial assets into the following categories: (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 year end reporting date.

CLICO INVESTMENT FUND

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Expressed in Trinidad & Tobago Dollars)
(Continued)**

2. Significant accounting policies (continued)

e) Financial assets (continued)

(iii) Fair value measurement (continued)

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.

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.

CLICO INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Expressed in Trinidad & Tobago Dollars)
(Continued)

2. **Significant accounting policies (continued)**

e) **Financial assets (continued)**

(iii) **Fair value measurement (continued)**

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 Fund 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.

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.

CLICO INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Expressed in Trinidad & Tobago Dollars)
(Continued)

2. Significant accounting policies (continued)

f) **Impairment of the financial assets (continued)**

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.

i) **Foreign currency translation**

Functional and presentation currency

The Fund's functional currency is the Trinidad and Tobago dollar (TTD), which is the currency of the primary economic environment in which it operates. The Fund's performance is evaluated and its liquidity is managed in TTD. Therefore, the TTD is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Fund's presentation currency is also the TTD.

CLICO INVESTMENT FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

(Expressed in Trinidad & Tobago Dollars)

(Continued)

2. **Significant accounting policies** (continued)

i) **Foreign currency translation** (continued)

Foreign currency transactions

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.

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2. Significant accounting policies (continued)

i) 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.

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

o) 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.

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3. Significant accounting judgements and estimates

The preparation of the Fund's financial statements requires the trustee to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Other disclosures relating to the Fund's exposure to risks and uncertainties includes:

- Financial instruments risk management (Note 12)
- Fund management (Note 14)

i) Judgement

In the process of applying the Fund's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of financial assets

The Trustee makes judgements at each year end reporting 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.

ii) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

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3. Significant accounting judgements and estimates (continued)

ii) Estimates and assumptions (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

	2016	2015
Cash and call deposits	75,841	1,635,202
Short term funds	<u>124,224,127</u>	<u>123,500,000</u>
	<u><u>124,299,968</u></u>	<u><u>125,135,202</u></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 0.90%.

5. Available-for-sale financial assets

	2016	2015
Equities held in RFHL	4,345,440,104	4,485,292,427
Government bond	<u>574,639,208</u>	<u>602,209,417</u>
	<u><u>4,920,079,312</u></u>	<u><u>5,087,501,844</u></u>

6. Held-to-maturity financial assets

Fixed deposits	<u>16,640,499</u>	<u>16,106,063</u>
	<u><u>16,640,499</u></u>	<u><u>16,106,063</u></u>

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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 3%. The fair value of held-to-maturity financial assets approximate their carrying values.

7. **Accrued expenses**

	2016	2015
Fund administration fee		
Audit fees	1,432,694	1,435,080
	<u>40,800</u>	<u>40,000</u>
	<u>1,473,494</u>	<u>1,475,080</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 and expenses**

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.

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

The Registrar shall be paid out of the Fund Income, the following fees as outlined in the schedule of fees in the Registrar Services Agreement:

- A membership fee payable annually
- A fee for the processing of distributions; and
- Fees for the maintenance of the register and reasonable fees incurred by it in the performance of the Registers duties.

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9. Fees and expenses (continued)

The following is a breakdown of fees and expenses in the Statement of Comprehensive income and complies with the approved fee structure:

	2016	2015
Fund administration fee	2,045,726	2,044,263
Trustee expenses	429,000	429,000
Registrar fees	173,279	68,761
Advertising	156,232	182,718
Stock Exchange fee	113,438	-
Audit fees	48,950	49,625
Corporate secretary fee	21,087	28,089
Other expense	-	24,060
	<u>2,987,712</u>	<u>2,826,516</u>

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:

	2016	2015
Assets		
Republic Financial Holdings Limited		
Available for sale investments	4,345,440,104	4,485,292,427
Cash and cash equivalents	124,299,968	125,135,203
Interest receivable	76,957	149,402
	<u>4,469,817,029</u>	<u>4,610,577,032</u>
Liabilities		
Republic Financial Holdings Limited	<u>1,432,694</u>	<u>1,435,080</u>

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10. Related parties (continued)	2016	2015
Income		
Republic Financial Holdings Limited		
Dividend income	174,314,501	174,314,501
Interest income	<u>236,275</u>	<u>219,786</u>
	<u>174,550,776</u>	<u>174,534,287</u>
Expenses		
Republic Financial Holdings Limited	<u>2,045,726</u>	<u>2,044,263</u>

11. Fair value of financial instruments

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.

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:

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11. Fair value of financial instruments (continued)

Fair value hierarchy (continued)

	31 December 2016			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Available-for-sale investments				
Equities in RFHL	4,345,440,104	–	–	4,345,440,104
Government security	–	574,639,208	–	574,639,208
	<u>4,345,440,104</u>	<u>574,639,208</u>	<u>–</u>	<u>4,920,079,312</u>
	31 December 2015			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Available-for-sale investments				
Equities in RFHL	4,485,292,427	–	–	4,485,292,427
Government security	–	602,209,417	–	602,209,417
	<u>4,485,292,427</u>	<u>602,209,417</u>	<u>–</u>	<u>5,087,501,844</u>

There were no instruments classified in Level 3 for the years ended 31 December 2016 and 31 December 2015.

There were no transfers of financial instruments between levels for the years ended 31 December 2016 and 31 December 2015.

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.

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12. Risk management (continued)

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.

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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:

	2016		2015	
	\$	%	\$	%
Domestic	<u>4,345,440,104</u>	<u>100</u>	<u>4,485,292,427</u>	<u>100</u>
	<u>4,345,440,104</u>	<u>100</u>	<u>4,485,292,427</u>	<u>100</u>

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

	2016		2015	
	\$	%	\$	%
Financial services sector	<u>4,345,440,104</u>	<u>100</u>	<u>4,485,292,427</u>	<u>100</u>
	<u>4,345,440,104</u>	<u>100</u>	<u>4,485,292,427</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
%	2016	2015
+/-	+/-	+/-
1	43,454,401	44,852,924

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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
	+/-	+/-
2016	100	
2015	100	67,806,353
		73,941,577

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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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	
	2016	2015
Cash and cash equivalents	124,299,968	125,135,202
Held to maturity	16,640,499	16,106,063
Available-for-sale investments	574,639,208	602,209,417
Interest receivable	<u>5,242,021</u>	<u>5,317,946</u>
	<u>720,821,696</u>	<u>748,768,628</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	2016	2015
Government bond	579,795,171	607,365,380
Money market instruments	16,671,422	16,154,359
Cash with financial institutions	<u>124,355,103</u>	<u>125,248,889</u>
	<u>720,821,696</u>	<u>748,768,628</u>

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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:

	2016	2015
Financial services sector	141,026,525	141,403,248
Government	<u>579,795,171</u>	<u>607,365,380</u>
	<u>720,821,696</u>	<u>748,768,628</u>

Analysis of financial assets bearing credit risk

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
2016				
Cash	124,299,968	-	-	124,299,968
Available-for-sale investments	574,639,208	-	-	574,639,208
Held to maturity	16,640,499	-	-	16,640,499
Interest receivable	<u>5,242,021</u>	-	-	<u>5,242,021</u>
	<u>720,821,696</u>	-	-	<u>720,821,696</u>
2015				
Cash	125,135,202	-	-	125,135,202
Available-for-sale investments	602,209,417	-	-	602,209,417
Held to maturity	16,106,063	-	-	16,106,063
Interest receivable	<u>5,317,946</u>	-	-	<u>5,317,946</u>
	<u>748,768,628</u>	-	-	<u>748,768,628</u>

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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)

2016 Assets	Superior	Desirable	Total
Cash and fixed deposits	–	140,940,467	140,940,467
Available-for-sale investments	574,639,208	–	574,639,208
Interest receivable	<u>5,155,963</u>	<u>86,058</u>	<u>5,242,021</u>
	<u>579,795,171</u>	<u>141,026,525</u>	<u>720,821,696</u>
2015 Assets	Superior	Desirable	Total
Cash and fixed deposits	–	141,241,266	141,241,266
Available-for-sale investments	602,209,417	–	602,209,417
Interest receivable	<u>5,155,963</u>	<u>161,982</u>	<u>5,317,945</u>
	<u>607,365,380</u>	<u>141,403,248</u>	<u>748,768,628</u>

There were no instruments classified in acceptable and sub-standard for the years ended 31 December 2016 and 31 December 2015.

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 RFHL 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

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13. Distributions	2016	2015
Distributions paid are analysed as follows:		
Final Dividend for 2015 - \$0.66 (2014 - \$0.64)	134,640,000	130,560,000
Interim Dividend for 2016 - \$0.33 (2015 - \$0.33)	<u>67,320,000</u>	<u>67,320,000</u>
	<u>201,960,000</u>	<u>197,880,000</u>

Subsequent to year end, the Trustee declared dividends for the year ended 31 December 2016 as follows:

	2016	2015
Final dividend for 2016: \$0.65 (2015: \$0.66) per share (not recognised as a liability as at 31 December 2016)	132,600,000	134,640,000

14. 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.