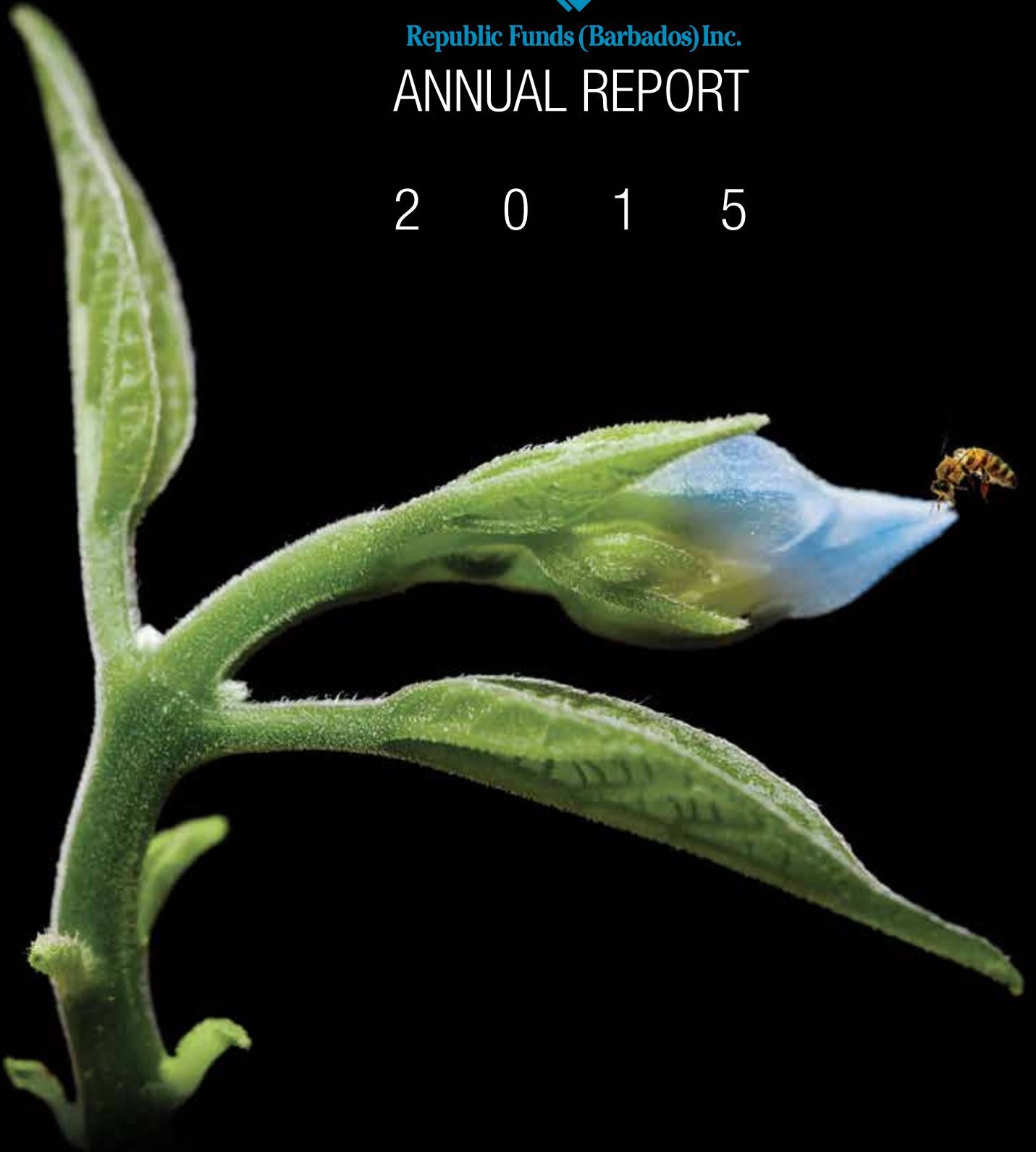




Republic Funds (Barbados) Inc.

ANNUAL REPORT

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Republic Funds (Barbados) Incorporated
Financial Statements
30 September 2015
(Expressed in Barbados dollars)

Republic Funds (Barbados) Inc.

Financial Statements

30 September 2015

(Expressed in Barbados dollars)

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Republic Funds (Barbados) Inc.

Corporate Information

Directors

Mr. Ronald Harford - Chairman
Mr. Ian De Souza - Managing Director
Mr. Derwin Howell
Mr. Ralph Williams
Mr. William Layne
Ms. Jacqueline Quamina

Secretary

Ms. Sasha Shillingford

Auditors

Ernst & Young
Chartered Accountants
Worthing, Christ Church, Barbados

Banker

Republic Bank (Barbados) Limited
Broad Street, Bridgetown, Barbados

Consulting Counsel

Clarke Gittens & Farmer
Attorneys At Law

Republic Funds (Barbados) Incorporated
Financial Statements



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Christ Church, BB15008
Barbados, W.I.

AUDITORS' REPORT

To the Shareholders of Republic Funds (Barbados) Inc.

We have audited the accompanying financial statements of Republic Funds (Barbados) Inc. which comprise the statement of financial position as at September 30, 2015, statement of income, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management 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 management 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' judgment, 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 management, 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of the Company as at September 30, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

CHARTERED ACCOUNTANTS
Barbados
30 October 2015

Republic Funds (Barbados) Inc.

Statement of Financial Position

As at 30 September 2015

	Notes	2015 The Funds \$	2014 The Funds \$	2015 Republic Income Fund \$	2014 Republic Income Fund \$
ASSETS					
Investments	6	33,425,353	37,120,297	17,948,654	21,426,547
Other assets					
Cash	7	4,583,118	2,274,697	3,668,176	933,723
Interest receivable		315,750	285,548	205,396	188,189
Other receivables		23,667	18,481	400	400
Withholding tax receivable		108,620	118,404	40,407	51,681
		5,031,155	2,697,130	3,914,379	1,173,993
TOTAL ASSETS		38,456,508	39,817,427	21,863,033	22,600,540
LIABILITIES & EQUITY					
Liabilities					
Due to related company	8	139,221	143,533	63,138	64,047
Accounts payable and accrued expenses		194,806	194,641	148,037	152,750
Other Liabilities		-	89,350	-	82,226
		334,027	427,524	211,175	299,023
Net assets attributable to redeemable fund shareholders	9	38,121,531	39,388,953	21,651,458	22,301,117
Total liabilities		38,455,558	39,816,477	21,862,633	22,600,140
Represented by: Shareholders' equity					
Common shares	9	950	950	400	400
TOTAL LIABILITIES & EQUITY		38,456,508	39,817,427	21,863,033	22,600,540
Net asset value per redeemable fund share				1.5400	1.4569

These financial statements were approved for issue by the Board of Directors on 30th October 2015 and signed on its behalf by:

Director

Director

Republic Funds (Barbados) Inc.

Statement of Financial Position

As at 30 September 2015

	Notes	2015	2014	2015	2014
		Republic Capital Growth Fund \$	Republic Capital Growth Fund \$	Republic Property Fund \$	Republic Property Fund \$
ASSETS					
Investments	6	11,178,045	12,008,101	4,298,654	3,685,649
Other assets					
Cash	7	496,776	269,941	418,166	1,071,033
Interest receivable		93,236	92,027	17,118	5,332
Other receivables		20,727	17,074	2,540	1,007
Withholding tax receivable		43,716	43,716	24,497	23,007
		654,455	422,758	462,321	1,100,379
TOTAL ASSETS		11,832,500	12,430,859	4,760,975	4,786,028
LIABILITIES & EQUITY					
Liabilities					
Due to related company	8	54,384	57,271	21,699	22,215
Accounts payable and accrued expenses		33,950	31,568	12,819	10,323
Other liabilities		-	4,274	-	2,850
		88,334	93,113	34,518	35,388
Net assets attributable to redeemable fund shareholders	9	11,743,766	12,337,346	4,726,307	4,750,490
Total liabilities		11,832,100	12,430,459	4,760,825	4,785,878
Represented by: Shareholders' equity					
Common shares	9	400	400	150	150
TOTAL LIABILITIES & EQUITY		11,832,500	12,430,859	4,760,975	4,786,028
Net asset value per redeemable fund share		1.4973	1.5011	1.2786	1.2694

The accompanying notes form an integral part of these financial statements

Republic Funds (Barbados) Inc.

Statement of Comprehensive Income

Year ended 30 September 2015

	Notes	2015	2014	2015	2014
		The Funds	The Funds	Republic	Republic
		\$	\$	Income	Income
				Fund	Fund
				\$	\$
Income					
Interest on bank balances		68,916	32,852	46,505	15,316
Interest on investments		2,302,085	2,192,543	1,743,071	1,688,417
Dividends		235,823	202,500	-	-
Realised (losses) gains and impairment on investments		22,014		(6,950)	64,573
Other income		37,168	70,078	148	-
		<u>2,666,006</u>	<u>2,139,373</u>	<u>1,782,774</u>	<u>1,768,306</u>
Expenses					
Management fees	4	478,755	482,737	207,373	202,844
Custody fees	4	84,635	90,696	48,423	50,711
Other charges		91,586	67,830	11,235	(1,325)
Barbados stock exchanges fees		315	253	-	-
Audit fees		73,200	73,200	38,400	38,400
		<u>728,491</u>	<u>714,716</u>	<u>305,431</u>	<u>290,630</u>
Operating income (loss) for the year		1,937,515	1,424,657	1,477,343	1,477,676
Finance costs					
Distributions to redeemable fund shareholders		(300,176)	(621,413)	(300,176)	(621,413)
Net income (loss)		1,637,339	803,244	1,177,167	856,263
Other comprehensive gain (loss)					
Unrealized gains (losses) on available-for-sale financial assets		(394,148)	812,495	64,419	111,884
Total comprehensive income (loss) for the year and net increase (decrease) in net assets attributable to redeemable fund		1,243,191	1,615,739	1,241,586	968,147

The accompanying notes form an integral part of these financial statements

Republic Funds (Barbados) Inc.

Statement of Comprehensive Income

Year ended 30 September 2015

	Notes	2015	2014	2015	2014
		Republic Capital Growth Fund \$	Republic Capital Growth Fund \$	Republic Property Fund \$	Republic Property Fund \$
Income					
Interest on bank balances		8,361	10,116	14,050	7,420
Interest on investments		442,482	443,135	116,532	60,991
Dividends		229,846	199,342	5,977	3,158
Realised (losses) gains and impairment on investments		3,964	(85,594)	25,000	(337,579)
Other income		-	-	37,020	70,078
		684,653	566,999	198,579	(195,932)
Expenses					
Management fees	4	194,998	200,344	76,384	79,549
Custody fees	4	26,027	28,621	10,185	11,364
Other charges		5,577	(705)	74,774	69,860
Barbados stock exchanges fees		-	253	315	-
Audit fees		24,000	24,000	10,800	10,800
		250,602	252,513	172,458	171,573
Operating income (loss) for the year		434,051	314,486	26,121	(367,505)
Finance costs					
Distributions to redeemable fund shareholders		-	-	-	-
Net income (loss)		434,051	314,486	26,121	(367,505)
Other comprehensive income (loss)					
Unrealized gains (losses) on available-for-sale financial assets		(466,113)	667,901	7,546	32,710
Total comprehensive income (loss) for the year and net increase (decrease) in net assets attributable to redeemable fund		(32,062)	982,387	33,667	(334,795)

The accompanying notes form an integral part of these financial statements

Republic Funds (Barbados) Inc.

Statement of Changes in Equity
Year ended 30 September 2015

	The Funds \$	Republic Income Fund \$	Republic Capital Growth Fund \$	Republic Property Fund \$
Common shares				
Balance as at 30 September 2015 and 2014.	950	400	400	150

The accompanying notes form an integral part of these financial statements

Republic Funds (Barbados) Inc.

Statement of Changes in Net Assets Attributable to Redeemable Fund Shareholders
Year ended 30 September 2015

	Notes	The Funds \$	Republic Income Fund \$	Republic Capital Growth Fund \$	Republic Property Fund \$
2015					
Opening balance as at 1 October 2014		39,388,953	22,301,117	12,337,346	4,750,490
Total comprehensive income (loss) for the year and net increase (decrease) in net assets attributable to redeemable fund shareholders		1,243,191	1,241,586	(32,062)	33,667
Shares issued during the year	9	548,466	449,966	98,500	-
Shares redeemed during the year	9	(3,059,079)	(2,341,211)	(660,018)	(57,850)
Closing balance as at 30 September 2015		38,121,531	21,651,458	11,743,766	4,726,307
2014					
Opening balance as at 1 October 2013		39,686,728	21,859,109	12,594,606	5,233,013
Total comprehensive income (loss) for the year and net increase (decrease) in net assets attributable to redeemable fund shareholders		1,615,740	968,147	982,387	(334,795)
Shares issued during the year	9	633,876	542,071	91,805	-
Shares redeemed during the year	9	(2,547,390)	(1,068,210)	(1,331,452)	(147,728)
Closing balance as at 30 September 2014		39,388,953	22,301,117	12,337,346	4,750,490

The accompanying notes form an integral part of these financial statements

Republic Funds (Barbados) Inc.

Statement of Cash Flows
Year ended 30 September 2015

	2015	2014	2015	2014
	The Funds	The Funds	Republic	Republic
	\$	\$	Income	Income
			Fund	Fund
			\$	\$
Cash flows from operating activities				
Operating income (loss) for the year	1,937,515	1,424,657	1,477,343	1,477,676
Decrease (increase) in receivables	(25,603)	151,895	(5,933)	127,437
(Decrease) increase in amounts due to related company	(4,311)	(2,968)	(909)	1,239
Decrease (increase) in investments	3,211,444	1,510,496	3,460,086	(215,154)
(Decrease) increase in accounts payable and accrued expenses	165	(26,064)	(4,713)	(8,047)
Net cash flows (used in) from operating activities	5,119,210	3,058,016	4,925,874	1,383,151
Cash flows from financing activities				
Issuance of redeemable fund shares	548,466	633,875	449,966	542,071
Redemption of redeemable fund shares	(3,059,079)	(2,547,389)	(2,341,211)	(1,068,210)
Distributions paid	(300,176)	(621,413)	(300,176)	(621,413)
Net cash flows (used in) from financing activities	(2,810,789)	(2,534,927)	(2,191,421)	(1,147,552)
Net increase (decrease) in cash	2,308,421	523,089	2,734,453	235,599
Cash - beginning of year	2,274,697	1,751,608	933,723	698,124
Cash - end of year	4,583,118	2,274,697	3,668,176	933,723

The accompanying notes form an integral part of these financial statements

Republic Funds (Barbados) Inc.

 Statement of Cash Flows
 Year ended 30 September 2015

	2015 Republic Capital Growth Fund \$	2014 Republic Capital Growth Fund \$	2015 Republic Property Fund \$	2014 Republic Property Fund \$
Operating activities				
Operating income (loss) for the year	434,051	314,486	26,121	(367,505)
Decrease (increase) in receivables	(4,862)	12,782	(14,808)	11,676
(Decrease) increase in amounts due to related company	(2,887)	(816)	(515)	(3,391)
Decrease (increase) in investments	359,669	243,755	(608,311)	1,481,895
(Decrease) increase in accounts payable and accrued expenses	2,382	646	2,496	(18,663)
Net cash flows (used in) from operating activities	788,353	570,853	(595,017)	1,104,012
Financing activities				
Issuance of redeemable fund shares	98,500	91,804	-	-
Redemption of redeemable fund shares	(660,018)	(1,331,452)	(57,850)	(147,727)
Distributions paid	-	-	-	-
Net cash flows (used in) from financing activities	(561,518)	(1,239,648)	(57,850)	(147,727)
Net increase (decrease) in cash	226,835	(668,795)	(652,867)	956,285
Cash - beginning of year	269,941	938,736	1,071,033	114,748
Cash - end of year	496,776	269,941	418,166	1,071,033

The accompanying notes form an integral part of these financial statements

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2015

1. Incorporation and principal activity

Republic Funds (Barbados) Inc., is an umbrella corporation registered as an open-ended public mutual fund under the Companies Act Cap 308 of the laws of Barbados for the issue and management of the Republic Bank (Barbados) family of funds in accordance with the provisions of Section 32 of the said Companies Act.

The Funds maintain their registered office at No. 1 Broad Street, Bridgetown, Barbados.

The Funds have no employees. Management services are provided by a related company as disclosed in Note 4 to the financial statements.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied across the funds.

a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and are stated in Barbados Dollars. These financial statements have been prepared on a historical cost basis, except for the measurement at fair value of investment securities classified as available-for-sale and investment properties.

b) Changes in accounting policies

i) New accounting policies adopted

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Funds' annual financial statements for the year ended 30 September 2014 except for the adoption of new standards and interpretations noted below.

The standards and interpretations have had no effect on the financial position or performance of the Fund unless otherwise noted.

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

The amendments apply to investments in subsidiaries, joint ventures and associates held by a reporting entity that meets the definition of an investment entity. The concept of an investment entity is new to IFRS. The amendments represent a significant change for investment entities, which are currently required to consolidate investees that they control. Significant judgement of facts and circumstances may be required to assess whether an entity meets the definition of investment entity. The adoption and amendments to these standards had no impact on the financial position or performance of the Fund.

IAS 32 - Offsetting Financial Assets and Financial liabilities (effective 1 January 2014)

These amendments clarify the meaning of the phrase "currently has a legally enforceable right to set-off" by stating that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The amendments also clarify that rights of set-off must not be contingent on a future event. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2015

2. Significant accounting policies... (continued)**b) Changes in accounting policies... (continued)****i) New accounting policies adopted... (continued)****IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets - Amendments to IAS 36 (effective 1 January 2014)**

The amendments clarify the disclosure requirements in respect of fair value less costs of disposal. When IAS 36 Impairment of Assets was originally changed as a result of IFRS 13, the IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair value less costs to sell. An unintended consequence of the amendments was that an entity would be required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison to the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This requirement has been deleted by the amendment. However the IASB has added two disclosure requirements:

Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal.

Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendments harmonise disclosure requirements between value in use and fair value less costs of disposal.

IFRIC 21 - Levies (effective January 1, 2014)

IFRIC 21 is applicable to all levies other than outflows that are within the scope of other standards (e.g., IAS 12) and fines or other penalties for breaches of legislation. Levies are defined in the interpretation as outflows of resources embodying economic benefits imposed by government on entities in accordance with legislation.

The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognised before the specified minimum threshold is reached.

ii) Standards in issue not yet effective

The following is a list of standards and interpretations issued that are not yet effective up to the date of issuance of the Funds' financial statements. The Funds reasonably expects these standards and interpretations to be applicable at a future date and intends to adopt these standards and interpretations when they become effective. The Funds are currently assessing the impact of adopting these standards and interpretations since the impact of adoption depends on the assets held by the Funds at the date of adoption, it is not practical to quantify the effect at this time.

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2015

2. Significant accounting policies... (continued)

b) Changes in accounting policies... (continued)

ii) Standards in issue not yet effective... (continued)

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

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

- The materiality requirements in IAS 1
- That specific line items in the statement of income and OCI 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 OCI of associates and joint ventures accounted for using 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 the statement of income.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of income and other comprehensive income.

These amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement.

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (effective 1 January 2016)

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

Entities currently using revenue-based amortisation methods for property, plant and equipment will need to change their current amortisation approach to an acceptable method, such as the diminishing balance method, which would recognise increased amortisation in the early part of the asset's useful life. Revenue generated may be used to amortise an intangible asset only in very limited circumstances.

IFRS 14 Regulatory Deferral Accounts (effective 1 January 2016)

The standard requires disclosures on the nature of, and risks associated with, the entity's rate regulation and the effects of that rate regulation on its financial statements. IFRS 14 allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Existing IFRS preparers are prohibited from applying this standard. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first-time application of IFRS.

Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income.

Republic Funds (Barbados) Inc.

Notes to the Financial Statements
Year ended 30 September 2015

2. Significant accounting policies... (continued)**b) Changes in accounting policies... (continued)****ii) Standards in issue not yet effective... (continued)**

The following Standards and Interpretations are not expected to be relevant to the Funds:

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

IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments to IFRS 10, IFRS 12 and IAS 28 (effective 1 January 2016)

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (effective 1 January 2016)

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (effective 1 January 2016)

IFRS 15 Revenue from Contracts with Customers (effective 1 January 2016)

iii) Improvements to International Financial Reporting Standards

The annual improvements process of the International Accounting Standards Board deals with non-urgent but necessary clarifications and amendments to IFRS. The following amendments are applicable to annual periods beginning on or after 1 January 2014.

IFRS	Subject of Amendment
IAS 24 -	Related Party Disclosures - Key management personnel
IAS 40 -	Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)
IFRS 2 -	Share-based Payment - Definitions of vesting conditions
IFRS 3 -	Business Combinations - Accounting for contingent consideration in a business combination
IFRS 3 -	Business Combinations - Scope exceptions for joint ventures
IFRS 8 -	Operating Segments - Aggregation of operating segments
IFRS 8 -	Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets
IFRS 13 -	Fair Value Measurement - Scope of paragraph 52 (portfolio exception)

c) Financial instruments

The Funds' financial assets and financial liabilities are recognized in the statement of financial position when they become party to the contractual obligation of the instrument. A financial asset is derecognised when the rights to receive the cash flows from the asset have expired or where the Fund has transferred all the risks and rewards of ownership of the asset or control 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.

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2015

2. Significant accounting policies... (continued)

c) Financial instruments... (continued)

Available-for-sale

Available-for-sale investments are securities intended to be held for an indefinite period of time, but may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Available-for-sale securities are initially recognised at fair value plus transaction costs and are continuously remeasured at fair value based on quoted market prices where available or discounted cash flow models. 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. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised as other comprehensive income. When the securities are disposed of, the related accumulated fair value adjustments are included in income. When securities become impaired, the related accumulated fair value adjustments previously recognised in equity are included in income as an impairment expense on investment securities.

d) Investment properties

Investment properties, principally comprising land, and condominiums, are held for resale and are not occupied by the Fund. Investment properties are carried at fair value, representing open market value determined annually. Changes in fair value are recorded in income.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in income.

Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

e) Distributions to shareholders

Distributions are paid up to twice annually to holders of redeemable Republic Income Fund shares. Since redeemable fund shares are regarded as a liability [Note 2(g)], distributions are treated as an expense in the determination of net income for the year.

f) Net asset value per redeemable fund share

The net asset value per redeemable fund share is calculated by dividing the net assets attributed to redeemable fund shareholders of the respective Fund by the total number of outstanding shares at year end.

g) Redeemable fund shares

Redeemable fund shares are redeemable at the shareholders' option and are classified as financial liabilities. The liabilities arising from the redeemable fund shares are carried at the redemption amount being the net asset value calculated in accordance with IFRS. The Funds issue shares at the net asset value of the existing shares. The holder of the redeemable fund shares can redeem them for cash equal to a proportionate share of the Fund's net asset value (calculated in accordance with redemption requirements).

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2015

2. Significant accounting policies... (continued)

h) Impairment of financial assets

The Funds assess at each statement of financial position date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is 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.

The Funds individually assess each investment security for objective evidence of impairment. If an impaired instrument has been renegotiated, interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of interest income. If the fair value of an equity instrument increases in a subsequent year, the impairment losses are recognised directly in other comprehensive income, whereas those arising on fixed income securities are recognized in income.

If there is objective evidence that the cost of an available-for-sale equity security may not be recovered, the security is considered to be impaired. Objective evidence that the cost may not be recovered includes qualitative impairment criteria as well as a significant or prolonged decline in the fair value below cost. The Funds' policy considers a significant decline to be one in which the fair value is below the weighted-average cost by more than 30% and a prolonged decline to be one in which the fair value is below the weighted-average cost for greater than one year.

If an available-for-sale equity security is impaired based upon the Funds' qualitative or quantitative impairment criteria, any further declines in the fair value at subsequent reporting dates are recognized as impairments. Therefore, at each reporting period, for an equity security that is determined to be impaired based upon the Funds' impairment criteria, an impairment is recognized for the difference between the fair value and the original cost basis, less any previously recognized impairments.

In the case of debt instruments classified as available-for-sale, the Funds assess individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest revenue'. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to credit event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss in the statement of comprehensive income.

i) Functional and presentation currency

The Funds' functional currency is Barbados dollars, which is the currency of the primary economic environment in which the Funds operate. The Funds' performance is evaluated and its liquidity is managed in Barbados dollars. Therefore, Barbados dollars are considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Funds' presentation currency is also Barbados dollars.

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2015

2. Significant accounting policies... (continued)

j) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Barbados dollars at rates of exchange prevailing at the date of the financial statements and non-monetary assets and liabilities are translated at historical rates. Revenue and expenses denominated in foreign currencies are translated into Barbados dollars using prevailing monthly exchange rates. Realised gains and losses on foreign currency positions are reported in other income.

k) Interest income

Interest income is recognised in the statement of comprehensive income for all interest-bearing instruments on an accrual basis using the effective interest yield method. Interest income includes coupons earned on fixed income investments and trading securities and accrued discounts and premiums on treasury bills and other discounted instruments.

l) Dividend revenue

Dividend revenue is recognised when the Funds' right to receive the payment is established.

3. Significant accounting judgements and estimates in applying the Funds' accounting policies

The preparation of the Funds' financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements. 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.

i) Impairment of financial assets

Management 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.

ii) Valuation of investment securities

The Funds have applied IAS 39 in its classification of investments securities which requires measurement of securities at fair value. For unquoted equity instruments and 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.

iii) Valuation of investment properties

The Funds utilize an independent valuer but the nature of the valuation process is such that it is subject to significant judgement.

iv) Going concern

The Funds' management has made an assessment of the Funds' ability to continue as a going concern and is satisfied that the Funds have the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Funds' ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2015

4. Management fees and other expenses

Republic Finance & Trust (Barbados) Corporation, a related company, serves as investment manager of the Funds. For providing investment advisory and management services, Republic Finance & Trust (Barbados) Corporation is paid an annual management fee equivalent to 1% per annum of the net asset value for the Republic Income Fund and 1.75% per annum of the net asset value of the Republic Capital Growth Fund and the Republic Property Fund. Management fees amounting to \$478,755 (2014 - \$482,737) were charged for the year.

The Funds have entered into an agreement with CIBC FirstCaribbean International Bank to serve as registrar, transfer agent and custodian of the Funds in the future. As a result of providing custodian services, Republic Bank (Barbados) Limited receives a Custodian Trustee Fee in respect of each class of the Fund in the amount of one quarter of 1% (0.25%) per annum calculated on the same basis as the management fees paid to the investment manager. Fees for the year amounted to \$84,634 (2014 - \$90,696).

In addition to the management fee and custody fee, the Funds are responsible for the payment of all direct expenses relating to their operations such as audit, legal and professional fees.

5. Taxation

In accordance with Section 37 F of the Income Tax (Amendment) (No. 3) Act 1998-42, all of the assessable income for the 2015 and previous income years have been designated by the Directors for distribution to the shareholders. As a result, no taxation liability has arisen as at the 2015 year end.

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2015

6. Investments

	The Funds \$	Republic Income Fund \$	Republic Capital Growth Fund \$	Republic Property Fund \$
September 30, 2015				
Available-for-sale				
Local investments	26,797,483	17,948,654	7,092,761	1,756,068
Foreign investments	4,284,870	-	4,085,284	199,586
	<u>31,082,353</u>	<u>17,948,654</u>	<u>11,178,045</u>	<u>1,955,654</u>
 Investment properties				
Local investments	2,343,000	-	-	2,343,000
	<u>33,425,353</u>	<u>17,948,654</u>	<u>11,178,045</u>	<u>4,298,654</u>
 September 30, 2014				
Available-for-sale				
Local investments	30,036,360	21,426,547	7,321,171	1,288,642
Foreign investments	4,765,937	-	4,686,930	79,007
	<u>34,802,297</u>	<u>21,426,547</u>	<u>12,008,101</u>	<u>1,367,649</u>
 Investment properties				
Local investments	2,318,000	-	-	2,318,000
	<u>37,120,297</u>	<u>21,426,547</u>	<u>12,008,101</u>	<u>3,685,649</u>

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2015

6. Investments... (continued)

	2015		2014	
	Cost \$	Market Value \$	Cost \$	Market Value \$
Republic Income Fund				
Local investments				
Fixed income securities				
Government of Barbados Debentures	7,535,527	7,988,458	7,764,909	8,203,963
Arawak Cement Company. Ltd. Bond	-	-	3,656,213	3,656,213
Apes Hill Bond	1,240,297	1,251,212	1,240,297	1,245,259
University of the West Indies Bond	3,271,001	3,341,982	3,543,585	3,619,772
University of the West Indies - Clarendon Bond	1,079,365	1,074,292	1,101,432	1,088,766
Barbados Agricultural & Management Co. Ltd Bond	2,350,000	2,363,765	2,350,000	2,318,725
Transport Board Bond	661,931	672,522	757,823	777,981
Barbados Port Inc. Bond	1,250,421	1,256,423	516,591	515,868
Total fixed income securities	<u>17,388,542</u>	<u>17,948,654</u>	<u>20,930,850</u>	<u>21,426,547</u>
Total Republic Income Fund Investments	<u>17,388,542</u>	<u>17,948,654</u>	<u>20,930,850</u>	<u>21,426,547</u>

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2015

6. Investments... (continued)

	No. of shares	2015 Cost \$	Market Value \$	No. of shares	2014 Cost \$	Market Value \$
Republic Capital Growth Fund						
Local investments						
Equity securities						
Conglomerate						
Goddard Enterprises Limited	159,948	300,729	1,049,259	159,948	300,729	1,009,272
Banking						
FirstCaribbean International Bank	95,230	363,518	166,653	95,230	363,518	171,416
Non Bank Finance						
Insurance Corporation of Barbados Ltd.	211,117	691,757	527,794	211,117	691,757	508,792
Sagicor Financial Corporation	137,922	608,477	241,364	137,922	608,477	242,743
		<u>1,300,234</u>	<u>769,158</u>		<u>1,300,234</u>	<u>751,535</u>
Manufacturing						
Banks Holdings Ltd.	3,609	14,436	13,678	3,609	14,436	10,647
		<u>1,978,917</u>	<u>1,998,748</u>		<u>1,978,917</u>	<u>1,942,869</u>
Total equity securities						
Fixed income securities						
Government of Barbados Debentures		1,001,011	1,043,855		1,001,016	1,036,260
Arawak Cement Co. Ltd. Bond		-	-		170,823	170,823
Apes Hill Development SRL Bond		2,751,577	2,775,790		2,751,577	2,762,583
University of the West Indies Bond		872,267	891,195		944,956	965,273
Transport Board Bond		377,138	383,173		431,876	443,364
Total fixed income securities		<u>5,001,993</u>	<u>5,094,013</u>		<u>5,300,248</u>	<u>5,378,302</u>
		<u>6,980,910</u>	<u>7,092,761</u>		<u>7,279,165</u>	<u>7,321,171</u>
Total local investments						

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2015

6. Investments... (continued)

	No. of shares	2015 Cost \$	Market Value \$	No. of shares	2014 Cost \$	Market Value \$
Republic Capital Growth Fund (cont'd)						
Foreign investments						
Equity securities						
Conglomerate						
Neal & Massy Holdings Ltd.	44,468	602,676	867,596	44,468	602,676	962,050
Banking						
National Commercial Bank of Jamaica	200,000	-	-	200,000	137,214	61,236
Royal Bank of Canada	10,611	1,039,454	1,177,698	10,611	1,039,454	1,523,014
		<u>1,039,454</u>	<u>1,177,698</u>		<u>1,176,668</u>	<u>1,584,250</u>
Non Bank Finance						
Guardian Holdings Limited	50,000	223,364	207,775	50,000	223,364	209,118
National Enterprises Ltd	41,665	193,407	221,042	41,665	193,407	233,177
		<u>416,771</u>	<u>428,817</u>		<u>416,771</u>	<u>442,295</u>
Manufacturing						
West Indian Tobacco Ltd.	746	6,914	29,771	746	6,914	27,814
Ansa McAL Ltd.	24,093	413,674	511,657	24,093	413,674	503,448
Grace Kennedy	3,000	1,163	3,373	3,000	1,163	3,409
		<u>421,751</u>	<u>544,801</u>		<u>421,751</u>	<u>534,671</u>
Media						
One Caribbean Media	112,128	565,078	781,315	132,128	565,078	885,892
Mutual Funds						
Clico Investment Fund	40,000	264,435	285,057	40,000	264,435	277,772
Total equity securities		<u>3,310,165</u>	<u>4,085,284</u>		<u>3,447,379</u>	<u>4,686,930</u>
Total Republic Capital Growth Fund Investments		<u>10,291,075</u>	<u>11,178,045</u>		<u>10,726,543</u>	<u>12,008,101</u>

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2015

6. Investments... (continued)

	No. of shares	2015 Cost \$	Market Value \$	No. of shares	2014 Cost \$	Market Value \$
Republic Property Fund						
Local investments						
Equity securities						
Unlisted						
Southern Golf & Country Club Ltd.	50,000	50,000	50,000	50,000	50,000	50,000
Total local equity securities		50,000	50,000		50,000	50,000
Fixed income securities						
Government of Barbados Debentures		162,000	157,328		-	-
Government of Barbados Treasury Notes		280,000	282,702		-	-
Arawak Cement Co. Ltd. Bond		-	-		113,882	113,882
Barbados Agricultural & Management Co. Ltd Bond		700,000	705,290		700,000	706,300
Barbados Port Inc.		558,070	560,748		419,046	418,460
Total fixed income securities		1,700,070	1,706,068		1,232,928	1,238,642
Investment properties						
Heron Courts Lots		1,100,000	900,000		1,100,000	875,000
Apes Hill Development		1,291,149	1,443,000		1,291,149	1,443,000
Total investment properties		2,391,149	2,343,000		2,391,149	2,318,000
Total local investments		4,141,219	4,099,068		3,674,077	3,606,642
Foreign investments						
Equity securities						
Media						
One Caribbean Media	28,643	173,440	199,586	10,000	47,719	79,007
Total equity securities		173,440	199,586		47,719	79,007
Total Republic Property Fund		4,314,659	4,298,654		3,721,796	3,685,649
Total Fund Investments		31,994,276	33,425,353		35,379,190	37,120,297

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2015

7. Cash

The cash balances are held with Republic Bank (Barbados) Limited a related company and bear interest at the rate of 0.5% (2014 - 2.5%) per annum.

8. Due to related company

Balances due to related company are interest free, unsecured and have no stated terms of repayment.

9. Share capital

	No. of Shares	2015 \$	No. of Shares	2014 \$
Authorized Common shares 950 common shares of no par value				
Redeemable fund shares				
An unlimited number of Redeemable mutual fund shares of no par value designated as:				
Class A - 'Republic Income Fund'				
Class B - 'Republic Capital Growth Fund'				
Class D - 'Republic Property Fund'				
Class F, Class G & Class H Shares				
Issued				
Common Shares				
Republic Income Fund	400	400	400	400
Republic Capital Growth Fund	400	400	400	400
Republic Property Fund	150	150	150	150
	<u>950</u>	<u>950</u>	<u>950</u>	<u>950</u>

The common shareholders have broad voting rights in relation to the appointment and removal of the Directors, and control and management of the Funds. The common shareholders of the Funds shall not be entitled to participate or share in the distribution of any property belonging to any of the Funds maintained by the investment managers. Upon liquidation or winding up of the Funds, the Articles of Incorporation provide that common shareholders have the right to receive the remaining property of the Funds on dissolution.

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2015

9. Share capital... (continued)

	No. of Shares	2015 \$	No. of Shares	2014 \$
Redeemable fund shares				
Republic Income Fund				
Balance - beginning of the year	15,307,406	22,301,117	15,683,213	21,859,109
Issued during the year	300,200	449,966	382,900	542,071
Redeemed during the year	(1,547,592)	(2,341,211)	(758,707)	(1,068,210)
Total comprehensive income (loss) for the year and net increase (decrease) in net assets attributable to redeemable fund shareholders	-	1,241,586	-	968,147
Balance - end of year	<u>14,060,014</u>	<u>21,651,458</u>	<u>15,307,406</u>	<u>22,301,117</u>
Republic Capital Growth Fund				
Balance - beginning of the year	8,218,683	12,337,346	9,081,542	12,594,607
Issued during the year	65,793	98,500	63,339	91,804
Redeemed during the year	(440,675)	(660,018)	(926,197)	(1,331,452)
Total comprehensive income (loss) for the year and net increase (decrease) in net assets attributable to redeemable fund shareholders	-	(32,062)	-	982,387
Balance - end of year	<u>7,843,801</u>	<u>11,743,766</u>	<u>8,218,683</u>	<u>12,337,346</u>
Republic Property Fund				
Balance - beginning of the year	3,742,250	4,750,490	3,853,406	5,233,012
Redeemed during the year	(45,597)	(57,850)	(111,156)	(147,727)
Total comprehensive income (loss) for the year and net increase (decrease) in net assets attributable to redeemable fund shareholders	-	33,667	-	(334,795)
Balance - end of year	<u>3,696,653</u>	<u>4,726,307</u>	<u>3,742,250</u>	<u>4,750,490</u>

The holders of redeemable mutual fund shares have an interest in the undivided portion of the assets of the respective Fund. These shares secure an equal share in the distribution of the net income and net capital gains and participate equally in all other respects.

Republic Funds (Barbados) Inc.

Notes to the Financial Statements
 Year ended 30 September 2015

9. Share capital... (continued)

The holders of redeemable mutual fund shares are entitled to vote only in respect of :

- an increase, if any in the fees and charges to the Fund;
- modification of the investment objectives;
- a change of the appointed Auditors of the Fund
- a change of the appointed Trustee of the Fund
- the liquidation of any such Funds
- the winding up of the company, Republic Funds (Barbados) Inc.
- the reconstruction of the company and/or the amalgamation of the company and/or any such Fund with any other company or Fund

Further, the redeemable fund shareholders have no right to receive any property or any dividend of the Funds other than the returns on the investments which constitute the assets of the respective Funds which are distributable rateably among the Funds Shareholders of the respective Funds.

10. Related party transactions

In addition to the transactions disclosed in notes 4, 7 and 8, the following related parties hold redeemable fund shares in the classes of the Fund as disclosed below:

	No. of Shares 2015	No. of Shares 2014
Republic Finance & Trust (Barbados) Corporation		
Republic Property Fund	1,486,607	1,486,607
Republic Bank (Barbados) Ltd. Pension Fund		
Republic Income Fund	-	789,287
Republic Capital Growth Fund	877,938	877,938
Republic Property Fund	979,014	979,014
Ralph Williams		
Republic Income Fund	14,113	14,113
Republic Capital Growth Fund	15,306	15,306

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2015

11. Risk Management

Financial assets of the Funds include cash, investments, interest receivable and other receivables. Financial liabilities of the Funds include bank overdraft, amounts due to related company, accounts payable and net assets attributable to redeemable fund shareholders.

The Funds are exposed to a variety of financial risks: market risk (which include interest rate risk, currency risk and price risk), credit risk and liquidity risk. Each Fund has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy. The effects of these risks are disclosed in the sections below:

11.1 Interest rate risk

The Funds are exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on their financial position and cash flows. The Funds' management and an investment committee continually review and manage these risks. The committee employs a number of tools including gap analysis and interest rate sensitivity analysis to monitor these risks and establish appropriate strategies to limit exposure.

The effective interest rates and periods to maturity of the Funds' assets are summarised in the following table:

	2015 Interest Rates	Years to maturity	2014 Interest Rates	Years to maturity
Republic Income Fund				
Debentures and bonds	6.00%-9.03%	0 - 20	6.00%-11.45%	0 - 21
Republic Capital Growth Fund				
Debentures and bonds	6.88% -9.03%	2 - 12	6.88%-10.25%	3 - 13
Republic Property Fund				
Debentures, bonds and treasury notes	5.88%-7.50%	0 - 9	6.00%-10.25%	1 - 10

An interest rate sensitivity analysis was performed to determine the impact on net profit and equity of a reasonably possible change in the interest rates prevailing as at September 30, with all other variables held constant. The impact on net profit is the effect of changes in interest rates on the floating interest rates of financial assets and liabilities. The impact on equity is the effect of changes in interest rates on the fair value of available-for-sale financial assets. This impact is illustrated on the following table. The impact on the Republic Property Fund is negligible.

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2015

11. Risk Management... (continued)**11.1 Interest rate risk... (continued)**

2015

	Increase/decrease basis points	Impact on Net Profit		Impact on equity	
		Increase in basis points	Decrease in basis points	Increase in basis points	Decrease in basis points
Republic Income Fund	+/-50	6,256	(6,256)	(296,465)	448,232
Republic Capital Growth Fund	+/-50	13,879	(13,879)	(45,888)	47,900
Republic Property fund	+/-50	-	-	(15,165)	15,580

2014

	Increase/decrease basis points	Impact on Net Profit		Impact on equity	
		Increase in basis points	Decrease in basis points	Increase in basis points	Decrease in basis points
Republic Income Fund	+/-50	6,626	(6,626)	479,108	1,138,167
Republic Capital Growth Fund	+/-50	13,813	(13,813)	(14,413)	92,160
Republic Property Fund	+/-50	-	-	6,130	44,473

11.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in foreign exchange rates. Some of the Funds' transactions are in United States dollars but as the Barbados dollar is fixed to the US dollar, there are no significant currency risk exposures. Management monitors the Funds exposure to foreign currency fluctuation and employs appropriate strategies to mitigate any potential losses.

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2015

11. Risk Management... (continued)

11.3 Price risk

The Funds are exposed to other price risk arising from changes in equity prices. Equity price risk is the risk of unfavourable changes in the fair values of equities as the result of changes in the levels of equity indices and the value of individual shares. The equity price risk exposure arises from the Funds' investments in equity securities. The Funds manage this risk by holding a diversified portfolio.

The Funds overall market positions are monitored on a daily basis by the Fund Manager and are reviewed on a quarterly basis by the Board of Directors.

The effects of an across the board 5% decline in equity prices of the Funds' available-for-sale equity securities, at the statement of financial position date are set out below.

11.3.1 Price risk

	2015		2014	
	Fair value	Effect of a 5% decline	Fair value	Effect of a 5% decline
	\$	\$	\$	\$
Republic Income Fund				
Equity securities:				
Listed on Caribbean stock exchanges and markets	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Republic Capital Growth Fund				
Equity securities:				
Listed on Caribbean stock exchanges and markets	4,906,334	(245,317)	5,106,785	(255,339)
Listed on US stock exchanges and markets	1,177,698	(58,885)	1,523,014	(76,151)
	<u>6,084,032</u>	<u>(304,202)</u>	<u>6,629,799</u>	<u>(331,490)</u>
Republic Property Fund				
Equity securities:				
Listed on Caribbean stock exchanges and markets	199,586	(9,979)	79,007	(3,950)
Unlisted securities	50,000	(2,500)	50,000	(2,500)
	<u>249,586</u>	<u>(12,479)</u>	<u>129,007</u>	<u>(6,450)</u>

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2015

11. Risk Management... (continued)

11.4 Concentration of credit risk

Credit risk is the potential that a borrower or counterparty will fail to meet its stated obligations in accordance with the agreed terms. The Funds exposure to credit risk is indicated by the carrying amounts of their assets. Credit risk is minimized through the following;

- a) Holding a diversified portfolio of securities denominated in United States dollars and Barbados dollars.
- b) Not more than 10% of the assets of any one Fund may be invested in securities issued by any one company. There is no limitation however in investments in the securities of sovereign states.
- c) Up to 10% of a Fund's assets may be invested in securities that are not quoted and not regularly traded.
- d) Under the provisions of By-law 2 of the Company, the Funds' Investment Manager may not enter into any derivative transaction and/or foreign currency transaction for speculative purposes.

As at 30 September 2015, 58%, 9% and 27% (2014 - 49%, 9% and 19%) respectively of investments in the Republic Income Fund, Republic Capital Growth Fund and Republic Property Fund were in securities issued or guaranteed by the Government of Barbados.

11.4.1 Concentration of credit risk

The table below shows the Fund's maximum exposure to credit risk:

	2015		2014	
	Gross maximum exposure	%	Gross maximum exposure	%
	\$		\$	
REPUBLIC INCOME FUND				
Cash	3,668,176	17%	933,723	4%
Interest receivable	205,396	1%	188,189	1%
Fixed income securities	17,948,654	82%	21,426,547	95%
Other receivables	40,807	0%	52,081	0%
Total	21,863,033	100%	22,600,540	100%
REPUBLIC CAPITAL GROWTH FUND				
Cash	496,776	8%	269,941	5%
Interest receivable	93,236	2%	92,027	1%
Fixed income securities	5,094,013	89%	5,378,302	93%
Other receivables	64,443	1%	60,790	1%
Total	5,748,468	100%	5,801,060	100%
REPUBLIC PROPERTY FUND				
Cash	418,166	19%	1,071,033	46%
Interest receivable	17,118	1%	5,322	0%
Fixed income securities	1,706,068	79%	1,238,642	53%
Other receivables	27,037	1%	24,014	1%
Total	2,168,389	100%	2,339,011	100%

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2015

11. Risk Management... (continued)

11.4.2 Concentration of credit risk... (continued)

(a) Geographical sectors

The Funds maximum credit exposure, can be analysed by the following geographical regions based on the country of domicile of other counterparties:

	2015 \$	2014 \$
REPUBLIC INCOME FUND		
Barbados	21,863,033	22,600,540
Total	<u>21,863,033</u>	<u>22,600,540</u>
	2015	2014
REPUBLIC CAPITAL GROWTH FUND		
Barbados	5,748,468	5,801,060
Total	<u>5,748,468</u>	<u>5,801,060</u>
	2015	2014
REPUBLIC PROPERTY FUND		
Barbados	2,168,389	2,339,011
Total	<u>2,168,389</u>	<u>2,339,011</u>

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2015

11. Risk Management... (continued)
11.4.2 Concentration of credit risk... (continued)
(b) Industry sectors

The following table breaks down the Fund's maximum credit exposure as categorized by the industry sectors of other counterparties:

	2015	2014
REPUBLIC INCOME FUND	\$	\$
Government & Government Bodies	10,530,759	10,716,123
Financial Sectors	3,692,951	937,464
Manufacturing	-	3,656,213
Other Service	7,639,323	7,290,740
	<u>21,863,033</u>	<u>22,600,540</u>
	2015	2014
REPUBLIC CAPITAL GROWTH FUND		
Government & Government Bodies	1,087,589	1,530,818
Financial Sectors	499,577	271,479
Manufacturing	-	170,823
Other Service	4,161,302	3,827,940
	<u>5,748,468</u>	<u>5,801,060</u>
	2015	2014
REPUBLIC PROPERTY FUND		
Government & Government Bodies	1,184,194	732,849
Financial Sectors	420,907	1,072,824
Manufacturing	-	113,882
Other	563,288	419,456
	<u>2,168,389</u>	<u>2,339,011</u>

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2015

11. Risk Management... (continued)

11.5 Liquidity risk

Liquidity risk is defined as the risk that the Funds either do not have sufficient financial resources available to meet all their obligations and commitments as they fall due.

Liquidity management is therefore primarily designed to ensure that funding requirements can be met, including the replacement of existing funds as they mature or are withdrawn, or to satisfy the demands of shareholders for weekly redemptions. Liquidity management focuses on ensuring that the Funds have sufficient funds to meet all of their obligations.

The primary sources of funds that are used to provide liquidity are shareholders contributions, interest and dividends from investments, loans from related party and securities that are sold in response to the demand for liquidity.

As at 30 September 2015 and 2014, all financial liabilities are payable within one year or on demand.

12. Fair value

The Funds calculate the estimated fair value of all financial instruments at the Statement of Financial Position date and separately discloses this information where these fair values are different from net book values.

Where fixed income securities are not actively traded in organised financial markets, fair value is determined using discounted cash flow analysis, which requires considerable judgment in interpreting market data and developing estimates. Accordingly estimates contained herein are not necessarily indicative of the amounts that the Funds could realise in a current market exchange. The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair values. The fair value information for available-for-sale investments is based on information available to management as of the dates presented. Management is not aware of any factors that would significantly affect the estimated fair value amounts.

Financial instruments where carrying value is equal to fair value: Due to their short-term maturity, the carrying value of certain financial instruments is assumed to approximate their fair values. These include cash, interest receivable, other receivables, due to related company, accounts payable and net assets attributable to redeemable fund shareholders.

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2015

13. Determination of fair value and fair value hierarchies

The Funds use the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1

Included in the Level 1 category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Included in the Level 2 category are financial assets that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Company's own models whereby the majority of assumptions are market observable.

Level 3

Included in the Level 3 category are financial assets that are not quoted as there are no active markets to determine a price. These financial instruments are held at cost, being the fair value of the consideration paid for the acquisition of the investment, and are regularly assessed for impairment.

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

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2015

13. Determination of fair value and fair value hierarchies... (continued)

REPUBLIC INCOME FUND	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
As at 30 September 2015				
Fixed income securities	-	17,948,654	-	17,948,654
Equity securities	-	-	-	-
	-	17,948,654	-	17,948,654
As at 30 September 2014				
Fixed income securities	-	21,426,547	-	21,426,547
Equity securities	-	-	-	-
	-	21,426,547	-	21,426,547
REPUBLIC CAPITAL GROWTH FUND	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
As at 30 September 2015				
Fixed income securities	-	5,094,013	-	5,094,013
Equity securities	6,084,032	-	-	6,084,032
	6,084,032	5,094,013	-	11,178,045
As at 30 September 2014				
Fixed income securities	-	5,378,302	-	5,378,302
Equity securities	6,629,799	-	-	6,629,799
	6,629,799	5,378,302	-	12,008,101
REPUBLIC PROPERTY FUND	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
As at 30 September 2015				
Fixed income securities	-	1,706,068	-	1,706,068
Equity securities	199,586	-	50,000	249,586
Investment properties	-	2,343,000	-	2,343,000
	199,586	4,049,068	50,000	4,298,654
As at 30 September 2014				
Fixed income securities	-	1,238,642	-	1,238,642
Equity securities	79,007	-	50,000	129,007
Investment properties	-	2,318,000	-	2,318,000
	79,007	3,556,642	50,000	3,685,649

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2015

13. Determination of fair value and fair value hierarchies... (continued)

13.1 Transfers between Level 1 and 2

For the year ended 30 September 2015, no assets were transferred between Level 1 and Level 2.

13.1 Transfers between Level 1 and 2

For the year ended 30 September 2015, there was no movement in Level 3 financial instruments.



Republic Funds (Barbados) Inc.

