



Republic Funds (Barbados) Inc.

ANNUAL REPORT 2017



Republic Funds (Barbados) Incorporated

Financial Statements

30 September 2017

(Expressed in Barbados dollars)

Republic Funds (Barbados) Inc.

Financial Statements

30 September 2017

(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 Ltd

Chartered Accountants

One Welches, Welches, St. Thomas 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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Barbados, W.I.

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AUDITORS' REPORT

To the Shareholders of the Republic Income Fund, the Republic Capital Growth Fund and the Republic Property Fund.

We have audited the accompanying financial statements of the Republic Income Fund, the Republic Capital Growth Fund and the Republic Property Fund which comprise the Statements of financial position as at 30 September 2017 and the statements of comprehensive income, statements of changes in net assets attributable to redeemable fund shareholders and statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Republic Income Fund, the Republic Capital Growth Fund and the Republic Property Fund as at 30 September 2017, and financial performance and their 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 Bank 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.

Responsibilities of Management 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.

In preparing the financial statements, management is responsible for assessing the Republic Income Fund's, the Republic Capital Growth Fund's and the Republic Property 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 Republic Income Fund, the Republic Capital Growth Fund and the Republic Property Fund or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Republic Income Fund's, the Republic Capital Growth Fund's and the Republic Property Fund's financial reporting process.

Auditors' 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.

AUDITORS' REPORT (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

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.

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 Republic Income Fund's, the Republic Capital Growth Fund's and the Republic Property 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 Republic Income Fund's, the Republic Capital Growth Fund's and the Republic Property 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 Republic Income Fund, the Republic Capital Growth Fund and the Republic Property 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.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit.

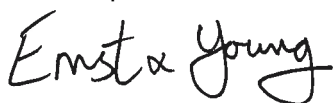
We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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 management and the Audit Committee 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.

Other Matter

This report is made solely to the Audit Committee, in accordance with Section 147 of the Companies Act of Barbados. Our audit work has been undertaken so that we might state to the Republic Income Fund's, the Republic Capital Growth Fund's and the Republic Property Fund's shareholder those matters we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Republic Income Fund, the Republic Capital Growth Fund and the Republic Property Fund and their shareholders, for our audit work, for this report, or for the opinion we have formed.



CHARTERED ACCOUNTANTS

Barbados

27 October 2017


Republic Funds (Barbados) Inc.

Republic Income Fund

Statement of Financial Position
As at 30 September 2017
(Expressed in Barbados dollars)

	Notes	2017	2016
		Republic Income Fund \$	Republic Income Fund \$
ASSETS			
Investments	6	19,766,971	18,172,451
Other assets			
Cash	7	2,122,288	40,49,002
Interest receivable		129,251	169,918
Withholding tax receivable		48,414	26,071
		2,299,953	4,244,991
TOTAL ASSETS		22,066,924	22,417,442
LIABILITIES & EQUITY			
Liabilities			
Due to related company	8	50,995	51,118
Accounts payable and accrued expenses		162,913	128,502
		213,908	179,620
Net assets attributable to redeemable fund shareholders	9	21,852,616	22,237,422
Total liabilities		22,066,524	22,417,042
Represented by:			
Shareholders' equity			
Common shares	9	400	400
TOTAL LIABILITIES & EQUITY		22,066,924	22,417,442
Net asset value per redeemable fund share		1.5883	1.5812

Approved by the Board of Directors on 27 October 2017:



Director
Anthony P.S. Clerk



Director
Ralph S. DeC. Williams

Republic Funds (Barbados) Inc.

Republic Income Fund

Statement of Comprehensive Income
For the year ended 30 September 2017
(Expressed in Barbados dollars)

	Notes	2017	2016
		Republic Income Fund \$	Republic Income Fund \$
Income			
Interest on bank balances		207	41,803
Interest on investments		1,267,809	1,311,884
Realised gains on investments		-	28,250
Unrealised (losses) gains on investments		(2,258)	82,767
Other income		7,891	-
Impairment on investments		(285,449)	-
		988,200	1,464,704
Expenses			
Management fees	4	205,018	203,763
Custody fees	4	41,004	40,753
Other charges		39,861	43,841
Barbados stock exchanges fees		-	1,215
Audit fees		46,400	38,400
		332,283	327,972
Operating income for the year		655,917	1,136,732
Finance costs			
Distributions to redeemable fund shareholders		(565,602)	(560,604)
Net and total comprehensive income for the year and net increase in net assets attributable to redeemable fund shareholders		90,315	576,128

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

Republic Funds (Barbados) Inc.

Republic Income Fund

Statement of Changes in Net Assets Attributable to Redeemable Fund Shareholders
For the year ended 30 September 2017
(Expressed in Barbados dollars)

		2017	2016
	Notes	Republic Income Fund \$	Republic Income Fund \$
Opening balances		22,237,422	21,651,458
Net and total comprehensive income for the year and net increase in net assets attributable to redeemable fund shareholders		90,315	576,128
Share issued during the year	9	969,899	1,343,922
Shares redeemed during the year	9	(1,445,020)	(1,334,086)
Closing balances		21,852,616	22,237,422

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

Republic Funds (Barbados) Inc.**Republic Income Fund**

Statement of Cash Flows

For the year ended 30 September 2017
(Expressed in Barbados dollars)

	2017 Republic Income Fund \$	2016 Republic Income Fund \$
Cash flows from operating activities		
Operating income for the year	655,917	1,136,732
Impairment loss on investments	285,449	-
Unrealised losses (gains) on investment	2,258	(82,767)
Decrease in receivables	18,324	50,214
Decrease in amounts due to related company	(123)	(12,020)
Increase in investments	(1,882,227)	(141,030)
Increase (decrease) in accounts payable and accrued expenses	34,411	(19,535)
Net cash flows from operating activities	<u>(885,991)</u>	<u>931,594</u>
Cash flows from financing activities		
Issuance of redeemable funds shares	969,899	1,343,922
Redemption of redeemable fund shares	(1,445,020)	(1,334,086)
Distributions paid	(565,602)	(560,604)
Net cash flows used in financing activities	<u>(1,040,723)</u>	<u>(550,768)</u>
Net increase in cash	(1,926,714)	380,826
Cash - beginning of year	<u>4,049,002</u>	<u>3,668,176</u>
Cash - end of year	<u><u>2,122,288</u></u>	<u><u>4,049,002</u></u>

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

Republic Funds (Barbados) Inc.

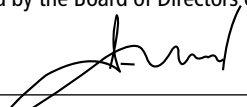
Republic Capital Growth Fund

Statement of Financial Position

As at 30 September 2017
(Expressed in Barbados dollars)

	Notes	2017	2016
		Republic Capital Growth Fund \$	Republic Capital Growth Fund \$
ASSETS			
Investments	6	9,680,506	9,867,437
Other assets			
Cash	7	886,821	745,772
Interest receivable		557	90,381
Other receivables		15,715	7061
Withholding tax receivable		23,086	23,073
		926,179	866,287
TOTAL ASSETS		10,606,685	10,733,724
LIABILITIES & EQUITY			
Liabilities			
Due to related company	8	44,524	43,458
Accounts payable and accrued expenses		39,630	28,349
		84,154	71,807
Net assets attributable to redeemable fund shareholders	9	10,522,131	10,661,517
Total liabilities		10,606,285	10,733,324
Represented by:			
Shareholders' equity			
Common shares	9	400	400
TOTAL LIABILITIES & EQUITY		10,606,685	10,733,724
Net asset value per redeemable fund share		1.5980	1.5762

Approved by the Board of Directors on 27 October 2017:



Director
Anthony P.S. Clerk



Director
Ralph S. DeC. Williams

Republic Funds (Barbados) Inc.

Republic Capital Growth Fund

Statement of Comprehensive Income
For the year ended 30 September 2017
(Expressed in Barbados dollars)

	Notes	2017	2016
		Republic Capital Growth Fund \$	Republic Capital Growth Fund \$
Income			
Interest on bank balances		-	4,874
Interest on investments		240,505	378,057
Dividends		188,605	216,724
Realised gains on investments		-	313,587
Unrealised gains on investments		582,137	25,188
Impairment on investments		(633,264)	(115,050)
		<u>377,983</u>	<u>823,380</u>
Expenses			
Management fees	4	176,904	181,145
Custody fees	4	20,217	20,702
Other charges		15,323	28,561
Barbados stock exchange fees		-	1,897
Audit fees		19,000	24,000
		<u>231,444</u>	<u>256,305</u>
Net and total income for the year and net increase in net assets attributable to redeemable fund shareholders		<u><u>146,539</u></u>	<u><u>567,075</u></u>

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

Republic Funds (Barbados) Inc.

Republic Capital Growth Fund

Statement of Changes in Net Assets Attributable to Redeemable Fund Shareholders
For the year ended 30 September 2017
(Expressed in Barbados dollars)

		2017	2016
	Notes	Republic Capital Growth Fund \$	Republic Capital Growth Fund \$
Opening balances		10,661,517	11,743,766
Net and total comprehensive income for the year and net increase in net assets attributable to redeemable fund shareholders		146,539	567,075
Shares issued during the year	9	491,083	114,394
Shares redeemed during the year	9	<u>(777,008)</u>	<u>(1,763,718)</u>
Closing balances		<u>10,522,131</u>	<u>10,661,517</u>

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

Republic Funds (Barbados) Inc.

Republic Capital Growth Fund

Statement of Cash Flows

For the year ended 30 September 2017
(Expressed in Barbados dollars)

	2017	2016
	Republic Capital Growth Fund \$	Republic Capital Growth Fund \$
Cash flows from operating activities		
Net and total comprehensive income for the year	146,539	567,075
Impairment loss on investments	633,264	115,050
Unrealised gains on investments	(582,137)	(25,188)
Decrease in receivables	81,157	37,164
Increase (decrease) in amounts due to related company	1,066	(10,926)
Decrease in investments	135,804	1,220,746
Increase (decrease) in accounts payable and accrued expenses	11,281	(5,601)
	<hr/>	<hr/>
Net cash flows from operating activities	426,974	1,898,320
Financing activities		
Issuance of redeemable funds shares	491,083	114,394
Redemption of redeemable fund shares	(777,008)	(1,763,718)
	<hr/>	<hr/>
Net cash flows used in financing activities	(285,925)	(1,649,324)
	<hr/>	<hr/>
Net increase in cash	141,049	248,996
Cash - beginning of year	745,772	496,776
	<hr/>	<hr/>
Cash - end of year	886,821	745,772
	<hr/> <hr/>	<hr/> <hr/>

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

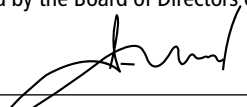
Republic Funds (Barbados) Inc.

Republic Property Fund

Statement of Financial Position
As at 30 September 2017
(Expressed in Barbados dollars)

	Notes	2017	2016
		Republic Property Fund \$	Republic Property Fund \$
ASSETS			
Investments	6	2,882,012	3,285,610
Other assets			
Cash	7	87,116	179,042
Interest receivable		6,870	6,870
Other receivables		5,197	-
Withholding tax receivable		7,323	5,179
		<u>106,506</u>	<u>191,091</u>
TOTAL ASSETS		<u><u>2,988,518</u></u>	<u><u>3,476,701</u></u>
LIABILITIES & EQUITY			
Liabilities			
Due to related company	8	12,039	14,956
Accounts payable and accrued expenses		18,898	12,014
		<u>30,937</u>	<u>26,970</u>
Net assets attributable to redeemable fund shareholders	9	<u>2,957,431</u>	<u>3,449,581</u>
Total liabilities		<u>2,988,368</u>	<u>3,476,551</u>
Represented by:			
Shareholder's equity			
Common shares	9	<u>150</u>	<u>150</u>
TOTAL LIABILITIES & EQUITY		<u><u>2,988,518</u></u>	<u><u>3,476,701</u></u>
Net asset value per redeemable fund share		1.1570	1.1758

Approved by the Board of Directors on 27 October 2017:



Director
Anthony P.S. Clerk



Director
Ralph S. DeC. Williams

Republic Funds (Barbados) Inc.

Republic Property Fund

Statement of Comprehensive Loss
For the year ended 30 September 2017
(Expressed in Barbados dollars)

	Notes	2017	2016
		Republic Property Fund \$	Republic Property Fund \$
Income			
Interest on bank balances		-	4,861
Interest on investments		58,972	92,148
Dividends		8,410	4,087
Realised gains on investments		14,455	-
Impairment on investment properties		-	(273,000)
Unrealized losses on investments		(63,599)	(4,994)
Other income		36,200	33,000
		<hr/>	<hr/>
		54,438	(143,898)
Expenses			
Management fees	4	51,962	68,680
Custody fees	4	5,939	7,849
Other charges		37,035	66,547
Audit fees		10,800	10,800
		<hr/>	<hr/>
		105,736	153,876
		<hr/>	<hr/>
Net and total comprehensive loss for the year and net decrease in net assets attributable to redeemable fund shareholders		(51,298)	(297,774)

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

Republic Funds (Barbados) Inc.

Republic Property Fund

Statement of Changes in Net Assets Attributable to Redeemable Fund Shareholders

For the year ended 30 September 2017

(Expressed in Barbados dollars)

	Notes	2017 Republic Property Fund \$	2016 Republic Property Fund \$
Opening balances		3,449,581	4,726,307
Net and total comprehensive loss for the year and net decrease in net assets attributable to redeemable fund shareholders		(51,298)	(297,774)
Shares redeemed during the year	9	(440,852)	(978,952)
Closing balances		2,957,431	3,449,581

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

Republic Funds (Barbados) Inc.**Republic Property Fund**

Statement of Cash Flows

For the year ended 30 September 2017
(Expressed in Barbados dollars)

	2017	2016
	Republic Property Fund \$	Republic Property Fund \$
Cash flows from operating activities		
Net and total comprehensive loss for the year	(51,298)	(297,774)
Impairment on investment properties	-	273,000
Unrealised losses on investment	63,599	4,994
(Increase) decrease in receivables	(7,341)	32,106
Decrease in amounts due to related company	(2,917)	(6,743)
Decrease in investments	339,999	735,050
Increase (decrease) in accounts payable and accrued expenses	6,884	(805)
	<hr/>	<hr/>
Net cash flows from (used in) operating activities	348,926	739,828
	<hr/>	<hr/>
Cash flows from financing activities		
Redemption of redeemable fund shares	(440,852)	(978,952)
	<hr/>	<hr/>
Net cash flows used in financing activities	(440,852)	(978,952)
	<hr/>	<hr/>
Net decrease in cash	(91,926)	(239,124)
	<hr/>	<hr/>
Cash - beginning of year	179,042	418,166
	<hr/>	<hr/>
Cash - end of year	87,116	179,042
	<hr/> <hr/>	<hr/> <hr/>

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

Republic Funds (Barbados) Inc.

Statement of Changes in Equity
 For the year ended 30 September 2017
 (Expressed in Barbados dollars)

	Republic Income Fund \$	Republic Capital Growth Fund \$	Republic Property Fund \$
Common shares			
Balances as at 30 September 2017 and 2016	400	400	150

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

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

For the year ended 30 September 2017
(Expressed in Barbados dollars)

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 Independence Square, 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 of the Republic Income Fund, Republic Capital Growth Fund and the Republic Property Fund, are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB) and are stated in Barbados dollars, which is also the Republic Income Fund, Republic Capital Growth Fund and the Republic Property Fund's functional currency. These financial statements have been prepared on a historical cost basis, except for the measurement at fair value of investment securities classified as fair value through profit or loss and investment properties.

b) Changes in accounting policies

i) New accounting policies / improvements adopted

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of Republic Income Fund, Republic Capital Growth Fund and the Republic Property Fund's annual financial statements for the year ended 30 September 2017. There were no new interpretations or standards that were applicable to the Republic Income Fund, Republic Capital Growth Fund and the Republic Property Fund in the current year.

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

For the year ended 30 September 2017
(Expressed in Barbados dollars)

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 January 1, 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 other comprehensive income (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 OCI. The adoption of the amendment to this standard has no impact on the Republic Income Fund, the Republic Capital Growth Fund or the Republic Property Fund

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (effective January 1, 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. The adoption and amendments to these standards had no impact on the Funds.

IFRS 9 Financial Instruments (effective 1 January 2018)

Classification and measurement of financial assets

Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs. Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

For the year ended 30 September 2017
(Expressed in Barbados dollars)

2. Significant accounting policies ... (continued)

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

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

IFRS 9 Financial Instruments (effective 1 January 2018) (continued)

Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

Classification and measurement of financial liabilities

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 Revenue from Contracts with Customers and lease receivables under IAS 17 Leases. Entities are generally required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL. For trade receivables, a simplified approach may be applied whereby the lifetime ECL are always recognised.

IAS 7 Disclosure Initiative – Amendments to IAS 7 (effective for annual periods beginning on or after 1 January 2017)

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

For the year ended 30 September 2017
(Expressed in Barbados dollars)

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:

IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments to IFRS 10, IFRS 12 and IAS 28 (effective for annual periods beginning on or after January 1, 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 for annual periods beginning on or after 1 January 2016)

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (effective for annual periods beginning on or after 1 January 2016)

IFRS 14 Regulatory Deferral Accounts (effective for annual periods beginning on or after January 1, 2016)

IFRS 16 Leases (effective for annual periods beginning on or after 1 January, 2019)

IFRS 15 Revenue from Contracts with Customers (effective 1 effective for annual periods beginning on or after January 2018)

IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses – Amendments to IAS 12 (effective for annual periods beginning on or after January 1 2017)

IFRS 2 Classification and Measurement of Share-based Payment Transactions -Amendments to IFRS 2 (effective for annual periods beginning on or after January 1, 2018)

IFRS 4 Insurance Contracts: Applying IFRS 9 with IFRS 4 Insurance Contracts -Amendments to IFRS 4 (effective January 1, 2018)

IAS 40 Investment Property: Transfer of Investment Properties – Amendments to IAS 40 (effective 1 January 2018)

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective 1 January 2018)

ii) Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

(1) The beginning of the reporting period in which the entity first applies the interpretation OR

(2) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

For the year ended 30 September 2017
(Expressed in Barbados dollars)

2. Significant accounting policies ... (continued)

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

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

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 2017.

IFRS	Subject of Amendment
IFRS 12	Disclosure of Interest in Other Entities -Clarification of the scope of the disclosure requirements in IFRS 12 (effective 1 January 2017)
IFRS 1	'First-time Adoption of International Financial Reporting Standards-Deletion of short-term exemptions for first-time adopters (effective 1 January 2018)
IAS 28	'Investments in Associates and Joint Ventures -Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice (effective 1 January 2018)

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.

Financial assets at fair value through profit or loss

The Fund classifies its investments as financial assets at fair value through profit or loss. These financial assets are classified as held for trading or designated by the Directors as at fair value through profit or loss, at inception.

Financial assets held for trading are those acquired principally for the purposes of selling in the short term. Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's financial assets at fair value through profit or loss have been designated as such by the Directors.

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Fund commits to purchase or sell the asset. Financial assets are initially recognised at fair value, and transaction costs for all financial assets carried at fair value through profit or loss are expensed as incurred. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss are subsequently measured at fair value. The fair value of financial assets traded in active markets (e.g. international securities exchange) is based on quoted prices as of the last business day of the financial reporting period. The fair value of restricted and other securities that are not traded in active markets is determined using valuation techniques, including comparable recent arm's length transactions, discounted cash flow analyses and other techniques commonly used by market participants.

Gains and losses arising from sales and changes in the fair value of financial assets at fair value through profit or loss are included in the statement of comprehensive income in the financial period in which they arise.

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

For the year ended 30 September 2017
(Expressed in Barbados dollars)

2. Significant accounting policies ... (continued)

d) Financial instruments ... (continued)

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) Distribution 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).

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 an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss, if any, is recognised in the statement of comprehensive income as a credit loss expense. 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.

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

For the year ended 30 September 2017
(Expressed in Barbados dollars)**2. Significant accounting policies ... (continued)****h) Impairment of financial assets ... (continued)**

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.

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.

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.

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

For the year ended 30 September 2017

(Expressed in Barbados dollars)

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.

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 \$205,018 (2016 - \$203,763) for Republic Income Fund, \$176,904 (2016 - \$181,145) for Republic Capital Growth Fund and \$51,962 (2016 - \$68,680) for the Republic Property Fund were charged for the year.

The Funds have entered into an agreement with CIBC FirstCaribbean International Bank Trust & Merchant Bank (Barbados) Limited to serve as registrar, transfer agent and custodian of the Funds. As a result of providing custodian services, CIBC FirstCaribbean International Bank Trust & Merchant Bank (Barbados) Limited receives a Custodian Trustee Fee in respect of each class of the Fund in the amount of one fifth of 1% (0.20%) per annum calculated on the same basis as the management fees paid to the investment manager. Custody Fees amounted to \$41,004 (2016 \$40,753) for the Republic Income Fund, \$20,217 (2016 - \$20,702) for the Republic Capital Growth Fund and \$5,939 (2016 - \$7,849) for the Republic Property Fund.

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 2017 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 2017 year end.

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

For the year ended 30 September 2017
(Expressed in Barbados dollars)

6. Investments

	No. of shares	2017 Cost	Market Value	No. of shares	2016 Cost	Market Value
	\$	\$	\$	\$	\$	\$
Republic Income Fund						
Local investments						
Equity securities						
Conglomerate						
Goddard Enterprises Ltd.	34,310	286,515	377,753	34,310	286,515	293,351
Fixed income securities						
Government of Barbados Debentures		8,015,559	8,354,426		8,042,599	8,476,308
Apes Hill Development SRL Bond		954,848	957,331		1,240,297	1,241,662
University of the West Indies Bond		2,725,834	2,784,168		2,998,418	3,062,884
University of the West Indies – Clarendon Bond		1,029,993	1,071,501		1,055,597	1,089,270
Barbados Agricultural and Management Co. Ltd. Bond		2,000,000	2,044,200		2,000,000	2,046,800
Transport Board		449,378	452,254		559,275	562,910
Barbados Port Inc. Bond		1,664,224	1,725,338		1,346,873	1,399,266
NSR Bond		2,000,000	2,000,000		-	-
Total fixed income securities		18,839,836	19,389,218		17,243,059	17,879,100
Total Republic Income Fund Investments		19,126,351	19,766,971		17,529,574	18,172,451

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

For the year ended 30 September 2017
(Expressed in Barbados dollars)

6. Investments ... (continued)

	2017			2016		
	No. of shares	Cost	Market Value	No. of shares	Cost	Market Value
	\$	\$	\$	\$	\$	\$
Republic Capital Growth Fund						
Local investments						
Equity securities						
Conglomerate						
Goddard Enterprises Ltd.	119,948	225,529	1,320,627	119,948	225,529	1,025,555
Banking						
FirstCaribbean International Bank Ltd.	95,230	363,518	236,170	95,230	363,518	199,983
Non-Bank Finance						
Insurance Corporation of Barbados Ltd.	211,117	691,757	781,133	211,117	691,757	719,909
Sagicor Financial Corporation	137,922	608,477	333,771	137,922	608,477	255,156
Total equity securities		1,889,281	2,671,701		1,300,234	975,065
Fixed income securities						
Government of Barbados Debentures		1,001	1,009		1,006	1,039
Apes Hill Development SRL Bond		2,118,313	2,123,820		2,751,577	2,754,603
University of the West Indies Bond		726,889	742,445		799,578	816,769
Transport Board Bond		256,096	257,735		318,726	320,797
Total fixed income securities		3,102,299	3,125,009		3,870,887	3,893,208
Total Local Investments		4,991,580	5,796,710		5,760,168	6,093,811

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

For the year ended 30 September 2017

(Expressed in Barbados dollars)

6. Investments ... (continued)

	No. of shares	2017 Cost	Market Value	No. of shares	2016 Cost	Market Value
	\$	\$	\$	\$	\$	\$
Republic Capital Growth Fund ... (continued)						
Foreign investments						
Equity securities						
Conglomerate						
Neal & Massy Holdings Ltd.	44,468	602,676	658,037	44,468	602,676	703,129
Banking						
Royal Bank of Canada	10,611	1,039,454	1,648,777	10,611	1,039,454	1,320,727
Non-Bank Finance						
Guardian Holdings Limited	50,000	223,364	223,450	50,000	223,364	187,358
National Enterprises Ltd.	41,665	193,407	123,312	41,665	193,407	126,168
		<u>416,771</u>	<u>346,762</u>		<u>416,771</u>	<u>313,526</u>
Manufacturing						
West Indian Tobacco Ltd.	746	6,914	27,589	746	6,914	28,277
Ansa McAL Ltd.	24,093	413,674	469,120	24,093	413,674	445,650
Grace Kennedy Ltd.	9,000	3,488	7,751	9,000	1,163	6,846
		<u>424,076</u>	<u>504,460</u>		<u>421,751</u>	<u>480,773</u>
Media						
One Caribbean Media	112,128	565,078	471,233	112,128	565,078	685,772
Mutual Funds						
Clico Investment Fund	40,000	264,435	254,527	40,000	264,435	269,699
Total equity securities		<u>3,312,490</u>	<u>3,883,795</u>		<u>3,310,165</u>	<u>3,773,626</u>
Total Republic Capital Growth Fund Investments		<u>8,304,069</u>	<u>9,680,506</u>		<u>9,070,333</u>	<u>9,867,437</u>

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

For the year ended 30 September 2017
(Expressed in Barbados dollars)

6. Investments ... (continued)

	No. of shares \$	2017 Cost \$	Market Value \$	No. of shares \$	2016 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		<u>50,000</u>	<u>50,000</u>		<u>50,000</u>	<u>50,000</u>
Fixed income securities						
Government of Barbados Debentures		162,000	167,778		162,000	162,124
Government of Barbados Treasury Notes		100,000	101,306		100,000	101,466
Barbados Agricultural & Management Co. Ltd. Bond		100,000	102,210		100,000	102,340
Barbados Port Inc.		258,675	270,343		601,117	624,500
Total fixed income securities		<u>620,675</u>	<u>641,637</u>		<u>963,117</u>	<u>990,430</u>
Investment properties						
Heron Courts Lots		1,100,000	925,000		1,100,000	925,000
Apes Hill Development		1,291,149	1,145,000		1,291,149	1,145,000
Total investment properties		<u>2,391,149</u>	<u>2,070,000</u>		<u>2,391,149</u>	<u>2,070,000</u>
Total local investments		<u>3,061,824</u>	<u>2,761,637</u>		<u>3,404,266</u>	<u>3,110,430</u>
Foreign investments						
Equity securities						
Media	28,643	173,440	120,375	28,643	173,440	175,180
One Caribbean Media Ltd.						
Total equity securities		<u>173,440</u>	<u>120,375</u>		<u>173,440</u>	<u>175,180</u>
Total Republic Property Fund Investments		<u>3,235,264</u>	<u>2,882,012</u>		<u>3,577,706</u>	<u>3,285,610</u>

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

For the year ended 30 September 2017
(Expressed in Barbados dollars)

7. Cash

The cash balances are held with Republic Bank (Barbados) Limited a related company and bear interest at the rate of 0.01% (2016 - 0.25%) 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	2017 \$	No. of Shares	2016 \$
------------------	------------	------------------	------------

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
-----	-----	-----	-----

950	950	950	950
------------	------------	------------	------------

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

For the year ended 30 September 2017
(Expressed in Barbados dollars)**9. Share Capital ... (continued)**

	No. of Shares	2017 \$	No. of Shares	2016 \$
Redeemable fund shares				
Republic Income Fund				
Balance – beginning of the year	14,064,079	22,237,422	-	21,651,458
Issued during the year	609,401	969,899	857,057	1,343,922
Redeemed during the year	(914,372)	(1,445,020)	(852,992)	(1,334,086)
Total comprehensive income for the year and net increase in net assets attributable to redeemable fund shareholders	-	90,315	-	576,128
Balance – end of year	13,759,108	21,852,616	4,065	22,237,422
Republic Capital Growth Fund				
Balance – beginning of the year	6,763,900	10,661,517	7,843,801	11,743,766
Issued during the year	300,185	491,083	74,179	114,394
Redeemed during the year	(479,157)	(777,008)	(1,154,080)	(1,763,718)
Total comprehensive income for the year and net increase in net assets attributable to redeemable fund shareholders	-	146,539	-	567,075
Balance – end of year	6,584,928	10,522,131	6,763,900	10,661,517
Republic Property Fund				
Balance – beginning of the year	2,933,733	3,449,581	3,696,653	4,726,307
Redeemed during the year	(377,405)	(440,852)	(762,920)	(978,952)
Total comprehensive loss for the year and net decrease in net assets attributable to redeemable fund shareholders	-	(51,298)	-	(297,774)
Balance – end of year	2,556,328	2,957,431	2,933,733	3,449,581

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.

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

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

For the year ended 30 September 2017
(Expressed in Barbados dollars)

9. Share Capital ... (continued)

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 2017	No. of Shares 2016
Republic Finance & Trust (Barbados) Corporation	1,486,607	1,486,607
Republic Property Fund		
Republic Bank (Barbados) Ltd. Pension Fund		
Republic Capital Growth Fund	-	220,348
Republic Property Fund	-	344,056
Ralph Williams		
Republic Income Fund	14,113	14,113
Republic Capital Growth Fund	15,306	15,306

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:

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

For the year ended 30 September 2017
(Expressed in Barbados dollars)

11. Risk Management ... (continued)

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:

	2017		2016	
	Interest rates	Years to maturity	Interest rates	Years to maturity
Republic Income Fund				
Debentures and bonds	5.00% - 9.03%	0 - 18	6.88% - 9.03%	1 - 13
Republic Capital Growth Fund				
Debentures and bonds	6.88% - 9.03%	0 - 10	6.88% - 9.03%	1 - 13
Republic Property Fund				
Debentures, bonds and treasury notes	6.13% - 9.03%	1 - 7	6.13% - 7.50%	2 - 8

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 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

For the year ended 30 September 2017

(Expressed in Barbados dollars)

11. Risk Management ... (continued)**2017**

	Increase/ decrease Basis points	Increase in basis points	Decrease in basis points
Republic Income Fund	+/-50	(192,735)	198,525
Republic Capital Growth Fund	+/-50	52,593	77,177
Republic Property Fund	+/-50	7,648	5,522

2016

Republic Income Fund	+/-50	(238,919)	245,718
Republic Capital Growth Fund	+/-50	(17,843)	17,812
Republic Property Fund	+/-50	(12,852)	13,172

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 and Trinidad & Tobago dollars. The Barbados dollar is fixed to the US dollar, and 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

For the year ended 30 September 2017
(Expressed in Barbados dollars)

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' fair value equity securities, at the statement of financial position date are set out below.

11.3.1 Price risk

	2017 Fair value	Effect of a 5% decline	2016 Fair value	Effect of a 5% decline
Republic Income Fund				
Equity securities:				
Listed on Caribbean stock exchanges and markets	377,753	(18,888)	293,351	(14,668)
	<u>377,753</u>	<u>(18,888)</u>	<u>293,351</u>	<u>(14,668)</u>
Republic Capital Growth Fund				
Equity securities:				
Listed on Caribbean stock exchanges and markets	4,906,719	(245,336)	4,653,502	(232,675)
Listed on US stock exchanges and markets	1,648,777	(82,439)	1,320,727	(66,036)
	<u>6,555,496</u>	<u>327,775</u>	<u>5,974,229</u>	<u>(298,711)</u>
Republic Property Fund				
Equity securities:				
Listed on Caribbean stock exchanges and markets	120,375	(6,019)	175,180	8,759
Unlisted securities	50,000	(2,500)	50,000	(2,500)
	<u>170,375</u>	<u>(8,519)</u>	<u>225,180</u>	<u>(11,259)</u>

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

For the year ended 30 September 2017
(Expressed in Barbados dollars)

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 transact for speculative purposes.

As at 30 September 2017, 74%, 9% and 21% (2016 - 85%, 29% and 38%) 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.

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

 For the year ended 30 September 2017
 (Expressed in Barbados dollars)

11. Risk Management ... (continued)
11.4.1 Concentration of credit risk ... (continued)

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

	2017		2016	
	Gross maximum exposure	%	Gross maximum exposure	%
Republic Income Fund				
Cash	2,122,288	10%	4,049,002	18%
Interest receivable	129,251	1%	169,918	1%
Fixed income securities	19,389,218	89%	17,879,100	81%
Other receivables	48,414	0%	26,071	0%
Total	21,689,171	100%	22,124,091	100%
Republic Capital Growth Fund				
Cash	886,821	21%	745,772	16%
Interest receivable	557	0%	90,381	2%
Fixed income securities	3,125,009	78%	3,893,208	82%
Other receivables	38,801	1%	30,134	1
Total	4,051,188	100%	4,759,495	100%
Republic Property Fund				
Cash	87,116	12%	179,042	15%
Interest receivable	6,870	1%	6,870	1%
Fixed income securities	641,637	85%	990,430	84%
Other receivables	12,520	2%	5,179	0%
Total	748,143	100%	1,181,521	100%

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

For the year ended 30 September 2017
(Expressed in Barbados dollars)**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:

	2017 \$	2016 \$
Republic Income Fund		
Barbados	21,689,171	22,124,091
Total	21,689,171	22,124,091
Republic Capital Growth Fund		
Barbados	4,051,188	4,759,495
Total	4,051,188	4,759,495
Republic Capital Growth Fund		
Barbados	748,143	1,181,521
Total	748,143	1,182,521

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

For the year ended 30 September 2017
(Expressed in Barbados dollars)**11. Risk Management ... (continued)****11.4.3 Industry sectors**

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

	2017	2016
	\$	\$
Republic Income Fund		
Government and Government Bodies	10,574,268	10,676,407
Financial sectors	2,122,288	4,049,002
Education	3,857,691	4,154,380
Tourism	957,331	1,282,126
Transportation	2,177,593	1,962,175
Other service	2,000,000	-
Total	21,689,171	22,124,091
Republic Capital Growth Fund		
Government and Government Bodies	24,112	24,131
Financial sectors	893,882	752,833
Education	742,984	817,362
Tourism	2,123,820	2,844,373
Transportation	257,735	320,796
Other service	8,655	-
Total	4,051,188	4,759,495
Republic Property Fund		
Government and Government Bodies	385,487	377,979
Financial sectors	87,116	179,041
Transportation	270,343	624,501
Other service	5197	-
Total	748,143	1,181,521

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

For the year ended 30 September 2017
(Expressed in Barbados dollars)

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 2017 and 2016, 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 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

For the year ended 30 September 2017
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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.

	Level 1 \$	Level 2 \$	Level 3 \$	Level 4 \$
REPUBLIC INCOME FUND				
As at 30 September 2017				
Fixed income securities	-	18,434,370	954,848	19,389,218
Equity securities	377,753	-	-	377,753
Total	377,753	18,434,370	954,848	19,766,971
As at 30 September 2016				
Fixed income securities	-	17,879,100	-	17,879,100
Equity securities	293,351	-	-	293,351
Total	293,351	17,879,100	-	18,172,451

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

For the year ended 30 September 2017
(Expressed in Barbados dollars)

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

	Level 1	Level 2	Level 3	Level 4
	\$	\$	\$	\$
REPUBLIC CAPITAL GROWTH FUND				
As at 30 September 2017				
Fixed income securities	-	1,006,696	2,118,313	3,125,009
Equity securities	6,555,497	-	-	6,555,497
Total	6,555,497	1,006,696	2,118,313	9,680,506
As at 30 September 2016				
Fixed income securities	-	3,893,208	-	3,893,208
Equity securities	5,974,229	-	-	5,974,229
Total	5,974,229	3,893,208	-	9,867,437
REPUBLIC PROPERTY FUND				
As at 30 September 2017				
Fixed income securities	-	641,637	-	641,637
Equity securities	120,375	-	50,000	170,375
Investment properties	-	2,070,000	-	2,070,000
Total	120,375	2,711,637	50,000	2,882,012
As at 30 September 2016				
Fixed income securities	-	990,430	-	990,430
Equity securities	125,180	-	50,000	175,180
Investment properties	-	2,070,000	-	2,070,000
Total	125,180	3,060,430	50,000	3,235,610

Republic Funds (Barbados) Inc.

Notes to the Financial Statements
 For the year ended 30 September 2017
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13. Determination of fair value and fair value hierarchies ... (continued)

13.1 Transfers between Level 1 and 2

For the year ended 30 September 2017, no assets were transferred between Level 1 and Level 2.

13.2 Reconciliation of movements in Level 3 financial instruments measured at fair value.

During the year, an investment security became impaired and was transferred to Level 3.

	Balance at beginning of year \$	Net (Disposals) Additions \$	Balance at end of year \$
Republic Income Fund			
Financial assets measured at fair value			
Fixed income securities	-	954,848	954,848
Republic Capital Growth Fund			
Financial assets measured at fair value			
Fixed income securities	-	2,118,313	2,118,313

Description of significant unobservable inputs to valuation:

	Valuation Technique	Significant unobservable inputs	Range (weighted average)
Republic Income Fund			
Fixed income securities	Discounted Cash Flow Method	Cash flows for subsequent years	8.70% (8.70%)
Republic Capital Growth Fund			
Fixed income securities	Discounted Cash Flow Method	Cash flows for subsequent years	8.70% (8.70%)



Republic Funds (Barbados) Inc.