

REPUBLIC FUNDS  
(BARBADOS) INC.  
ANNUAL REPORT 2014



Republic Funds (Barbados) Inc.

**Republic Funds (Barbados) Incorporated**

Financial Statements

30 September 2014

(Expressed in Barbados dollars)

## Republic Funds (Barbados) Inc.

Financial Statements  
30 September 2014  
(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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## 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 30 September 2014, statement of comprehensive income, statement of changes in equity, statement of changes in net assets attributable to redeemable fund shareholders, and 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 about whether the financial statements are free from material misstatement, whether due to fraud or error.

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 accompanying financial statements present fairly, in all material respects, the financial position of the Funds as at 30 September 2014, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

CHARTERED ACCOUNTANTS

Barbados  
16 January 2015

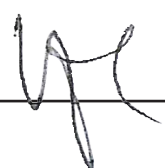
## Republic Funds (Barbados) Inc.

Statement of Financial Position  
As at 30 September 2014

	Notes	2014 The Funds \$	2013 The Funds \$	2014 Republic Income Fund \$	2013 Republic Income Fund \$
<b>ASSETS</b>					
<b>Investments</b>	6	37,120,297	37,818,298	21,426,547	21,099,509
<b>Other assets</b>					
Cash	7	2,274,697	1,751,608	933,723	698,124
Interest receivable		285,548	447,732	188,189	329,289
Other receivables		18,481	31,412	400	729
Withholding tax receivable		118,404	95,185	51,681	37,689
		2,697,130	2,325,937	1,173,993	1,065,831
<b>TOTAL ASSETS</b>		<b>39,817,427</b>	<b>40,144,235</b>	<b>22,600,540</b>	<b>22,165,340</b>
<b>LIABILITIES &amp; EQUITY</b>					
<b>Liabilities</b>					
Due to related company	8	143,533	146,501	64,047	62,808
Accounts payable and accrued expenses		194,641	220,706	152,750	160,797
Other Liabilities		89,350	89,350	82,226	82,226
		427,524	456,557	299,023	305,831
<b>Net assets attributable to redeemable fund shareholders</b>	9	<b>39,388,953</b>	<b>39,686,728</b>	<b>22,301,117</b>	<b>21,859,109</b>
<b>Total liabilities</b>		<b>39,816,477</b>	<b>40,143,285</b>	<b>22,600,140</b>	<b>22,164,940</b>
<b>Represented by: Shareholders' equity</b>					
Common shares	9	950	950	400	400
<b>TOTAL LIABILITIES &amp; EQUITY</b>		<b>39,817,427</b>	<b>40,144,235</b>	<b>22,600,540</b>	<b>22,165,340</b>
Net asset value per redeemable fund share				1.4569	1.3938

The accompanying notes form an integral part of these financial statements

These financial statements were approved for issue by the Board of Directors on 16 January 2015 and signed on its behalf by:


  
\_\_\_\_\_  
Director


  
\_\_\_\_\_  
Director

## Republic Funds (Barbados) Inc.

Statement of Financial Position... (continued)  
As at 30 September 2014

	Notes	2014 Republic Capital Growth Fund \$	2013 Republic Capital Growth Fund \$	2014 Republic Property Fund \$	2013 Republic Property Fund \$
<b>ASSETS</b>					
<b>Investments</b>	6	12,008,101	11,583,955	3,685,649	5,134,834
<b>Other assets</b>					
Cash	7	269,941	938,736	1,071,033	114,748
Interest receivable		92,027	112,547	5,332	5,896
Other receivables		17,074	18,563	1,007	12,120
Withholding tax receivable		43,716	34,489	23,007	23,007
		422,758	1,104,335	1,100,379	155,771
<b>TOTAL ASSETS</b>		<b>12,430,859</b>	<b>12,688,290</b>	<b>4,786,028</b>	<b>5,290,605</b>
<b>LIABILITIES &amp; EQUITY</b>					
<b>Liabilities</b>					
Due to related company	8	57,271	58,087	22,215	25,606
Accounts payable and accrued expenses		31,568	30,923	10,323	28,986
Other liabilities		4,274	4,274	2,850	2,850
		93,113	93,284	35,388	57,442
<b>Net assets attributable to redeemable fund shareholders</b>	9	<b>12,337,346</b>	<b>12,594,606</b>	<b>4,750,490</b>	<b>5,233,013</b>
<b>Total liabilities</b>		<b>12,430,459</b>	<b>12,687,890</b>	<b>4,785,878</b>	<b>5,290,455</b>
<b>Represented by: Shareholders' equity</b>					
Common shares	9	400	400	150	150
<b>TOTAL LIABILITIES &amp; EQUITY</b>		<b>12,430,859</b>	<b>12,688,290</b>	<b>4,786,028</b>	<b>5,290,605</b>
Net asset value per redeemable fund share		1.5011	1.3869	1.2694	1.3581

The accompanying notes form an integral part of these financial statements

## Republic Funds (Barbados) Inc.

Statement of Comprehensive Income  
Year ended 30 September 2014

Notes	2014	2013	2014	2013
	The Funds	The Funds	Republic	Republic
	\$	\$	Income	Income
			Fund	Fund
			\$	\$
<b>Income</b>				
Interest on bank balances	32,852	59,058	15,316	12,537
Interest on investments	2,192,543	2,337,926	1,688,417	1,850,989
Dividends	202,500	207,784	-	4,967
Realised (losses) gains and impairment on investments	(358,600)	(910,843)	64,573	176,779
Other income	70,078	77,271	-	-
	<b>2,139,373</b>	<b>1,771,196</b>	<b>1,768,306</b>	<b>2,045,272</b>
<b>Expenses</b>				
Management fees	4 482,737	501,134	202,844	201,376
Custody fees	4 90,696	93,165	50,711	50,344
Other charges	67,830	104,751	(1,325)	3,611
Barbados stock exchanges fees	253	5,029	-	-
Audit fees	73,200	73,921	38,400	38,400
Interest expense	-	13,696	-	-
	<b>714,716</b>	<b>791,696</b>	<b>290,630</b>	<b>293,731</b>
<b>Operating income (loss) for the year</b>	<b>1,424,657</b>	<b>979,500</b>	<b>1,477,676</b>	<b>1,751,541</b>
<b>Finance costs</b>				
Distributions to redeemable fund shareholders	(621,413)	(327,445)	(621,413)	(327,445)
<b>Net income (loss)</b>	<b>803,244</b>	<b>652,055</b>	<b>856,263</b>	<b>1,424,096</b>
<b>Other comprehensive gain (loss)</b>				
Unrealized gains (losses) on available-for-sale financial assets	812,495	1,273,486	111,884	54,544
<b>Total comprehensive income (loss) for the year and net increase (decrease) in net assets attributable to redeemable fund shareholders</b>	<b>1,615,739</b>	<b>1,925,541</b>	<b>968,147</b>	<b>1,478,640</b>

The accompanying notes form an integral part of these financial statements

## Republic Funds (Barbados) Inc.

Statement of Comprehensive Income... (continued)  
Year ended 30 September 2014

Notes	2014	2013	2014	2013
	Republic	Republic	Republic	Republic
	Capital	Capital	Property	Property
	Growth	Growth	Property	Property
	Fund	Fund	Fund	Fund
	\$	\$	\$	\$
<b>Income</b>				
Interest on bank balances	10,116	39,721	7,420	6,800
Interest on investments	443,135	467,831	60,991	19,106
Dividends	199,342	201,441	3,158	1,376
Realised (losses) gains and impairment on investments	(85,594)	(532,052)	(337,579)	(555,570)
Other income	-	374	70,078	76,897
	<b>566,999</b>	<b>177,315</b>	<b>(195,932)</b>	<b>(451,391)</b>
<b>Expenses</b>				
Management fees	4 200,344	202,840	79,549	96,918
Custody fees	4 28,621	28,976	11,364	13,845
Other charges	(705)	1,850	69,860	99,290
Barbados stock exchanges fees	253	4,910	-	119
Audit fees	24,000	24,000	10,800	11,521
Interest expense	-	-	-	13,696
	<b>252,513</b>	<b>262,576</b>	<b>171,573</b>	<b>235,389</b>
<b>Operating income (loss) for the year</b>	<b>314,486</b>	<b>(85,261)</b>	<b>(367,505)</b>	<b>(686,780)</b>
<b>Finance costs</b>				
Distributions to redeemable fund shareholders	-	-	-	-
<b>Net income (loss)</b>	<b>314,486</b>	<b>(85,261)</b>	<b>(367,505)</b>	<b>(686,780)</b>
<b>Other comprehensive income (loss)</b>				
Unrealized gains/losses on available-for-sale financial assets	667,901	1,214,532	32,710	4,410
<b>Total comprehensive income (loss) for the year and net increase (decrease) in net assets attributable to redeemable fund shareholders</b>	<b>982,387</b>	<b>1,129,271</b>	<b>(334,795)</b>	<b>(682,370)</b>

The accompanying notes form an integral part of these financial statements

## Republic Funds (Barbados) Inc.

Statement of Changes in Equity  
Year ended 30 September 2014

	The Funds \$	Republic Income Fund \$	Republic Capital Growth Fund \$	Republic Property Fund \$
<b>Common shares</b>				
<b>Balance as at 30 September 2014 and 2013</b>	<b>950</b>	<b>400</b>	<b>400</b>	<b>150</b>

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 2014

	Notes	The Funds \$	Republic Income Fund \$	Republic Capital Growth Fund \$	Republic Property Fund \$
<b>2014</b>					
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)
<b>Closing balance as at 30 September 2014</b>		<b>39,388,953</b>	<b>22,301,117</b>	<b>12,337,346</b>	<b>4,750,490</b>
<b>2013</b>					
Opening balance as at 1 October 2012		40,768,712	22,117,805	12,338,224	6,312,683
Total comprehensive income (loss) for the year and net increase (decrease) in net assets attributable to redeemable fund shareholders		1,925,541	1,478,640	1,129,271	(682,370)
Shares issued during the year	9	900,826	744,301	156,525	-
Shares redeemed during the year	9	(3,908,351)	(2,481,637)	(1,029,414)	(397,300)
Closing balance as at 30 September 2013		39,686,728	21,859,109	12,594,606	5,233,013

The accompanying notes form an integral part of these financial statements

## Republic Funds (Barbados) Inc.

Statement of Cash Flows  
Year ended 30 September 2014

	2014	2013	2014	2013
	The Funds	The Funds	Republic	Republic
	\$	\$	Income	Income
			fund	fund
	\$	\$	\$	\$
<b>Cash flows from operating activities</b>				
Operating income (loss) for the year	1,424,657	979,500	1,477,676	1,751,541
Decrease (increase) in receivables	151,895	(155,659)	127,437	(126,902)
(Decrease) increase in amounts due to related company	(2,968)	(1,003,734)	1,239	(1,690)
Decrease (increase) in investments	1,510,496	2,494,798	(215,154)	300,911
Decrease (increase) in accounts payable and accrued expenses	(26,064)	127,063	(8,047)	98,303
Net cash flows (used in) from operating activities	3,058,016	2,441,968	1,383,151	2,022,163
<b>Cash flows from financing activities</b>				
Issuance of redeemable fund shares	633,875	900,825	542,071	744,301
Redemption of redeemable fund shares	(2,547,389)	(3,908,351)	(1,068,210)	(2,481,637)
Distributions paid	(621,413)	(327,445)	(621,413)	(327,445)
Net cash flows (used in) from financing activities	(2,534,927)	(3,334,971)	(1,147,552)	(2,064,781)
Net increase (decrease) in cash	523,089	(893,003)	235,599	(42,618)
Cash - beginning of year	1,751,608	2,644,611	698,124	740,742
Cash - end of year	2,274,697	1,751,608	933,723	698,124

The accompanying notes form an integral part of these financial statements

## Republic Funds (Barbados) Inc.

Statement of Cash Flows... (continued)  
Year ended 30 September 2014

	2014	2013	2014	2013
	Republic	Republic	Republic	Republic
	Capital	Capital	Property	Property
	Growth	Growth	Property	Property
	Fund	Fund	Fund	Fund
	\$	\$	\$	\$
<b>Operating activities</b>				
Operating income (loss) for the year	314,486	(85,261)	(367,505)	(686,780)
Decrease (increase) in receivables	12,782	(34,324)	11,676	5,567
(Decrease) increase in amounts due to related company	(816)	774	(3,391)	(1,002,818)
Decrease (increase) in investments	243,755	203,083	1,481,895	1,990,804
Decrease (increase) in accounts payable and accrued expenses	646	17,796	(18,663)	10,964
Net cash flows (used in) from operating activities	570,853	102,068	1,104,012	317,737
<b>Financing activities</b>				
Issuance of redeemable fund shares	91,804	156,524	-	-
Redemption of redeemable fund shares	(1,331,452)	(1,029,414)	(147,727)	(397,300)
Distributions paid	-	-	-	-
Net cash flows used in financing activities	(1,239,648)	(872,890)	(147,727)	(397,300)
Net (decrease) increase in cash	(668,795)	(770,822)	956,285	(79,563)
Cash - beginning of year	938,736	1,709,558	114,748	194,311
Cash - end of year	269,941	938,736	1,071,033	114,748

The accompanying notes form an integral part of these financial statements



## Republic Funds (Barbados) Inc.

Notes to the Financial Statements  
Year ended 30 September 2014

### Republic Funds (Barbados) Inc.

Notes to the Financial Statements  
Year ended 30 September 2014

#### 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 2013 except for the adoption of new standards and interpretations noted below:

###### **IFRS 7 - Disclosures - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013)**

These amendments require an entity to disclose information about rights of set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set off in accordance with IAS 32.

###### **IFRS 12 - Disclosure of Interests in Other Entities (effective 1 January 2013)**

IFRS 12 applies to an entity that has an interest in subsidiaries, joint arrangements, associates and/or structured entities. Many of the disclosure requirements of IFRS 12 were previously included in IAS 27, IAS 31, and IAS 28, while others are new. The objective of the new disclosure requirements is to help the users of financial statements understand the effects of an entity's interests in other entities on its financial position, financial performance and cash flows and to understand the nature of, and the risks associated with the entity's interest in other entities. The amendment only affects disclosures and as such, did not have an impact on the Fund's financial position and performance.

## Republic Funds (Barbados) Inc.

Notes to the Financial Statements  
Year ended 30 September 2014

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

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

##### i) New accounting policies adopted... (continued)

###### IFRS 13 - Fair Value Measurement (effective 1 January 2013)

IFRS 13 does not affect when fair value is used, but rather describes how to measure fair value where fair value is required or permitted by IFRS. Fair value under IFRS 13 is defined as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date' (i.e., an 'exit price'). 'Fair value' as used in IFRS 2 Share based Payments and IAS 17 Leases is excluded from the scope of IFRS 13. This IFRS has not materially impacted the fair value measurements of the Funds.

##### 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.

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

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. In subsequent phases, the Board will address impairment and hedge accounting. The adoption of the first phase of IFRS 9 will primarily have an effect on the classification and measurement of the Group's financial assets.

###### 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.

## Republic Funds (Barbados) Inc.

Notes to the Financial Statements  
Year ended 30 September 2014

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

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

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

###### 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.

###### IAS 32 - Offsetting Financial Assets and Financial liabilities (effective January 1, 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.

###### 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.

## Republic Funds (Barbados) Inc.

Notes to the Financial Statements  
Year ended 30 September 2014

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

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

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

###### 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.

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

IAS 19 - Employee Benefits (Revised) (effective 1 January 2013)

IFRS10 - Consolidated Financial Statement, IAS 27 Separate Financial Statements (effective 1 January 2013)

IFRS 11 - Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures (effective 1 January 2013)

IFRIC 20 - Stripping Costs in the Production Phase of a surface Mine (effective 1 January 2013)

##### 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 2013.

IFRS	Subject of Amendment
IAS 40 -	Investment Property
IFRS 1 -	First-time Adoption of International Financial Reporting Standards
IFRS 3 -	Business Combinations
IFRS 13 -	Fair Value Measurement

#### 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. 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 trade date.

##### 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

## Republic Funds (Barbados) Inc.

Notes to the Financial Statements  
Year ended 30 September 2014

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

#### c) Financial instruments... (continued)

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 2014

### 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 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 the 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 the 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 the Barbados dollars.

## Republic Funds (Barbados) Inc.

Notes to the Financial Statements  
Year ended 30 September 2014

### 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 investment and trading securities and accrued discount and premium 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 2014

### 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 \$482,737 (2013 - \$501,134) were charged for the year.

Republic Bank (Barbados) Limited, a related company, serves as registrar, transfer agent and custodian of the Funds. 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 \$90,696 (2013 - \$93,165).

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 2014 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 2014 year end.

## Republic Funds (Barbados) Inc.

Notes to the Financial Statements  
Year ended 30 September 2014

### 6. Investments

	The Funds \$	Republic Income Fund \$	Republic Capital Growth Fund \$	Republic Property Fund \$
<b>September 30, 2014</b>				
<b>Available-for-sale</b>				
Local investments	30,036,360	21,426,547	7,321,171	1,288,642
Foreign investments	4,765,937	-	4,686,930	79,007
	<b>34,802,297</b>	<b>21,426,547</b>	<b>12,008,101</b>	<b>1,367,649</b>
<b>Investment properties</b>				
Local investments	2,318,000	-	-	2,318,000
	<b>37,120,297</b>	<b>21,426,547</b>	<b>12,008,101</b>	<b>3,685,649</b>
<b>September 30, 2013</b>				
<b>Available-for-sale</b>				
Local investments	28,758,225	21,099,509	7,387,962	270,754
Foreign investments	4,252,073	-	4,195,993	56,080
	<b>33,010,298</b>	<b>21,099,509</b>	<b>11,583,955</b>	<b>326,834</b>
<b>Investment properties</b>				
Local investments	4,808,000	-	-	4,808,000
	<b>37,818,298</b>	<b>21,099,509</b>	<b>11,583,955</b>	<b>5,134,834</b>

## Republic Funds (Barbados) Inc.

Notes to the Financial Statements  
Year ended 30 September 2014

### 6. Investments... (continued)

	2014		2013	
	No. of shares	Market Value Cost \$	No. of shares	Market Value Cost \$
<b>Republic Income Fund</b>				
<b>Local investments</b>				
<b>Fixed income securities</b>				
Government of Barbados Debentures	7,764,909	8,203,963	7,797,469	8,180,140
Arawak Cement Company. Ltd. Bond	3,656,213	3,656,213	3,892,448	3,892,448
Apes Hill Bond	1,240,297	1,245,259	1,240,297	1,245,631
University of the West Indies Bond	3,543,585	3,619,772	3,816,167	3,903,557
University of the West Indies - Clarendon Bond	1,101,432	1,088,766	1,121,919	1,087,925
Barbados Agricultural & Management Co. Ltd Bond	2,350,000	2,318,725	2,000,000	1,918,600
Transport Board Bond	757,823	777,981	847,396	871,208
Barbados Port Inc. Bond	516,591	515,868	-	-
<b>Total fixed income securities</b>	<b>20,930,850</b>	<b>21,426,547</b>	<b>20,715,697</b>	<b>21,099,509</b>
<b>Total Republic Income Fund Investments</b>	<b>20,930,850</b>	<b>21,426,547</b>	<b>20,715,697</b>	<b>21,099,509</b>

## Republic Funds (Barbados) Inc.

Notes to the Financial Statements  
Year ended 30 September 2014

### 6. Investments... (continued)

	2014		2013	
	No. of shares	Market Value Cost \$	No. of shares	Market Value Cost \$
<b>Republic Capital Growth Fund</b>				
<b>Local investments</b>				
<b>Equity securities</b>				
<b>Conglomerate</b>				
Goddard Enterprises Limited	159,948	300,729 1,009,272	159,948	300,729 959,688
<b>Banking</b>				
FirstCaribbean International Bank	95,230	363,518 171,416	95,230	363,518 190,460
<b>Non Bank Finance</b>				
Insurance Corporation of Barbados Ltd.	211,117	691,757 508,792	171,117	590,413 438,060
Sagikor Financial Corporation	137,922	608,477 242,743	137,692	608,477 273,086
		<b>1,300,234 751,535</b>		<b>1,198,890 711,146</b>
<b>Manufacturing</b>				
Banks Holdings Ltd.	3,609	14,436 10,647	3,609	14,436 10,827
<b>Total equity securities</b>		<b>1,978,917 1,942,869</b>		<b>1,877,573 1,872,121</b>
<b>Fixed income securities</b>				
Government of Barbados Debentures		1,001,016 1,036,260		1,001,021 1,027,754
Arawak Cement Co. Ltd. Bond		170,823 170,823		187,236 187,236
Apes Hill Development SRL Bond		2,751,577 2,762,583		2,751,577 2,763,408
University of the West Indies Bond		944,956 965,273		1,017,646 1,040,950
Transport Board Bond		431,876 443,364		482,923 496,493
<b>Total fixed income securities</b>		<b>5,300,248 5,378,302</b>		<b>5,440,402 5,515,841</b>
<b>Total local investments</b>		<b>7,279,165 7,321,171</b>		<b>7,317,975 7,387,962</b>

## Republic Funds (Barbados) Inc.

Notes to the Financial Statements  
Year ended 30 September 2014

## 6. Investments... (continued)

	No. of shares	2014 Cost \$	Market Value \$	No. of shares	2013 Cost \$	Market Value \$
<b>Republic Capital Growth Fund (cont'd)</b>						
<b>Foreign investments</b>						
<b>Equity securities</b>						
<b>Conglomerate</b>						
Neal & Massy Holdings Ltd.	44,468	602,676	962,050	44,468	602,676	776,500
<b>Banking</b>						
National Commercial Bank of Jamaica	200,000	137,214	61,236	200,000	137,214	70,956
Royal Bank of Canada	10,611	1,039,454	1,523,014	10,611	1,039,454	1,368,688
		<u>1,176,668</u>	<u>1,584,250</u>		<u>1,176,668</u>	<u>1,439,643</u>
<b>Non Bank Finance</b>						
Guardian Holdings Limited	50,000	223,364	209,118	50,000	223,364	233,563
National Enterprises Ltd	41,665	193,407	233,177	41,665	193,407	209,021
		<u>416,771</u>	<u>442,295</u>		<u>416,771</u>	<u>442,584</u>
<b>Manufacturing</b>						
West Indian Tobacco Ltd.	746	6,914	27,814	746	6,914	27,395
Ansa McAL Ltd.	24,093	413,674	503,448	24,093	413,674	497,116
Grace Kennedy	3,000	1,163	3,409	3,000	1,163	3,268
		<u>421,751</u>	<u>534,671</u>		<u>421,751</u>	<u>527,779</u>
<b>Media</b>						
One Caribbean Media	112,128	565,078	885,892	132,128	665,878	740,974
<b>Mutual Funds</b>						
Clico Investment Fund	40,000	264,435	277,772	40,000	264,435	268,512
		<u>3,447,379</u>	<u>4,686,930</u>		<u>3,548,179</u>	<u>4,195,993</u>
<b>Total equity securities</b>						
		<u>3,447,379</u>	<u>4,686,930</u>		<u>3,548,179</u>	<u>4,195,993</u>
<b>Total Republic Capital Growth Fund Investments</b>						
		<u>10,726,544</u>	<u>12,008,101</u>		<u>10,866,154</u>	<u>11,583,955</u>

## Republic Funds (Barbados) Inc.

Notes to the Financial Statements  
Year ended 30 September 2014

## 6. Investments... (continued)

	No. of shares	2014 Cost \$	Market Value \$	No. of shares	2013 Cost \$	Market Value \$
<b>Republic Property Fund</b>						
<b>Local investments</b>						
<b>Equity securities</b>						
<b>Unlisted</b>						
Southern Golf & Country Club Ltd.	50,000	50,000	50,000	50,000	50,000	50,000
<b>Listed securities</b>						
One Caribbean Media	10,000	47,719	79,007		47,719	56,080
		<u>97,719</u>	<u>129,007</u>		<u>97,719</u>	<u>106,080</u>
<b>Total equity securities</b>						
		<u>97,719</u>	<u>129,007</u>		<u>97,719</u>	<u>106,080</u>
<b>Fixed income securities</b>						
Arawak Cement Co. Ltd. Bond		113,882	113,882		124,824	124,824
Barbados Agricultural & Management Co. Ltd Bond		700,000	706,300		100,000	95,930
Barbados Port Inc.		419,046	418,460			
		<u>1,232,928</u>	<u>1,238,642</u>		<u>224,824</u>	<u>220,754</u>
<b>Total fixed income securities</b>						
		<u>1,232,928</u>	<u>1,238,642</u>		<u>224,824</u>	<u>220,754</u>
<b>Investment properties</b>						
Heron Courts Lots		1,100,000	875,000		2,225,000	1,800,000
Apes Hill Development		1,291,149	1,443,000		1,291,149	1,443,000
Sapphire Condominiums		-	-		1,643,009	1,565,000
		<u>2,391,149</u>	<u>2,318,000</u>		<u>5,159,158</u>	<u>4,808,000</u>
<b>Total investment properties</b>						
		<u>2,391,149</u>	<u>2,318,000</u>		<u>5,159,158</u>	<u>4,808,000</u>
<b>Total Republic Property Fund</b>						
		<u>3,721,796</u>	<u>3,685,649</u>		<u>5,481,701</u>	<u>5,134,834</u>
<b>Total Fund Investments</b>						
		<u>35,379,190</u>	<u>37,120,297</u>		<u>37,063,553</u>	<u>37,818,298</u>

## Republic Funds (Barbados) Inc.

Notes to the Financial Statements  
Year ended 30 September 2014

### 7. Cash

The cash balances are held with Republic Bank (Barbados) Limited a related company and bear interest at the rate of 2.5% (2013 - 1% to 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	2014 \$	No. of Shares	2013 \$
Authorized Common shares 1,000 common shares of no par value				
<b>Redeemable fund shares</b>				
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				
<b>Issued Common Shares</b>				
<b>Republic Income Fund</b>	400	400	400	400
<b>Republic Capital Growth Fund</b>	400	400	400	400
<b>Republic Property Fund</b>	150	150	150	150
	<b>950</b>	<b>950</b>	<b>950</b>	<b>950</b>

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 2014

### 9. Share capital... (continued)

	No. of Shares	2013 \$	No. of Shares	2012 \$
<b>Redeemable fund shares</b>				
<b>Republic Income Fund</b>				
Balance - beginning of the year	15,683,213	21,859,109	16,984,735	22,117,805
Issued during the year	382,900	542,071	561,427	744,301
Redeemed during the year	(758,707)	(1,068,210)	(1,862,949)	(2,481,637)
Total comprehensive income (loss) for the year and net increase (decrease) in net assets attributable to redeemable fund shareholders	-	968,147	-	1,478,640
Balance - end of year	<b>15,307,406</b>	<b>22,301,117</b>	<b>15,683,213</b>	<b>21,859,109</b>
<b>Republic Capital Growth Fund</b>				
Balance - beginning of the year	9,081,542	12,594,606	9,740,689	12,338,224
Issued during the year	63,339	91,804	116,558	156,525
Redeemed during the year	(926,197)	(1,331,452)	(775,705)	(1,029,414)
Total comprehensive income (loss) for the year and net increase (decrease) in net assets attributable to redeemable fund shareholders	-	982,387	-	1,129,271
Balance - end of year	<b>8,218,683</b>	<b>12,337,345</b>	<b>9,081,542</b>	<b>12,594,606</b>
<b>Republic Property Fund</b>				
Balance - beginning of the year	3,853,406	5,233,013	4,119,644	6,312,683
Redeemed during the year	(111,156)	(147,727)	(266,238)	(397,300)
Total comprehensive income (loss) for the year and net increase (decrease) in net assets attributable to redeemable fund shareholders	-	(334,795)	-	(682,370)
Balance - end of year	<b>3,742,250</b>	<b>4,750,491</b>	<b>3,853,406</b>	<b>5,233,013</b>

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

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.



## Republic Funds (Barbados) Inc.

Notes to the Financial Statements  
Year ended 30 September 2014

### 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 2014	No. of Shares 2013
<b>Republic Finance &amp; Trust (Barbados) Corporation</b>		
Republic Property Fund	1,486,607	1,486,607
<b>Republic Bank Limited Pension fund</b>		
Republic Income Fund	789,287	756,335
Republic Capital Growth Fund	877,938	877,938
Republic Property Fund	979,014	979,014
<b>Ralph Williams</b>		
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 over draft, 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.

## Republic Funds (Barbados) Inc.

Notes to the Financial Statements  
Year ended 30 September 2014

### 11. Risk Management... (continued)

#### 11.1 Interest Rate Risk... (continued)

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

	2014	2013
	Interest Rates	Years to maturity
<b>Republic Income Fund</b>		
Debentures, bonds and treasury notes	6%-11.45%	0 - 21
	6.5% - 11.45%	1-22
<b>Republic Capital Growth Fund</b>		
Debentures and bonds	6.88%-10.25%	3 - 13
	7% - 10.25%	2-14
<b>Republic Property Fund</b>		
Debentures and bonds	6%-10.25%	1 - 10
	6.5% - 10.25%	5-6

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.

	Impact on Net Profit			Impact on Equity	
	Increase/decrease basis points	Increase in basis points	Decrease in basis points	Increase in basis points	Decrease in basis points
<b>2014</b>					
<b>Republic Income Fund</b>	+/-50	6,626	(6,626)	479,108	1,138,167
<b>Republic Capital Growth Fund</b>	+/-50	13,813	(13,813)	(14,413)	92,160
<b>Republic Property fund</b>	+/-50	-	-	6,130	44,473
<b>2013</b>					
		Increase in basis points	Decrease in basis points	Increase in basis points	Decrease in basis points
Republic Income Fund	+/-50	6,228	(6,228)	(349,898)	360,807
Republic Capital Growth Fund	+/-50	13,817	(13,817)	(55,960)	58,904
Republic Property Fund	+/-50	-	-	(4,064)	4,163

## Republic Funds (Barbados) Inc.

Notes to the Financial Statements  
Year ended 30 September 2014

### 11. Risk Management... (continued)

#### 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.

#### 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 Price risk

	2014		2013	
	Fair value \$	Effect of a 5% decline \$	Fair value \$	Effect of a 5% decline \$
<b>Republic Income Fund</b>				
<b>Equity securities:</b>				
Listed on Caribbean stock exchanges and markets	-	-	165,570	(8,279)
	-	-	165,570	(8,279)
<b>Republic Capital Growth Fund</b>				
<b>Equity securities:</b>				
Listed on Caribbean stock exchanges and markets	5,106,785	(255,339)	4,699,426	(234,971)
Listed on US stock exchanges and markets	1,523,014	(76,151)	1,368,688	(68,434)
	6,629,799	(331,490)	6,068,114	(303,405)
<b>Republic Property Fund</b>				
<b>Equity securities:</b>				
Listed on Caribbean stock exchanges and markets	79,007	(3,950)	56,080	(2,804)
Unlisted securities	50,000	(2,500)	50,000	(2,500)
	129,007	(6,450)	106,080	(5,304)

## Republic Funds (Barbados) Inc.

Notes to the Financial Statements  
Year ended 30 September 2014

### 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;

- Holding a diversified portfolio of securities denominated in United States dollars and Barbados dollars.
- 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.
- Up to 10% of a Fund's assets may be invested in securities that are not quoted and not regularly traded.
- 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 2014, 77% and 20% (2013 - 76% and 22%) respectively of investments in the Republic Income Fund and the Republic Capital Growth 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:

	2014		2013	
	Gross maximum exposure \$	%	Gross maximum exposure \$	%
<b>REPUBLIC INCOME FUND</b>				
Cash	933,723	4%	698,124	4%
Interest receivable	188,189	1%	329,289	1%
Fixed income securities	21,426,547	95%	21,099,509	95%
Other receivables	52,081	0%	38,418	0%
<b>Total</b>	<b>22,600,540</b>	<b>100%</b>	<b>22,165,340</b>	<b>100%</b>
<b>REPUBLIC CAPITAL GROWTH FUND</b>				
Cash	269,941	5%	938,736	14%
Interest receivable	92,027	1%	112,547	2%
Fixed income securities	5,378,302	93%	5,515,841	83%
Other receivables	60,790	1%	53,052	1%
<b>Total</b>	<b>5,801,060</b>	<b>100%</b>	<b>6,620,176</b>	<b>100%</b>
<b>REPUBLIC PROPERTY FUND</b>				
Cash	1,071,033	46%	114,748	31%
Interest receivable	5,322	0%	5,896	0%
Fixed income securities	1,238,642	53%	220,754	59%
Other receivables	24,014	1%	35,127	9%
<b>Total</b>	<b>2,339,011</b>	<b>100%</b>	<b>376,525</b>	<b>100%</b>

## Republic Funds (Barbados) Inc.

Notes to the Financial Statements  
Year ended 30 September 2014

### 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:

	2014	2013
<b>REPUBLIC INCOME FUND</b>	\$	\$
Barbados	22,600,540	22,165,340
<b>Total</b>	<u>22,600,540</u>	<u>22,165,340</u>

	2014	2013
<b>REPUBLIC CAPITAL GROWTH FUND</b>	\$	\$
Barbados	5,801,060	6,620,176
<b>Total</b>	<u>5,801,060</u>	<u>6,620,176</u>

	2014	2013
<b>REPUBLIC PROPERTY FUND</b>	\$	\$
Barbados	2,339,011	376,525
<b>Total</b>	<u>2,339,011</u>	<u>376,525</u>

## Republic Funds (Barbados) Inc.

Notes to the Financial Statements  
Year ended 30 September 2014

### 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:

	2014	2013
<b>REPUBLIC INCOME FUND</b>	\$	\$
Government & Government Bodies	10,716,123	10,276,841
Financial Sectors	937,464	701,553
Manufacturing	3,656,213	4,030,677
Other Service	7,290,740	7,156,269
<b>Total</b>	<u>22,600,540</u>	<u>22,165,340</u>

	2014	2013
<b>REPUBLIC CAPITAL GROWTH FUND</b>	\$	\$
Government & Government Bodies	1,530,818	1,558,753
Financial Sectors	271,479	944,596
Manufacturing	170,823	190,061
Other Service	3,827,940	3,923,766
<b>Total</b>	<u>5,801,060</u>	<u>6,617,176</u>

	2014	2013
<b>REPUBLIC PROPERTY FUND</b>	\$	\$
Government & Government Bodies	732,849	119,479
Financial Sectors	1,072,824	116,220
Manufacturing	113,882	128,706
Other	419,456	12,120
<b>Total</b>	<u>2,339,011</u>	<u>376,525</u>

## Republic Funds (Barbados) Inc.

Notes to the Financial Statements  
Year ended 30 September 2014

### 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 2014 and 2013, 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 2014

### 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 where 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.

## Republic Funds (Barbados) Inc.

Notes to the Financial Statements  
Year ended 30 September 2014

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

REPUBLIC INCOME FUND	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>As at 30 September 2014</b>				
Fixed income securities	-	21,426,547	-	21,426,547
Equity securities	-	-	-	-
	<u>-</u>	<u>21,426,547</u>	<u>-</u>	<u>21,426,547</u>
<b>As at 30 September 2013</b>				
Fixed income securities	-	21,099,509	-	21,099,509
Equity securities	-	-	-	-
	<u>-</u>	<u>21,099,509</u>	<u>-</u>	<u>21,099,509</u>
<b>REPUBLIC CAPITAL GROWTH FUND</b>				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>As at 30 September 2014</b>				
Fixed income securities	-	5,378,302	-	5,378,302
Equity securities	6,629,799	-	-	6,629,799
	<u>6,629,799</u>	<u>5,378,302</u>	<u>-</u>	<u>12,008,101</u>
<b>As at 30 September 2013</b>				
Fixed income securities	-	5,515,841	-	5,515,841
Equity securities	6,068,114	-	-	6,068,114
	<u>6,068,114</u>	<u>5,515,841</u>	<u>-</u>	<u>11,583,955</u>
<b>REPUBLIC PROPERTY FUND</b>				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>As at 30 September 2014</b>				
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
	<u>79,007</u>	<u>3,556,642</u>	<u>50,000</u>	<u>3,685,649</u>
<b>As at 30 September 2013</b>				
Fixed income securities	-	220,754	-	220,754
Equity securities	56,080	-	50,000	106,080
Investment properties	-	4,808,000	-	4,808,000
	<u>56,080</u>	<u>5,028,754</u>	<u>50,000</u>	<u>5,134,834</u>

## Republic Funds (Barbados) Inc.

Notes to the Financial Statements  
Year ended 30 September 2014

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

#### 13.1 Transfers between Level 1 and 2

For the year ended 30 September 2014, no assets were transferred between Level 1 and Level 2.

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

For the year ended 30 September 2014, there was no movement in Level 3 financial instruments.



**Republic Funds (Barbados) Inc.**