



Republic Funds (Barbados) Inc.

ANNUAL REPORT 2016

Republic Funds (Barbados) Incorporated

Financial Statements

30 September 2016

(Expressed in Barbados dollars)

Republic Funds (Barbados) Inc.

Financial Statements

30 September 2016

(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

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



Ernst & Young
P.O. Box 261
Bridgetown, BB11000
Barbados, W.I.

Tel: 246 430 3900
Fax: 246 426 9551
246 435 2079
246 430 3879
www.ey.com

Street Address
One Welches
Welches
St. Thomas, BB22025
Barbados, W.I.

AUDITORS' REPORT

To the Shareholders of Republic Funds (Barbados) Inc.

We have audited the accompanying financial statements of the Republic Income Fund, Republic Capital Growth Fund and the Republic Property Fund, which comprise the statements of financial position as at 30 September 2016, statements of comprehensive income, statements of changes in equity, 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.

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 Republic Income Fund, Republic Capital Growth Fund and the Republic Property Fund as at 30 September 2016, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

CHARTERED ACCOUNTANTS

Barbados

28 October 2016

Republic Funds (Barbados) Inc.

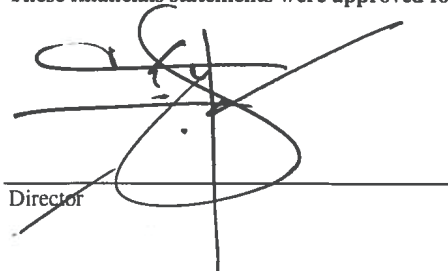
Republic Income Fund

Statement of Financial Position

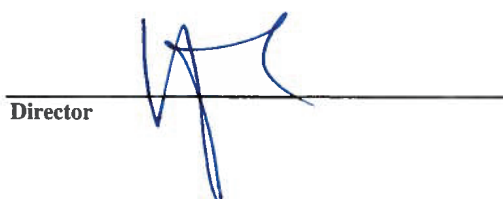
As at 30 September 2016

	Notes	2016	2015
		Republic Income Fund \$	Republic Income Fund \$
ASSETS			
Investments	6	18,172,451	17,948,654
Other assets			
Cash	7	4,049,002	3,668,176
Interest receivable		169,918	205,396
Other receivables		-	400
Withholding tax receivable		26,071	40,407
		4,244,991	3,914,379
TOTAL ASSETS		22,417,442	21,863,033
LIABILITIES & EQUITY			
Liabilities			
Due to related company	8	51,118	63,138
Accounts payable and accrued expenses		128,502	148,037
		179,620	211,175
Net assets attributable to redeemable fund shareholders	9	22,237,422	21,651,458
Total liabilities		22,417,042	21,862,633
Represented by:			
Shareholders' equity			
Common shares	9	400	400
TOTAL LIABILITIES & EQUITY		22,417,442	21,863,033
Net asset value per redeemable fund share		1.5812	1.5400

These financial statements were approved for issue by the Board of Directors on October 28, 2016 and signed on its behalf by:



Director



Director

Republic Funds (Barbados) Inc.

Republic Income Fund

Statement of Comprehensive Income
For the year ended 30 September 2016

	Notes	2016	2015
		Republic Income Fund \$	Republic Income Fund \$
Income			
Interest on bank balances		41,803	46,505
Interest on investments		1,311,884	1,743,071
Realised gains (losses) on investments		28,250	(6,950)
Other income		-	148
		1,381,937	1,782,774
Expenses			
Management fees	4	203,763	207,373
Custody fees	4	40,753	48,423
Other charges		43,841	11,235
Barbados stock exchanges fees		1,215	-
Audit fees		38,400	38,400
		327,972	305,431
Operating income for the year		1,053,965	1,477,343
Finance costs			
Distributions to redeemable fund shareholders		(560,604)	(300,176)
Net income		493,361	1,177,167
Other comprehensive gain			
Unrealized gains on available-for-sale financial assets		82,767	64,419
Total comprehensive income for the year and net increase in net assets attributable to redeemable fund shareholders		576,128	1,241,586

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 2016

		2016	2015
	Notes	Republic Income Fund \$	Republic Income Fund \$
Opening balances		21,651,458	22,301,117
Total comprehensive income for the year and net increase in net assets attributable to redeemable fund shareholders		576,128	1,241,586
Shares issued during the year	9	1,343,922	449,966
Shares redeemed during the year	9	(1,334,086)	(2,341,211)
Closing balances		<u>22,237,422</u>	<u>21,651,458</u>

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 2016

	2016 Republic Income Fund \$	2015 Republic Income Fund \$
Cash flows from operating activities		
Operating income for the year	1,053,965	1,477,343
Decrease (increase) in receivables	50,214	(5,933)
Decrease in amounts due to related company	(12,020)	(909)
(Increase) decrease in investments	(141,030)	3,460,086
Decrease in accounts payable and accrued expenses	(19,535)	(4,713)
	<hr/>	<hr/>
Net cash flows from operating activities	931,594	4,925,874
	<hr/>	<hr/>
Cash flows from financing activities		
Issuance of redeemable fund shares	1,343,922	449,966
Redemption of redeemable fund shares	(1,334,086)	(2,341,211)
Distributions paid	(560,604)	(300,176)
	<hr/>	<hr/>
Net cash flows used in financing activities	(550,768)	(2,191,421)
	<hr/>	<hr/>
Net increase in cash	380,826	2,734,453
	<hr/>	<hr/>
Cash - beginning of year	3,668,176	933,723
	<hr/>	<hr/>
Cash - end of year	4,049,002	3,668,176
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form an integral part of these financial statements

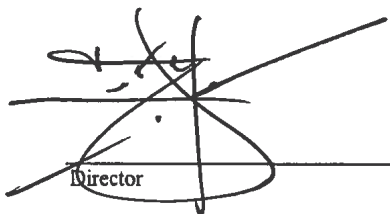
Republic Funds (Barbados) Inc.**Republic Capital Growth Fund**

Statement of Financial Position

As at 30 September 2016

	Notes	2016	2015
		Republic Capital Growth Fund \$	Republic Capital Growth Fund \$
ASSETS			
Investments	6	9,867,437	11,178,045
Other assets			
Cash	7	745,772	496,776
Interest receivable		90,381	93,236
Other receivables		7,061	20,727
Withholding tax receivable		23,073	43,716
		866,287	654,455
TOTAL ASSETS		10,733,724	11,832,500
LIABILITIES & EQUITY			
Liabilities			
Due to related company	8	43,458	54,384
Accounts payable and accrued expenses		28,349	33,950
		71,807	88,334
Net assets attributable to redeemable fund shareholders	9	10,661,517	11,743,766
Total liabilities		10,733,324	11,832,100
Represented by:			
Shareholders' equity			
Common shares	9	400	400
TOTAL LIABILITIES & EQUITY		10,733,724	11,832,500
Net asset value per redeemable fund share		1.5762	1.4973

These financial statements were approved for issue by the Board of Directors on 28 October 2016 and signed on its behalf by:


Director


Director

Republic Funds (Barbados) Inc.

Republic Capital Growth Fund

Statement of Comprehensive Income (Loss)

For the year ended 30 September 2016

	Notes	2016	2015
		Republic Capital Growth Fund \$	Republic Capital Growth Fund \$
Income			
Interest on bank balances		4,874	8,361
Interest on investments		378,057	442,482
Dividends		216,724	229,846
Realised gains on investments		313,587	22,964
Impairment on investments		(115,050)	(19,000)
		<u>798,192</u>	<u>684,653</u>
Expenses			
Management fees	4	181,145	194,998
Custody fees	4	20,702	26,027
Other charges		28,561	5,577
Barbados stock exchanges fees		1,897	-
Audit fees		24,000	24,000
		<u>256,305</u>	<u>250,602</u>
Net income		541,887	434,051
Other comprehensive gain (loss)			
Unrealized gains (losses) on available-for-sale financial assets		25,188	(466,113)
Total comprehensive income (loss) for the year and net increase (decrease) in net assets attributable to redeemable fund shareholders		<u>567,075</u>	<u>(32,062)</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 2016

		2016	2015
	Notes	Republic Capital Growth Fund \$	Republic Capital Growth Fund \$
Opening balances		11,743,766	12,337,346
Total comprehensive income (loss) for the year and net increase (decrease) in net assets attributable to redeemable fund shareholders		567,075	(32,062)
Shares issued during the year	9	114,394	98,500
Shares redeemed during the year	9	(1,763,718)	(660,018)
Closing balances		10,661,517	11,743,766

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 2016

	2016	2015
	Republic Capital Growth Fund \$	Republic Capital Growth Fund \$
Operating activities		
Operating income for the year	541,887	434,051
Decrease (increase) in receivables	37,164	(4,862)
Decrease in amounts due to related company	(10,926)	(2,887)
Decrease in investments	1,335,796	359,669
(Decrease) increase in accounts payable and accrued expenses	(5,601)	2,382
	<hr/>	<hr/>
Net cash flows from operating activities	1,898,320	788,353
	<hr/>	<hr/>
Financing activities		
Issuance of redeemable fund shares	114,394	98,500
Redemption of redeemable fund shares	(1,763,718)	(660,018)
	<hr/>	<hr/>
Net cash flows used in financing activities	(1,649,324)	(561,518)
	<hr/>	<hr/>
Net increase in cash	248,996	226,835
	<hr/>	<hr/>
Cash - beginning of year	496,776	269,941
	<hr/>	<hr/>
Cash - end of year	745,772	496,776
	<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 2016

	Notes	2016	2015
		Republic Property Fund \$	Republic Property Fund \$
ASSETS			
Investments	6	3,285,610	4,298,654
Other assets			
Cash	7	179,042	418,166
Interest receivable		6,870	17,118
Other receivables		-	2,540
Withholding tax receivable		5,179	24,497
		191,091	462,321
TOTAL ASSETS		3,476,701	4,760,975
LIABILITIES & EQUITY			
Liabilities			
Due to related company	8	14,956	21,699
Accounts payable and accrued expenses		12,014	12,819
		26,970	34,518
Net assets attributable to redeemable fund shareholders	9	3,449,581	4,726,307
Total liabilities		3,476,551	4,760,825
Represented by:			
Shareholders' equity			
Common shares	9	150	150
TOTAL LIABILITIES & EQUITY		3,476,701	4,760,975
Net asset value per redeemable fund share		1.1758	1.2785

These financial statements were approved for issue by the Board of Directors on 28 October 2016 and signed on its behalf by:



Director



Director

The accompanying notes form an integral part of these financial statements

Republic Funds (Barbados) Inc.

Republic Property Fund

Statement of Comprehensive (Loss) Income

Year ended 30 September 2016

	Notes	2016	2015
		Republic Property Fund \$	Republic Property Fund \$
Income			
Interest on bank balances		4,861	14,050
Interest on investments		92,148	116,532
Dividends		4,087	5,977
Realised gains on investments		-	25,000
Impairment on investments		(273,000)	-
Other Income		33,000	37,020
		<u>(138,904)</u>	<u>198,579</u>
Expenses			
Management fees	4	68,680	76,384
Custody fees	4	7,849	10,185
Other charges		66,547	74,774
Barbados stock exchanges fees		-	315
Audit fees		10,800	10,800
		<u>153,876</u>	<u>172,458</u>
Net (loss) income		(292,780)	26,121
Other comprehensive (loss) income			
Unrealized (losses) gains on available-for-sale financial assets		(4,994)	7,546
Total comprehensive (loss) income for the year and net (decrease) increase in net assets attributable to redeemable fund shareholders		<u>(297,774)</u>	<u>33,667</u>

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
Year ended 30 September 2016

	Notes	2016 Republic Property Fund \$	2015 Republic Property Fund \$
Opening balances		4,726,307	4,750,490
Total comprehensive (loss) income for the year and net (decrease) increase in net assets attributable to redeemable fund shareholders		(297,774)	33,667
Shares redeemed during the year	9	(978,952)	(57,850)
Closing balances		3,449,581	4,726,307

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

Statement of Cash Flows

Year ended 30 September 2016

	2016	2015
	Republic Property Fund	Republic Property Fund
	\$	\$
Cash flows from operating activities		
Operating (loss) income for the year	(292,780)	26,121
Decrease (increase) in receivables	32,106	(14,808)
Decrease in amounts due to related company	(6,743)	(515)
Decrease (increase) in investments	1,008,050	(608,311)
(Decrease) increase in accounts payable and accrued expenses	(805)	2,496
	<hr/>	<hr/>
Net cash flows from (used in) operating activities	739,828	(595,017)
	<hr/>	<hr/>
Cash flows from financing activities		
Redemption of redeemable fund shares	(978,952)	(57,850)
	<hr/>	<hr/>
Net cash flows used in financing activities	(978,952)	(57,850)
	<hr/>	<hr/>
Net decrease in cash	(239,124)	(652,867)
	<hr/>	<hr/>
Cash - beginning of year	418,166	1,071,033
	<hr/>	<hr/>
Cash - end of year	179,042	418,166
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form an integral part of these financial statements

Republic Funds (Barbados) Inc.

Statement of Changes in Equity

Year ended 30 September 2016

	Republic Income Fund \$	Republic Capital Growth Fund \$	Republic Property Fund \$
Common shares			
Balances as at 30 September 2016 and 2015.	400	400	150

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2016

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 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 available-for-sale 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 2016. 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.

ii) Standards in issue not yet effective

The following is a list of standards and interpretations that are not yet effective up to the date of issuance of these financial statements. These standards and interpretations will be applicable to the company at a future date and will be adopted when they become effective. The Fund is currently assessing the impact of adopting these standards and interpretations.

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2016

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.

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 amendments are effective prospectively.

IFRS 9 Financial Instruments (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 application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting.

IAS 7 Disclosure Initiative – Amendments to IAS 7 (effective 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

Year ended 30 September 2016

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 1 January 2016)

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

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

IFRS 14 Regulatory Deferral Accounts (effective 1 January 2016)

IFRS 16 Leases (effective 1 January 2019)

IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (effective 1 January 2017)

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 2016.

IFRS	Subject of Amendment
IFRS 5 -	Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal
IFRS 7 -	Financial Instruments: Disclosures - Servicing contracts
IFRS 7 -	Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements
IAS 19 -	Employee Benefits - Discount rate: regional market issue
IAS 34 -	Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

c) Financial instruments

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

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2016

2) Significant accounting policies ... (continued)**c) Financial instruments ... (continued)****Available-for-sale**

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

d) Investment properties

Investment properties, principally comprising land, and condominiums, are held for resale and are not occupied by the Funds. 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 Funds by the total number of outstanding shares at year end.

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2016

2. Significant accounting policies ... (continued)

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

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

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

Republic Funds (Barbados) Inc.

Notes to the Financial Statements
Year ended 30 September 2016

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

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.

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2016

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

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 \$203,763 (2015 - \$207,373) for Republic Income Fund, \$181,145 (2015 - \$194,998) for Republic Capital Growth Fund and \$68,680 (2015 - \$76,384) 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. For the period October 1st 2015 to February 29th 2016, Republic Bank (Barbados) Limited served as registrar, transfer agent and custodian of the Funds and received custodian fees in the amount of \$16,903 for the Republic Income Fund, \$8,994 for the Republic Capital Growth Fund and \$3,634 for the Republic Property Fund. CIBC FirstCaribbean International Bank Trust & Merchant Bank (Barbados) Limited provided custodian services for the period March 1st to October 2016 and received fees in the amount of \$23,850 for the Republic Income Fund \$11,708 for the Republic Capital Growth Fund and \$4,215 for the Republic Property Fund for these services.

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.

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2016

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 2016 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 2016 year end.

6. Investments

	2016		2015			
	No. of shares	Market Cost \$	Market Value \$	No. of shares	Market Cost \$	Market Value \$
Republic Income Fund						
Local investments						
Equity securities						
Conglomerate						
Goddard Enterprises Ltd.	34,310	286,515	293,351	-	-	-
Fixed income securities						
Government of Barbados Debentures		8,042,599	8,476,308	7,535,527	7,988,458	
Apes Hill Development SRL Bond		1,240,297	1,241,662	1,240,297	1,251,212	
University of the West Indies Bond		2,998,418	3,062,884	3,271,001	3,341,982	
University of the West Indies - Clarendon Bond		1,055,597	1,089,270	1,079,365	1,074,292	
Barbados Agricultural & Management Co. Ltd Bond		2,000,000	2,046,800	2,350,000	2,363,765	
Transport Board Bond		559,275	562,910	661,931	672,522	
Barbados Port Inc. Bond		1,346,873	1,399,266	1,250,421	1,256,423	
Total fixed income securities		17,243,059	17,879,100	17,388,542	17,948,654	
Total Republic Income Fund Investments		17,529,574	18,172,451	17,388,542	17,948,654	

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2016

6. Investments ... (continued)

	2016		2015			
	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	1,025,555	159,948	300,729	1,049,259
Banking						
FirstCaribbean International Bank Ltd.	95,230	363,518	199,983	95,230	363,518	166,653
Non Bank Finance						
Insurance Corporation of Barbados Ltd.	211,117	691,757	719,909	211,117	691,757	527,794
Sagicor Financial Corporation	137,922	608,477	255,156	137,922	608,477	241,364
		<u>1,300,234</u>	<u>975,065</u>		<u>1,300,234</u>	<u>769,158</u>
Manufacturing						
Banks Holdings Ltd.		-	-	3,609	14,436	13,678
Total equity securities		<u>1,889,281</u>	<u>2,200,603</u>		<u>1,978,917</u>	<u>1,998,748</u>
Fixed income securities						
Government of Barbados Debentures		1,006	1,039		1,001,011	1,043,855
Apes Hill Development SRL Bond		2,751,577	2,754,603		2,751,577	2,775,790
University of the West Indies Bond		799,578	816,769		872,267	891,195
Transport Board Bond		318,726	320,797		377,138	383,173
Total fixed income securities		<u>3,870,887</u>	<u>3,893,208</u>		<u>5,001,993</u>	<u>5,094,013</u>
Total local investments		<u>5,760,168</u>	<u>6,093,811</u>		<u>6,980,910</u>	<u>7,092,761</u>

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2016

6. Investments ... (continued)

	2016			2015		
	No. of shares	Cost \$	Market Value \$	No. of shares	Cost \$	Market Value \$
Republic Capital Growth Fund ... (continued)						
Foreign investments						
Equity securities						
Conglomerate						
Neal & Massy Holdings Ltd.	44,468	602,676	703,129	44,468	602,676	867,596
Banking						
Royal Bank of Canada	10,611	1,039,454	1,320,727	10,611	1,039,454	1,177,698
Non Bank Finance						
Guardian Holdings Limited	50,000	223,364	187,358	50,000	223,364	207,775
National Enterprises Ltd	41,665	193,407	126,168	41,665	193,407	221,042
		<u>416,771</u>	<u>313,526</u>		<u>416,771</u>	<u>428,817</u>
Manufacturing						
West Indian Tobacco Ltd.	746	6,914	28,277	746	6,914	29,771
Ansa McAL Ltd.	24,093	413,674	445,650	24,093	413,674	511,657
Grace Kennedy Ltd.	9,000	1,163	6,846	3,000	1,163	3,373
		<u>421,751</u>	<u>480,773</u>		<u>421,751</u>	<u>544,801</u>
Media						
One Caribbean Media Ltd.	112,128	565,078	685,772	112,128	565,078	781,315
Mutual Funds						
Clico Investment Fund	40,000	264,435	269,699	40,000	264,435	285,057
Total equity securities		<u>3,310,165</u>	<u>3,773,626</u>		<u>3,310,165</u>	<u>4,085,284</u>
Total Republic Capital Growth Fund Investments		<u>9,070,333</u>	<u>9,867,437</u>		<u>10,291,075</u>	<u>11,178,045</u>

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2016

6. Investments ... (continued)

	2016	Market		2015	Market
No. of	Cost	Value	No. of	Cost	Value
shares	\$	\$	shares	\$	\$
Republic Property Fund					
Local investments					
Equity securities					
Unlisted					
Southern Golf & Country Club Ltd.	50,000	50,000	50,000	50,000	50,000
Total local equity securities	50,000	50,000		50,000	50,000
Fixed income securities					
Government of Barbados Debentures	162,000	162,124		162,000	157,328
Government of Barbados Treasury Notes	100,000	101,466		280,000	282,702
Barbados Agricultural & Management Co. Ltd Bond	100,000	102,340		700,000	705,290
Barbados Port Inc.	601,117	624,500		558,070	560,748
Total fixed income securities	963,117	990,430		1,700,070	1,706,068
Investment properties					
Heron Courts Lots	1,100,000	925,000		1,100,000	900,000
Apes Hill Development	1,291,149	1,145,000		1,291,149	1,443,000
Total investment properties	2,391,149	2,070,000		2,391,149	2,343,000
Total local investments	3,404,266	3,110,430		4,141,219	4,099,068
Foreign investments					
Equity securities					
Media					
One Caribbean Media Ltd.	28,643	173,440	28,643	173,440	199,586
Total equity securities	173,440	175,180		173,440	199,586
Total Republic Property Fund	3,577,706	3,285,610		4,314,659	4,298,654

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2016

7. Cash

The cash balances are held with Republic Bank (Barbados) Limited a related company and bear interest at the rate of 0.25% (2015 - 0.5%) 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	2016 \$	No. of Shares	2015 \$
------------------	------------	------------------	------------

Authorized

Common shares

950 common shares of no par value

Redeemable fund shares

An unlimited number of

Redeemable mutual fund shares

of no par value designated as:

Class A - 'Republic Income Fund'

Class B - 'Republic Capital Growth Fund'

Class D - 'Republic Property Fund'

Class F, Class G & Class H Shares

Issued

Common Shares

Republic Income Fund

400	400	400	400
-----	-----	-----	-----

Republic Capital Growth Fund

400	400	400	400
-----	-----	-----	-----

Republic Property Fund

150	150	150	150
-----	-----	-----	-----

<u>950</u>	<u>950</u>	<u>950</u>	<u>950</u>
------------	------------	------------	------------

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

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2016

9. Share capital ... (continued)

	No. of Shares	2016 \$	No. of Shares	2015 \$
Redeemable fund shares				
Republic Income Fund				
Balance - beginning of the year	14,060,014	21,651,458	15,307,406	22,301,117
Issued during the year	857,057	1,343,922	300,200	449,966
Redeemed during the year	(852,992)	(1,334,086)	(1,547,592)	(2,341,211)
Total comprehensive income for the year and net increase in net assets attributable to redeemable fund shareholders	-	576,128	-	1,241,586
Balance - end of year	14,064,079	22,237,422	14,060,014	21,651,458
Republic Capital Growth Fund				
Balance - beginning of the year	7,843,801	11,743,766	8,218,683	12,337,346
Issued during the year	74,179	114,394	65,793	98,500
Redeemed during the year	(1,154,080)	(1,763,718)	(440,675)	(660,018)
Total comprehensive income (loss) for the year and net increase (decrease) in net assets attributable to redeemable fund shareholders	-	567,075	-	(32,062)
Balance - end of year	6,763,900	10,661,517	7,843,801	11,743,766
Republic Property Fund				
Balance - beginning of the year	3,696,653	4,726,307	3,742,250	4,750,490
Redeemed during the year	(762,920)	(978,952)	(45,597)	(57,850)
Total comprehensive (loss) income for the year and net (decrease) increase in net assets attributable to redeemable fund shareholders	-	(297,774)	-	33,667
Balance - end of year	2,933,733	3,449,581	3,696,653	4,726,307

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 2016

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 2016	No. of Shares 2015
Republic Finance & Trust (Barbados) Corporation		
Republic Property Fund	1,486,607	1,486,607
Republic Bank (Barbados) Ltd. Pension Fund		
Republic Capital Growth Fund	220,348	877,938
Republic Property Fund	344,056	979,014
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:

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 2016

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:

	2016		2015	
	Interest Rates	Years to maturity	Interest Rates	Years to maturity
Republic Income Fund				
Debentures and bonds	6.88% - 9.03%	1 - 13	6.00% - 9.03%	0 - 20
Republic Capital Growth Fund				
Debentures and bonds	6.88% - 9.03%	1 - 13	6.88% - 9.03%	2 - 12
Republic Property Fund				
Debentures, bonds and treasury notes	6.13% - 7.50%	2 - 8	5.88% - 7.50%	0 - 9

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.

2016	Increase/ decrease basis points	Impact on Net Profit		Impact on equity	
		Increase in basis points	Decrease in basis points	Increase in basis points	Decrease in basis points
Republic Income Fund	+/-50	(6,208)	6,208	(232,711)	239,510
Republic Capital Growth Fund	+/-50	(13,773)	13,773	(4,070)	4,039
Republic Property Fund	+/-50	-	-	(12,852)	13,172

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2016

11. Risk Management ... (continued)

11.1 Interest rate risk ... (continued)

2015	Increase/ decrease basis points	Impact on Net Profit		Impact on equity	
		Increase in basis points	Decrease in basis points	Increase in basis points	Decrease in basis points
Republic Income Fund	+/-50	6,256	(6,256)	(296,465)	448,232
Republic Capital Growth Fund	+/-50	13,879	(13,879)	(45,888)	47,900
Republic Property Fund	+/-50	-	-	(15,165)	15,580

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.

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.

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2016

11. Risk Management ... (continued)

11.3 Price risk ... (continued)

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

11.3.1 Price risk

	2016		2015	
	Fair value	Effect of a 5% decline	Fair value	Effect of a 5% decline
	\$	\$	\$	\$
Republic Income Fund				
Equity securities:				
Listed on Caribbean stock exchanges and markets	293,351	(14,668)	-	-
	293,351	(14,668)	-	-
Republic Capital Growth Fund				
Equity securities:				
Listed on Caribbean stock exchanges and markets	4,653,501	(232,675)	4,906,334	(245,317)
Listed on US stock exchanges and markets	1,320,728	(66,036)	1,177,698	(58,885)
	5,974,229	(298,711)	6,084,032	(304,202)
Republic Property Fund				
Equity securities:				
Listed on Caribbean stock exchanges and markets	175,180	(8,759)	199,586	(9,979)
Unlisted securities	50,000	(2,500)	50,000	(2,500)
	225,180	(11,259)	249,586	(12,479)

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2016

11. Risk Management ... (continued)

11.4 Concentration of credit risk

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

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

As at 30 September 2016, 85%, 29% and 38% (2015 - 80%, 46% and 67%) 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

Year ended 30 September 2016

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

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

	2016		2015	
	Gross maximum exposure \$	%	Gross maximum exposure \$	%
REPUBLIC INCOME FUND				
Cash	4,049,002	18%	3,668,176	17%
Interest receivable	169,918	1%	205,396	1%
Fixed income securities	17,879,100	81%	17,948,654	82%
Other receivables	26,071	0%	40,807	0%
Total	22,124,091	100%	21,863,033	100%
REPUBLIC CAPITAL GROWTH FUND				
Cash	745,772	15%	496,776	8%
Interest receivable	90,381	2%	93,236	2%
Fixed income securities	3,893,208	82%	5,094,013	89%
Other receivables	30,134	1%	64,443	1%
Total	4,759,495	100%	5,748,468	100%
REPUBLIC PROPERTY FUND				
Cash	179,042	15%	418,166	19%
Interest receivable	6,870	1%	17,118	0%
Fixed income securities	990,430	84%	1,706,068	79%
Other receivables	5,179	0%	27,037	1%
Total	1,181,521	100%	2,168,389	100%

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2016

11. Risk Management ... (continued)

11.4.2 Concentration of credit risk

(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:

	2016	2015
	\$	\$
REPUBLIC INCOME FUND		
Barbados	22,124,091	21,863,033
Total	<u>22,124,091</u>	<u>21,863,033</u>

	2016	2015
	\$	\$
REPUBLIC CAPITAL GROWTH FUND		
Barbados	4,759,495	5,748,468
Total	<u>4,759,495</u>	<u>5,748,468</u>

	2016	2015
	\$	\$
REPUBLIC PROPERTY FUND		
Barbados	1,181,521	2,168,389
Total	<u>1,181,521</u>	<u>2,168,389</u>

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2016

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:

	2016	2015
	\$	\$
REPUBLIC INCOME FUND		
Government & Government Bodies	10,676,407	10,530,759
Financial Sectors	4,049,002	3,692,951
Education	4,154,380	4,418,702
Tourism	1,282,126	1,291,677
Transportation	1,962,175	1,928,944
	<u>22,124,091</u>	<u>21,863,033</u>
	2016	2015
	\$	\$
REPUBLIC CAPITAL GROWTH FUND		
Government & Government Bodies	24,131	1,087,589
Financial Sectors	752,833	507,038
Education	817,362	891,842
Tourism	2,844,373	2,865,560
Transportation	320,796	383,173
Other Service		13,266
	<u>4,759,495</u>	<u>5,748,468</u>
	2016	2015
	\$	\$
REPUBLIC PROPERTY FUND		
Government & Government Bodies	377,979	1,184,194
Financial Sectors	179,041	420,907
Transportation	624,501	563,288
	<u>1,181,521</u>	<u>2,168,389</u>

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2016

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 2016 and 2015, 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.

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.

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

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	Total
	\$	\$	\$	\$
REPUBLIC INCOME FUND				
As at 30 September 2016				
Fixed income securities	-	17,879,100	-	17,879,100
Equity securities	293,351	-	-	293,351
	<u>293,351</u>	<u>17,879,100</u>	<u>-</u>	<u>18,172,451</u>
As at 30 September 2015				
Fixed income securities	-	17,948,654	-	17,948,654
	<u>-</u>	<u>17,948,654</u>	<u>-</u>	<u>17,948,654</u>
REPUBLIC CAPITAL GROWTH FUND				
As at 30 September 2016				
Fixed income securities	-	3,893,208	-	3,893,208
Equity securities	5,974,229	-	-	5,974,229
	<u>5,974,229</u>	<u>3,893,208</u>	<u>-</u>	<u>9,867,437</u>
As at 30 September 2015				
Fixed income securities	-	5,094,013	-	5,094,013
Equity securities	6,084,032	-	-	6,084,032
	<u>6,084,032</u>	<u>5,094,013</u>	<u>-</u>	<u>11,178,045</u>

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2016

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

REPUBLIC PROPERTY FUND	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
As at 30 September 2016				
Fixed income securities	-	990,430	-	990,430
Equity securities	175,180	-	-	175,180
Investment properties	-	2,070,000	-	2,070,000
	<u>175,180</u>	<u>3,060,430</u>	<u>-</u>	<u>3,235,610</u>
As at 30 September 2015				
Fixed income securities	-	1,706,068	-	1,706,068
Equity securities	199,586	-	-	199,586
Investment properties	-	2,343,000	-	2,343,000
	<u>199,586</u>	<u>4,049,068</u>	<u>-</u>	<u>4,248,654</u>

13.1 Transfers between Level 1 and 2

For the year ended 30 September 2016, 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 2016, there was no movement in Level 3 financial instruments.



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