



Republic Funds (Barbados) Inc.

# ANNUAL REPORT 2018





# **Republic Funds (Barbados) Inc.**

Financial Statements

For the year ended 30 September 2018  
(Expressed in Barbados Dollars)

# REPUBLIC FUNDS (BARBADOS) INC.

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For the year ended 30 September 2018  
(Expressed in Barbados dollars)

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## **REPUBLIC FUNDS (BARBADOS) INC.**

### **Corporate Information**

#### **Directors**

Mr. Nigel Baptiste – Chairman

Mr. Anthony Clerk – Managing Director

Mr. Derwin Howell

Mr. Ralph Williams

Mr. William Layne

Ms. Jacqueline Quamina

Mr. Andrew Hutchinson

#### **Secretary**

Ms. Sasha Shillingford

#### **Auditors**

Ernst & Young Ltd

Chartered Accountants

One Welches

Welches

St. Thomas

#### **Banker**

Republic Bank (Barbados) Limited

Broad Street

Bridgetown

#### **Consulting Counsel**

Clarke Gittens & Farmer

Attorneys At Law



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

Tel: 246 430 3900  
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One Welches  
Welches  
St. Thomas, BB22025  
Barbados, W.I.

## **INDEPENDENT AUDITOR'S REPORT**

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

#### **Report on the Audit of the Financial Statements**

##### **Opinion**

We have audited the accompanying financial statements of the Republic Income Fund, the Republic Capital Growth Fund and the Republic Property Fund which comprise the Statements of financial position as at 30 September 2018 and the statements of comprehensive (loss) income, statements of changes in net assets attributable to redeemable fund shareholders and statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Republic Income Fund, the Republic Capital Growth Fund and the Republic Property Fund as at 30 September 2018, and financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

##### **Basis for Opinion**

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

##### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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

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

##### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Auditor's Responsibilities for the Audit of the Financial Statements (continued)

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

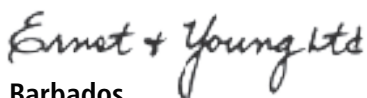
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Republic Income Fund's, the Republic Capital Growth Fund's and the Republic Property Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Republic Income Fund's, the Republic Capital Growth Fund's and the Republic Property Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Republic Income Fund, the Republic Capital Growth Fund and the Republic Property Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

### Other Legal and Regulatory Requirements

This report is made solely to the shareholders of Republic Income Fund, Republic Capital Growth Fund and Republic Property Fund, in accordance with Section 32 of the Mutual Funds Act of Barbados. Our audit work has been undertaken so that we might state to Republic Income Fund's, the Republic Capital Growth Fund's and Republic Property Fund's shareholders those matters we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Republic Income Fund, the Republic Capital Growth Fund and the Republic Property Fund and their shareholders, for our audit work, for this report, or for the opinion we have formed.



Barbados

26 October 2018

**REPUBLIC FUNDS (BARBADOS) INC.****Republic Income Fund**

Statement of Financial Position  
As at 30 September 2018  
(Expressed in Barbados dollars)

	Notes	Republic Income Fund 2018 \$	Republic Income Fund 2017 \$
<b>ASSETS</b>			
Cash	7	2,113,339	2,122,288
Interest receivable		18,928	129,251
Withholding tax receivable		59,586	48,414
Financial assets	6	12,308,995	19,766,971
<b>Total assets</b>		<b>14,500,848</b>	<b>22,066,924</b>
<b>LIABILITIES AND EQUITY</b>			
Liabilities			
Accounts payable and accrued expenses		166,583	162,913
Due to related company	8	33,140	50,995
		<b>199,723</b>	<b>213,908</b>
<b>Net assets attributable to redeemable fund shareholders</b>	9	<b>14,300,725</b>	<b>21,852,616</b>
<b>Total liabilities</b>		<b>14,500,448</b>	<b>22,066,524</b>
<b>Represented by:</b>			
Shareholder's equity	9	400	400
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>14,500,848</b>	<b>22,066,924</b>
<b>Net asset value per redeemable fund share</b>		<b>1.1860</b>	<b>1.5883</b>

Approved by the Board of Directors on 26 October 2018:

Director.....

Director.....

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



**REPUBLIC FUNDS (BARBADOS) INC.****Republic Income Fund**

Statement of Comprehensive (Loss) Income  
For the year ended 30 September 2018  
(Expressed in Barbados dollars)

	Notes	Republic Income Fund 2018 \$	Republic Income Fund 2017 \$
<b>Income</b>			
Interest on bank balances		871	207
Interest on investments		1,187,995	1,267,809
Unrealised losses on investments		(5,312,944)	(287,707)
Dividends		8,529	7,891
Other income		625	-
		<hr/>	<hr/>
		(4,114,924)	988,200
<b>Expenses</b>			
Management fees	4	175,953	205,018
Custody fees	4	35,191	41,004
Other charges		25,442	39,861
Audit fees		48,000	46,400
		<hr/>	<hr/>
		284,586	332,283
<b>Operating income for the year</b>		<b>(4,399,510)</b>	<b>655,917</b>
<b>Finance costs</b>			
Distribution to redeemable fund shareholders		(538,049)	(565,602)
		<hr/>	<hr/>
<b>Net and total comprehensive (loss)/income for the year and net (decrease)/increase in net assets attributable to redeemable fund shareholders</b>		<b>(4,937,559)</b>	<b>90,315</b>
		<hr/>	<hr/>

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 2018  
 (Expressed in Barbados dollars)

	Notes	Republic Income Fund 2018 \$	Republic Income Fund 2017 \$
<b>Opening balances</b>		<b>21,852,616</b>	22,237,422
Net and total comprehensive (loss)/income for the year and net (decrease)/increase in net assets attributable to redeemable fund shareholders		<b>(4,937,559)</b>	90,315
Shares issued during the year	9	<b>848,443</b>	969,899
Shares redeemed during the year	9	<b>(3,462,775)</b>	(1,445,020)
<b>Closing balances</b>		<b>14,300,725</b>	21,852,616

*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 2018  
 (Expressed in Barbados dollars)

	<b>Republic Income Fund 2018 \$</b>	<b>Republic Income Fund 2017 \$</b>
<b>Cash flows from operating activities</b>		
Operating (loss)/income for the year	<b>(4,399,510)</b>	655,917
Unrealised losses on investment	<b>5,312,944</b>	287,707
Increase in receivables	<b>99,151</b>	18,324
Decrease in amounts due to related company	<b>(17,855)</b>	(123)
Decrease/(increase) in investments	<b>2,145,032</b>	(1,882,227)
Increase in accounts payable and accrued expenses	<b>3,670</b>	34,411
	<hr/>	<hr/>
Net cash flows from/(used in) operating activities	<b>3,143,432</b>	(885,991)
<b>Cash flows from financing activities</b>		
Issuance of redeemable funds shares	<b>848,443</b>	969,899
Redemption of redeemable fund shares	<b>(3,462,775)</b>	(1,445,020)
Distributions paid	<b>(538,049)</b>	(565,602)
	<hr/>	<hr/>
Net cash flows used in financing activities	<b>(3,152,381)</b>	(1,040,723)
Net decrease in cash	<b>(8,949)</b>	(1,926,714)
<b>Cash – beginning of year</b>	<b>2,122,288</b>	4,049,002
	<hr/>	<hr/>
<b>Cash – end of year</b>	<b>2,113,339</b>	2,122,288
	<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 2018  
(Expressed in Barbados dollars)

	Notes	Republic Capital Growth Fund 2018 \$	Republic Capital Growth Fund 2017 \$
<b>ASSETS</b>			
Cash	7	167,496	886,821
Interest receivable		-	557
Other receivables		7,061	15,715
Withholding tax receivable		23,090	23,086
Financial Assets	6	8,655,112	9,680,506
<b>TOTAL ASSETS</b>		<b>8,852,759</b>	<b>10,606,685</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Accounts payable and accrued expenses		34,022	39,630
Due to related company	8	39,532	44,524
		<b>73,554</b>	<b>84,154</b>
Net assets attributable to redeemable fund shareholders	9	8,778,805	10,522,131
<b>TOTAL LIABILITIES</b>		<b>8,852,359</b>	<b>10,606,285</b>
<b>Represented by:</b>			
Shareholder's equity	9	400	400
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>8,852,759</b>	<b>10,606,685</b>
<b>Net asset value per redeemable fund share</b>		<b>1.4510</b>	<b>1.5980</b>

Approved by the Board of Directors on 26 October 2018:

Director.....

Director.....

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

**REPUBLIC FUNDS (BARBADOS) INC.****Republic Capital Growth Fund**

Statement of Comprehensive (Loss) Income  
 For the year ended 30 September 2018  
 (Expressed in Barbados dollars)

	<b>Notes</b>	<b>Republic Capital Growth Fund 2018 \$</b>	<b>Republic Capital Growth Fund 2017 \$</b>
<b>Income</b>			
Interest on investments		<b>80,021</b>	240,505
Dividends		<b>232,875</b>	188,605
Unrealised losses on investments		<b>(989,555)</b>	(51,127)
		<b>(676,659)</b>	377,983
<b>Expenses</b>			
Management fees	4	<b>162,075</b>	176,904
Custody fees	4	<b>18,523</b>	20,217
Other charges		<b>7,302</b>	15,323
Audit fees		<b>16,200</b>	19,000
		<b>204,100</b>	231,444
<b>Net and total (loss)/income for the year and net (decrease)/increase in net assets attributable to redeemable fund shareholders</b>		<b>(880,759)</b>	146,539

*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 2018  
 (Expressed in Barbados dollars)

	Notes	Republic Capital Growth fund 2018 \$	Republic Capital Growth fund 2017 \$
<b>Opening balances</b>		<b>10,522,131</b>	10,661,517
Net and total comprehensive (loss)/income for the year and net (decrease)/increase in net assets attributable to redeemable fund shareholders		<b>(880,759)</b>	146,539
Shares issued during the year	9	<b>162,710</b>	491,083
Shares redeemed during the year	9	<b>(1,025,277)</b>	(777,008)
<b>Closing balances</b>		<b>8,778,805</b>	10,522,131

*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 2018  
 (Expressed in Barbados dollars)

	<b>Republic Capital Growth Fund 2018 \$</b>	<i>Republic Capital Growth Fund 2017 \$</i>
<b>Cash flows from operating activities</b>		
Net and total comprehensive (loss)/income for the year	<b>(880,759)</b>	146,539
Unrealised losses on investments	<b>989,555</b>	51,127
Decrease in receivables	<b>9,207</b>	81,157
Decrease in amounts due to related company	<b>(4,992)</b>	1,066
Decrease in investments	<b>35,839</b>	135,804
(Decrease)/increase in accounts payable and accrued expenses	<b>(5,608)</b>	11,281
	<hr/>	<hr/>
Net cash flows from operating activities	<b>143,242</b>	426,974
<b>Financing activities</b>		
Issuance of redeemable funds shares	<b>162,710</b>	491,083
Redemption of redeemable fund shares	<b>(1,025,277)</b>	(777,008)
	<hr/>	<hr/>
Net cash flows used in financing activities	<b>(862,567)</b>	(285,925)
	<hr/>	<hr/>
Net (decrease)/increase in cash	<b>(719,325)</b>	141,049
	<hr/>	<hr/>
<b>Cash – beginning of year</b>	<b>886,821</b>	745,772
	<hr/>	<hr/>
<b>Cash – end of year</b>	<b>167,496</b>	886,821
	<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 2018  
(Expressed in Barbados dollars)

	Notes	Republic Property Fund 2018 \$	Republic Property Fund 2017 \$
<b>ASSETS</b>			
Cash	7	-	87,116
Other receivables		-	5,197
Interest receivable		-	6,870
Withholding tax receivable		9,343	7,323
Financial Assets	6	<u>2,064,045</u>	<u>2,882,012</u>
<b>Total assets</b>		<u><b>2,073,388</b></u>	<u><b>2,988,518</b></u>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Overdraft facility	7	5,715	-
Accounts payable and accrued expenses		38,523	18,898
Due to related company	8	<u>23,390</u>	<u>12,039</u>
		<u>67,628</u>	<u>30,937</u>
<b>Net assets attributable to redeemable fund shareholders</b>	9	<u>2,005,610</u>	<u>2,957,431</u>
<b>Total liabilities</b>		<u>2,073,238</u>	<u>2,988,368</u>
<b>Represented by:</b>			
Shareholder's equity	9	<u>150</u>	<u>150</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u><b>2,073,388</b></u>	<u><b>2,988,518</b></u>
<b>Net asset value per redeemable fund share</b>		<u><b>0.8144</b></u>	<u><b>1.1570</b></u>

Approved by the Board of Directors on 26 October 2018:

Director.....

Director.....

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



**REPUBLIC FUNDS (BARBADOS) INC.****Republic Property Fund**

Statement of Comprehensive Loss  
 For the year ended 30 September 2018  
 (Expressed in Barbados dollars)

	Notes	Republic Property Fund 2018 \$	Republic Property Fund 2017 \$
<b>Income</b>			
Interest on investments		42,158	58,972
Dividends		4,893	8,410
Realised gains on investments		-	14,455
Impairment on investments		(645,000)	-
Unrealised losses on investments		(141,194)	(63,599)
Other income		14,000	36,200
		<hr/>	
		(725,143)	54,438
<b>Expenses</b>			
Management fees	4	45,341	51,962
Custody fees	4	5,182	5,939
Other charges		57,085	37,035
Audit fees		10,200	10,800
		<hr/>	
		117,808	105,736
<b>Net and total comprehensive loss for the year and net decrease in net assets attributable to redeemable fund shareholders</b>			
		<hr/>	
		(842,951)	(51,298)

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

**REPUBLIC FUNDS (BARBADOS) INC.****Republic Property Fund**

Statement of Changes in Net Assets Attributable to Redeemable Fund Shareholders  
For the year ended 30 September 2018

(Expressed in Barbados dollars)

	Notes	Republic Property Fund 2018 \$	Republic Property Fund 2017 \$
<b>Opening balances</b>		<b>2,957,431</b>	3,449,581
Net and total comprehensive loss for the year and net decrease in net assets attributable to redeemable fund shareholders		<b>(842,951)</b>	(51,298)
Shares redeemed during the year	9	<b>(108,870)</b>	(440,852)
<b>Closing balances</b>		<b>2,005,610</b>	2,957,431

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

**REPUBLIC FUNDS (BARBADOS) INC.****Republic Property Fund**

Statement of Cash Flows  
 For the year ended 30 September 2018  
 (Expressed in Barbados dollars)

	<b>Republic Property Fund 2018 \$</b>	<b>Republic Property Fund 2017 \$</b>
<b>Cash flows from operating activities</b>		
Net and total comprehensive loss for the year	<b>(842,951)</b>	(51,298)
Impairment on investment properties	<b>645,000</b>	-
Unrealised losses on investment	<b>141,194</b>	63,599
Decrease/(increase) in receivables	<b>10,046</b>	(7,341)
Increase/(decrease) in amounts due to related company	<b>11,351</b>	(2,917)
Decrease in investments	<b>31,774</b>	339,999
Increase in accounts payable and accrued expenses	<b>19,625</b>	6,884
	<hr/>	<hr/>
Net cash flows from operating activities	<b>16,039</b>	348,926
	<hr/>	<hr/>
<b>Cash flows used in financing activities</b>		
Redemption of redeemable fund shares	<b>(108,870)</b>	(440,852)
	<hr/>	<hr/>
Net cash flows used in financing activities	<b>(108,870)</b>	(440,852)
	<hr/>	<hr/>
Net decrease in cash	<b>(92,831)</b>	(91,926)
	<hr/>	<hr/>
Cash – beginning of year	<b>87,116</b>	179,042
	<hr/>	<hr/>
<b>(Overdraft) /Cash – end of year</b>	<b>(5,715)</b>	87,116
	<hr/>	<hr/>

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

**REPUBLIC FUNDS (BARBADOS) INC.**

Statement of Changes in Equity

For the year ended 30 September 2018  
(Expressed in Barbados dollars)

	Republic Income Fund \$	Republic Capital Growth Fund \$	Republic Property Fund \$
<b>Common shares</b>			
<b>Balances as at 30 September 2018 and 2017</b>	400	400	150

## REPUBLIC FUNDS (BARBADOS) INC.

Notes to the Financial Statements  
For the year ended 30 September 2018  
(Expressed in Barbados dollars)

### 1. Incorporation and principal activity

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

The Funds maintain their registered office Independence Square, Bridgetown, Barbados.

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

### 2. Significant accounting policies

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

#### a) Basis of preparation

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

#### b) Changes in accounting policies

##### i) New accounting policies/improvements adopted

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of Republic Income Fund, Republic Capital Growth Fund and the Republic Property Fund's annual financial statements for the year ended 30 September 2017 except for the adoption of new standards and interpretations below.

##### IAS 7 Disclosure Initiative – Amendments to IAS 7 (effective January 1, 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. The adoption and amendment to this standard had no impact on the Funds.

**REPUBLIC FUNDS (BARBADOS) INC.**

Notes to the Financial Statements  
For the year ended 30 September 2018  
(Expressed in Barbados dollars)

**2. Significant accounting policies (continued)****b) Changes in accounting policies (continued)****ii) New and amended standards and interpretations****IFRS 9 Financial Instruments**

The Funds early adopted IFRS 9 - Financial Instruments and IFRS 7R - Financial instruments: Disclosures Revised in the third quarter of 2018 with effect from 1 October, 2017 in advance of the effective date required by the International Accounting Standards Board (IASB). The Funds has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 9 replaces IAS 39 for annual periods on or after 1 January 2018. The Funds have not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is generally not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of 1 October 2017.

**Changes to classification and measurement**

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity and amortised cost have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on de-recognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on de-recognition
- Financial assets FVPL

The accounting for financial liabilities remains largely the same as it was under IAS 39. The Fund's classification of its financial assets and liabilities is explained in Notes 2(c), and (d).

Details of the Fund's impairment methodology are disclosed in Note 2(h).

**IFRS 7R Financial Instruments: Disclosures Revised**

To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments: Disclosures was updated and the Fund has adopted it, together with IFRS 9, for the year beginning 1 October 2017.

**Transition disclosures**

As of 1 October 2017, the Fund did not have any debt instruments that met the SPPI criterion within its portfolio; these instruments are held for trading. Therefore it elected to classify all of these instruments as debt instruments measured at fair value through profit and loss. Equities were previously classified a FVPL and as such there was no change upon adoption of IFRS9.

**REPUBLIC FUNDS (BARBADOS) INC.**

Notes to the Financial Statements  
For the year ended 30 September 2018  
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**2. Significant accounting policies (continued)****b) Changes in accounting policies (continued)****iii) 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 the Fund's financial statements. These standards and interpretations may be applicable to the fund 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.

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

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

IFRS 12 Disclosure of Interest in Other Entities – Clarification of the scope of the disclosure requirements in IFRS 12 (effective January 1, 2017)

IAS 40 Investment Property: Transfers of Investment Properties - Amendments to IAS 40 (effective January 1, 2018)

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

IFRS 2 Classification and Measurement of Share-based Payment Transactions -Amendments to IFRS 2 (effective January 1, 2018)

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

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

IFRS 16 Leases (effective January 1, 2019)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (effective January 1, 2019)

IAS 19 Employee Benefits - Amendments to IAS 19 (effective January 1, 2019)

***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 January 1, 2018:

<b>IFRS</b>	<b>Subject of Amendment</b>
IFRS 1	First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters (effective January 1, 2018)
IAS 28	Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice (effective January 1, 2018)
IFRS 3	Business Combinations - Previously held Interests in a joint operation (effective January 1, 2019)
IFRS 11	Joint Arrangements - Previously held Interests in a joint operation (effective January 1, 2019)
IAS 12	Income Taxes - Income tax consequences of payments on financial instruments classified as equity (effective January 1, 2019)
IAS 23	Borrowing Costs - Borrowing costs eligible for capitalisation (effective January 1, 2019)

**REPUBLIC FUNDS (BARBADOS) INC.**

Notes to the Financial Statements  
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**2. Significant accounting policies (continued)****c) Financial instruments**

The Funds' financial assets and financial liabilities are recognised in the statement of financial position when they become party to the contractual obligation of the instrument. A financial asset is de-recognised when the rights to receive the cash flow from the asset has 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 de-recognised when the obligation under the liability is discharged, cancelled or expires. All 'regular way' purchases and sales are recognised at settlement date.

**Financial assets at fair value through profit or loss**

The Fund's financial assets are designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS9. Management only designates an instrument at fair value through profit or loss upon initial recognition when one of the following criteria is met. Such designation is determined on an instrument-by-instrument basis;

- The designation eliminates or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis, or
- The assets (until September 30, 2017) under IAS39 are part of a group of financial assets under IAS39, which are managed and their performance evaluated on a Fair Value Basis in accordance with a document risk management or investment strategy.

Fixed Income securities are classified as held for trading by the Directors and are acquired principally for the purpose of selling for short term gains. Financial assets designated at fair value through profit or loss at inception is those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy.

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

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

**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.

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



**REPUBLIC FUNDS (BARBADOS) INC.**

Notes to the Financial Statements  
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**2. Significant accounting policies (continued)****d) Investment properties (continued)**

conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in income.

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

**e) Distribution to shareholders**

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

**f) Net asset value per redeemable fund share**

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

**g) Redeemable fund shares**

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

**h) 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.

**i) 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.

**j) 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.

**k) Dividend revenue**

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

**REPUBLIC FUNDS (BARBADOS) INC.**

Notes to the Financial Statements  
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**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) Valuation of investment securities*

The Funds have applied IFRS9 in its classification of investments securities which requires measurement of securities at fair value through profit and loss. 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.

*ii) 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.

*iii) 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 as follows:

Fund	Fee Rate	2018 \$	2017 \$
Republic Income Fund	1.00%	175,953	205,018
Republic Capital Growth Fund	1.75%	162,075	176,904
Republic Property Fund	1.75%	45,341	51,962
		<hr/>	<hr/>
Total		383,369	433,884

**REPUBLIC FUNDS (BARBADOS) INC.**

Notes to the Financial Statements  
 For the year ended 30 September 2018  
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**4. Management fees and other expenses (continued)**

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, calculated on the same basis as the management fees paid to the investment manager. Custody Fees were as follows:

Fund	Fee Rate	2018 \$	2017 \$
Republic Income Fund	0.20%	35,191	41,004
Republic Capital Growth Fund	0.20%	18,523	20,217
Republic Property Fund	0.20%	5,182	5,939
		<hr/>	<hr/>
Total		<b>58,896</b>	<b>67,160</b>

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 2018 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 2018 year end.

**REPUBLIC FUNDS (BARBADOS) INC.**

Notes to the Financial Statements  
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**6. Investments**

	<b>2018</b>		
	<b>No. of shares</b>	<b>Cost \$</b>	<b>Market Value \$</b>
<b>Republic Income Fund</b>			
<b>Local investments</b>			
<b>Equity securities</b>			
<b>Conglomerate</b>			
Goddard Enterprises Ltd.	173,954	401,398	716,690
<b>Fixed income securities</b>			
Government of Barbados Debentures		6,042,753	4,229,927
Apes Hill Development SRL Bond		353,274	353,274
University of the West Indies Bond		2,709,208	1,896,446
University of the West Indies – Clarendon Bond		1,009,503	706,652
Barbados Agricultural and Management Co. Ltd. Bond		2,010,833	1,407,584
Transport Board		397,775	278,443
Barbados Port Inc. Bond		1,457,113	1,019,979
NSR Bond		2,000,000	1,700,000
<b>Total fixed income securities</b>		<b>15,980,459</b>	<b>11,592,305</b>
<b>Total Republic Income Fund Investments</b>		<b>16,381,857</b>	<b>12,308,995</b>

**REPUBLIC FUNDS (BARBADOS) INC.**

Notes to the Financial Statements  
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**6. Investments (continued)**

	2017		
	No. of shares	Cost \$	Market Value \$
<b>Republic Income Fund</b>			
<b>Local investments</b>			
<b>Equity securities</b>			
<b>Conglomerate</b>			
Goddard Enterprises Ltd.	34,310	286,515	377,753
<b>Fixed income securities</b>			
Government of Barbados Debentures		8,015,559	8,354,426
Apes Hill Development SRL Bond		954,848	957,331
University of the West Indies Bond		2,725,834	2,784,168
University of the West Indies – Clarendon Bond		1,029,993	1,071,501
Barbados Agricultural and Management Co. Ltd. Bond		2,000,000	2,044,200
Transport Board		449,378	452,254
Barbados Port Inc. Bond		1,664,224	1,725,338
NSR Bond		2,000,000	2,000,000
<b>Total fixed income securities</b>		<b>18,839,836</b>	<b>19,389,218</b>
<b>Total Republic Income Fund Investments</b>		<b>19,126,351</b>	<b>19,766,971</b>

**REPUBLIC FUNDS (BARBADOS) INC.**

Notes to the Financial Statements  
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**6. Investments (continued)**

	<b>2018</b>		
	No. of shares	Cost \$	Market Value \$
<b>Republic Capital Growth Fund</b>			
<b>Local investments</b>			
<b>Equity securities</b>			
<b>Conglomerate</b>			
Goddard Enterprises Ltd.	479,792	225,529	1,976,743
<b>Banking</b>			
FirstCaribbean International Bank Ltd.	95,230	363,518	240,020
<b>Non-Bank Finance</b>			
Insurance Corporation of Barbados Ltd.	211,117	691,757	675,574
Sagicor Financial Corporation	137,922	608,477	304,808
		<b>1,300,234</b>	<b>980,382</b>
<b>Media</b>			
One Caribbean Media Ltd.	112,128	565,078	671,647
<b>Total equity securities</b>		<b>2,454,359</b>	<b>3,868,792</b>
<b>Fixed income securities</b>			
Apes Hill Development SRL Bond		783,732	783,732
University of the West Indies Bond		722,456	505,719
Transport Board Bond		226,688	158,683
<b>Total fixed income securities</b>		<b>1,732,876</b>	<b>1,448,134</b>
<b>Total local investments</b>		<b>4,187,235</b>	<b>5,316,926</b>

**REPUBLIC FUNDS (BARBADOS) INC.**

Notes to the Financial Statements  
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**6. Investments (continued)**

	2018		
	No. of shares	Cost \$	Market Value \$
<b>Republic Capital Growth Fund (continued)</b>			
<b>Foreign investments</b>			
<b>Equity securities</b>			
<b>Conglomerate</b>			
Neal & Massy Holdings Ltd.	44,468	602,676	620,385
<b>Banking</b>			
Royal Bank of Canada	10,611	1,039,454	1,694,393
<b>Non-Bank Finance</b>			
Guardian Holdings Limited	50,000	223,364	250,559
National Enterprises Ltd.	41,665	193,407	110,696
		416,771	361,255
<b>Manufacturing</b>			
West Indian Tobacco Ltd.	746	6,914	19,563
Ansa McAL Ltd.	24,093	413,674	400,067
Grace Kennedy Ltd.	9,000	3,488	7,205
		424,076	426,835
<b>Mutual Funds</b>			
Clico Investment Fund	40,000	264,435	235,318
<b>Total equity securities</b>		2,747,412	3,338,186
<b>Total Republic Capital Growth Fund Investments</b>		6,934,647	8,655,112

**REPUBLIC FUNDS (BARBADOS) INC.**

Notes to the Financial Statements  
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**6. Investments (continued)**

		2017	
	No. of shares	Cost \$	Market Value \$
<b>Republic Capital Growth Fund (continued)</b>			
<b>Local investments</b>			
<b>Equity securities</b>			
<b>Conglomerate</b>			
Goddard Enterprises Ltd.	119,948	225,529	1,320,627
<b>Banking</b>			
FirstCaribbean International Bank	95,230	363,518	236,170
<b>Non-Bank Finance</b>			
Insurance Corporation of Barbados Ltd.	211,117	691,757	781,133
Sagicor Financial Corporation	137,922	608,477	333,771
		1,300,234	1,114,904
<b>Media</b>			
One Caribbean Media	112,128	565,078	471,233
<b>Total equity securities</b>		2,454,359	3,142,934
<b>Fixed income securities</b>			
Government of Barbados Debentures		1,001	1,009
Apes Hill Development SRL Bond		2,118,313	2,123,820
University of the West Indies Bond		726,889	742,445
Transport Board Bond		256,096	257,735
<b>Total fixed income securities</b>		3,102,299	3,125,009
<b>Total local investments</b>		5,556,658	6,267,943



**REPUBLIC FUNDS (BARBADOS) INC.**

Notes to the Financial Statements  
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**6. Investments (continued)**

		2017	
	No. of shares	Cost \$	Market Value \$
<b>Republic Capital Growth Fund (continued)</b>			
<b>Foreign investments</b>			
<b>Equity securities</b>			
<b>Conglomerate</b>			
Neal & Massy Holdings Ltd.	44,468	602,676	658,037
<b>Banking</b>			
Royal Bank of Canada	10,611	1,039,454	1,648,777
<b>Non-Bank Finance</b>			
Guardian Holdings Limited	50,000	223,364	223,450
National Enterprises Ltd.	41,665	193,407	123,312
		<hr/>	<hr/>
		416,771	346,762
<b>Manufacturing</b>			
West Indian Tobacco Ltd.	746	6,914	27,589
Ansa McAL Ltd.	24,093	413,674	469,120
Grace Kennedy Ltd.	9,000	3,488	7,751
		<hr/>	<hr/>
		424,076	504,460
<b>Mutual Funds</b>			
CLICO Investment Fund	40,000	264,435	254,527
		<hr/>	<hr/>
<b>Total equity securities</b>		2,747,412	3,412,563
		<hr/>	<hr/>
<b>Total Republic Capital Growth Fund Investments</b>		8,304,070	9,680,506
		<hr/>	<hr/>

**REPUBLIC FUNDS (BARBADOS) INC.**

Notes to the Financial Statements  
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**6. Investments (continued)**

		2018	
	No. of shares	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
<b>Media</b>			
One Caribbean Media Ltd.	28,643	173,440	171,572
<b>Total local equity securities</b>		<u>223,440</u>	<u>221,572</u>
<b>Fixed income securities</b>			
Government of Barbados Debentures		166,704	116,693
Government of Barbados Treasury Notes		102,604	71,823
Barbados Agricultural & Management Co. Ltd. Bond		100,542	70,379
Barbados Port Inc.		226,540	158,578
<b>Total fixed income securities</b>		<u>596,390</u>	<u>417,473</u>
<b>Investment properties</b>			
Heron Courts Lots		1,100,000	925,000
Apes Hill Development		1,291,149	500,000
<b>Total investment properties</b>		<u>2,391,149</u>	<u>1,425,000</u>
<b>Total local investments</b>		<u>3,210,979</u>	<u>2,064,045</u>
<b>Total Republic Property Fund</b>		<u>3,210,979</u>	<u>2,064,045</u>

**REPUBLIC FUNDS (BARBADOS) INC.**

Notes to the Financial Statements  
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**6. Investments (continued)**

	2017		
	No. of shares	Cost \$	Market Value \$
<b>Republic Property Fund (continued)</b>			
<b>Local investments</b>			
<b>Equity securities</b>			
<b>Unlisted</b>			
Southern Golf & Country Club Ltd.	50,000	50,000	50,000
<b>Media</b>			
One Caribbean Media Ltd.	28,643	173,440	120,375
<b>Total local equity securities</b>		223,440	170,375
<b>Fixed income securities</b>			
Government of Barbados Debentures		162,000	167,778
Government of Barbados Treasury Notes		100,000	101,306
Barbados Agricultural & Management Co. Ltd. Bond		100,000	102,210
Barbados Port Inc.		258,675	270,343
<b>Total fixed income securities</b>		620,675	641,637
<b>Investment properties</b>			
Heron Courts Lots		1,100,000	925,000
Apes Hill Development		1,291,149	1,145,000
<b>Total investment properties</b>		2,391,149	2,070,000
<b>Total local investments</b>		3,235,264	2,882,012
<b>Total Republic Property Fund</b>		3,235,264	2,882,012

**REPUBLIC FUNDS (BARBADOS) INC.**

Notes to the Financial Statements  
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**7. Cash**

The cash balances are held with Republic Bank (Barbados) Limited a related company and bear interest at the rate of 0.01% (2017 - 0.01%) per annum. Overdraft balances carry an interest rate of 8.7%.

	2018	2017
	Cash/(Overdraft)	Cash/(Overdraft)
Republic Income Fund	2,113,339	2,122,288
Republic Capital Growth Fund	167,496	886,821
Republic Property Fund	(5,715)	87,116

**8. Due to related company**

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

	2018	2017
Republic Income Fund	33,140	50,995
Republic Capital Growth Fund	39,532	44,524
Republic Property Fund	23,390	12,039

**9. Share capital**

	No. of shares	2018 \$	No. of shares	2017 \$
<b>Authorized</b>				
<b>Common shares</b>				
950 common shares of no par value				
<b>Issued</b>				
<b>Common shares</b>				
Republic Income Fund	400	400	400	400
Republic Capital Growth Fund	400	400	400	400
Republic Property Fund	150	150	150	150
	<b>950</b>	<b>950</b>	<b>950</b>	<b>950</b>

**Redeemable fund shares**

An unlimited number of redeemable mutual fund shares of no par value were 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.

**REPUBLIC FUNDS (BARBADOS) INC.**

Notes to the Financial Statements  
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**9. Share capital (continued)**

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.

	No. of shares	2018	No. of shares	2017
<b>Redeemable fund shares</b>				
<b>Republic Income Fund</b>				
Balance – beginning of the year	13,759,108	21,852,616	14,064,079	22,237,422
Issued during the year	533,099	848,443	609,401	969,899
Redeemed during the year	(2,233,590)	(3,462,775)	(914,372)	(1,445,020)
Total comprehensive (loss)/income for the year and net (decrease)/increase in net assets attributable to redeemable fund shareholders	-	(4,937,559)	-	90,315
<b>Balance – end of year</b>	<b>12,058,617</b>	<b>14,300,725</b>	<b>13,759,108</b>	<b>21,852,616</b>
<b>Republic Capital Growth Fund</b>				
Balance – beginning of the year	6,584,928	10,522,131	6,763,900	10,661,517
Issued during the year	100,720	162,710	300,185	491,083
Redeemed during the year	(635,169)	(1,025,277)	(479,157)	(777,008)
Total comprehensive (loss)/income for the year and net (decrease)/increase in net assets attributable to redeemable fund shareholders	-	(880,759)	-	146,539
<b>Balance – end of year</b>	<b>6,050,479</b>	<b>8,778,805</b>	<b>6,584,928</b>	<b>10,522,131</b>
<b>Republic Property Fund</b>				
Balance – beginning of the year	2,556,328	2,957,431	2,933,733	3,449,581
Redeemed during the year	(93,748)	(108,870)	(377,405)	(440,852)
Total comprehensive loss for the year and net decrease in net assets attributable to redeemable fund shareholders	-	(842,951)	-	(51,298)
<b>Balance – end of year</b>	<b>2,462,580</b>	<b>2,005,610</b>	<b>2,556,328</b>	<b>2,957,431</b>

**REPUBLIC FUNDS (BARBADOS) INC.**

Notes to the Financial Statements  
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**9. Share capital (continued)**

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.

In accordance with the provisions of the Mutual Fund's Prospectus for "Suspension of Redemption", given the exceptional circumstances in the Barbados economy, the Directors exercised their rights to limit redemptions to 20% of the shares held by each shareholder of the Income Fund from June 10, 2018.

**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:

	<b>No. of shares 2018</b>	<b>No. of shares 2017</b>
<b>Republic Finance &amp; Trust (Barbados) Corporation</b>		
Republic Property Fund	<b>1,486,607</b>	1,486,607
<b>Directors</b>		
Republic Income Fund	<b>14,113</b>	14,113
Republic Capital Growth Fund	<b>15,306</b>	15,306

## REPUBLIC FUNDS (BARBADOS) INC.

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### 11. Risk management

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

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

#### 11.1 Interest rate risk

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

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

	2018 Interest rates	Years to maturity	2017 Interest rates	Years to maturity
<b>Republic Income Fund</b>				
Debentures and bonds	5.00% - 9.03%	0 - 17	5.00% - 9.03%	0 - 18
<b>Republic Capital Growth Fund</b>				
Debentures and bonds	6.88% - 9.03%	2 - 9	6.88% - 9.03%	0 - 10
<b>Republic Property Fund</b>				
Debentures, bonds and treasury notes	6.13% - 7.50%	0 - 6	6.13% - 9.03%	1 - 7

#### 11.2 Foreign currency risk

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

**REPUBLIC FUNDS (BARBADOS) INC.**

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**11. Risk management (continued)****11.3 Price risk**

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

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

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

	2018 Fair value	Effect of a 5% decline	2017 Fair value	Effect of a 5% decline
<b>Republic Income Fund</b>				
<b>Equity securities:</b>				
Listed on Caribbean stock exchanges and markets	716,690	(35,835)	377,753	(18,888)
	<b>716,690</b>	<b>(35,835)</b>	<b>377,753</b>	<b>(18,888)</b>
<b>Republic Capital Growth Fund</b>				
<b>Equity securities:</b>				
Listed on Caribbean stock exchanges and markets	3,868,792	(193,440)	4,906,719	(245,336)
Listed on US stock exchanges and markets	3,338,186	(166,909)	1,648,777	(82,439)
	<b>7,206,978</b>	<b>(360,349)</b>	<b>6,555,496</b>	<b>327,775</b>
<b>Republic Property Fund</b>				
<b>Equity securities:</b>				
Listed on Caribbean stock exchanges and markets	173,440	(8,672)	120,375	(6,019)
Unlisted securities	50,000	(2,500)	50,000	(2,500)
	<b>223,440</b>	<b>(11,172)</b>	<b>170,375</b>	<b>(8,519)</b>



**REPUBLIC FUNDS (BARBADOS) INC.**

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**11. Risk management (continued)****11.4 Concentration of credit risk**

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

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

As at 30 September 2018, 63%, 46% and 62% (2017 - 74%, 9% and 21%) 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.

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**11. Risk management (continued)****11.4.1 Concentration of credit risk (continued)**

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

	2018		2017	
	Gross maximum exposure	%	Gross maximum exposure	%
<b>Republic Income Fund</b>				
Cash	2,113,339	15%	2,122,288	10%
Interest receivable	18,928	0%	129,251	1%
Fixed income securities	11,592,304	85%	19,389,218	89%
Other receivables	59,586	0%	48,414	0%
<b>Total</b>	<b>13,784,157</b>	<b>100%</b>	<b>21,689,171</b>	<b>100%</b>
<b>Republic Capital Growth Fund</b>				
Cash	167,496	10%	886,821	21%
Interest receivable	-	0%	557	0%
Fixed income securities	1,448,134	88%	3,125,009	78%
Other receivables	30,151	2%	38,801	1%
<b>Total</b>	<b>1,645,781</b>	<b>100%</b>	<b>4,051,188</b>	<b>100%</b>
<b>Republic Property Fund</b>				
Cash	-	-	87,116	12%
Interest receivable	-	0%	6,870	1%
Fixed income securities	417,473	98%	641,637	85%
Other receivables	9,343	2%	12,520	2%
<b>Total</b>	<b>426,816</b>	<b>100%</b>	<b>748,143</b>	<b>100%</b>

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**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:

	2018 \$	2017 \$
<b>Republic Income Fund</b>		
Barbados	13,784,157	21,689,171
<b>Total</b>	<b>13,784,157</b>	<b>21,689,171</b>
<b>Republic Capital Growth Fund</b>		
Barbados	1,645,781	4,051,188
<b>Total</b>	<b>1,645,781</b>	<b>4,051,188</b>
<b>Republic Property Fund</b>		
Barbados	426,816	748,143
<b>Total</b>	<b>426,816</b>	<b>748,143</b>

**REPUBLIC FUNDS (BARBADOS) INC.**

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**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:

	2018 \$	2017 \$
<b>Republic Income Fund</b>		
Government	4,289,514	8,519,235
Financial sectors	2,113,339	2,122,288
Education	2,622,026	3,857,691
Tourism	353,274	957,331
Transportation	1,298,421	2,177,593
Other service	3,107,583	4,055,033
<b>Total</b>	<b>13,784,157</b>	<b>21,689,171</b>
<b>Republic Capital Growth Fund</b>		
Government	30,151	24,112
Financial sectors	167,496	893,882
Education	505,719	742,984
Tourism	783,732	2,123,820
Transportation	158,683	257,735
Other service	-	8,655
<b>Total</b>	<b>1,645,781</b>	<b>4,051,188</b>
<b>Republic Property Fund</b>		
Government	197,859	282,735
Financial sectors	-	87,116
Transportation	158,578	270,343
Other service	70,379	107,949
<b>Total</b>	<b>426,816</b>	<b>748,143</b>

**REPUBLIC FUNDS (BARBADOS) INC.**

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**11. Risk management (continued)****11.5 Liquidity risk**

Liquidity risk is defined as the risk that the Funds 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 2018 and 2017, all financial liabilities are payable within one year or on demand.

**12. Fair value**

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

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

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

## REPUBLIC FUNDS (BARBADOS) INC.

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### 13. Determination of fair value and fair value hierarchies

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

#### Level 1

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

#### Level 2

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

#### Level 3

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

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

**REPUBLIC FUNDS (BARBADOS) INC.**

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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Republic Income Fund</b>				
<b>As at 30 September 2018</b>				
Fixed income securities	-	1,700,000	9,892,305	11,592,305
Equity securities	716,690	-	-	716,690
<b>Total</b>	<b>716,690</b>	<b>1,700,000</b>	<b>9,892,305</b>	<b>12,308,995</b>
<b>As at 30 September 2017</b>				
Fixed income securities	-	18,434,370	954,848	19,389,218
Equity securities	377,753	-	-	377,753
<b>Total</b>	<b>377,753</b>	<b>18,434,370</b>	<b>954,848</b>	<b>19,766,971</b>
<b>Republic Capital Growth Fund</b>				
<b>As at 30 September 2018</b>				
Fixed income securities	-	-	1,448,133	1,448,133
Equity securities	7,206,979	-	-	7,206,979
<b>Total</b>	<b>7,206,979</b>	<b>-</b>	<b>1,448,133</b>	<b>8,665,112</b>
<b>As at 30 September 2017</b>				
Fixed income securities	-	1,006,696	2,118,313	3,125,009
Equity securities	6,555,497	-	-	6,555,497
<b>Total</b>	<b>6,555,497</b>	<b>1,006,696</b>	<b>2,118,313</b>	<b>9,680,506</b>
<b>Republic Property Fund</b>				
<b>As at 30 September 2018</b>				
Fixed income securities	-	-	417,473	417,473
Equity securities	171,572	-	50,000	221,572
Investment properties	-	925,000	500,000	1,425,000
<b>Total</b>	<b>171,572</b>	<b>925,000</b>	<b>967,473</b>	<b>2,064,045</b>
<b>As at 30 September 2017</b>				
Fixed income securities	-	641,637	-	641,637
Equity securities	120,375	-	50,000	170,375
Investment properties	-	2,070,000	-	2,070,000
<b>Total</b>	<b>120,375</b>	<b>2,711,637</b>	<b>50,000</b>	<b>2,882,012</b>

**REPUBLIC FUNDS (BARBADOS) INC.**

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**13. Determination of fair value and fair value hierarchies (continued)****13.1 Transfers between Level 1 and 2**

For the year ended 30 September 2018, no assets were transferred between Level 1 and Level 2.

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

During the year, investment securities became impaired and were transferred to Level 3.

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

	Balance at beginning of year \$	Net (Disposals) Additions \$	Balance at end of year \$
<b>Republic Income Fund</b>			
<b>Financial assets measured at fair value</b>			
Fixed income securities	954,848	8,937,457	9,892,305
<b>Republic Capital Growth Fund</b>			
<b>Financial assets measured at fair value</b>			
Fixed income securities	2,118,313	(670,180)	1,448,133
<b>Republic Property Fund</b>			
<b>Financial assets measured at fair value</b>			
Fixed income securities	-	917,473	917,473

**Description of significant unobservable inputs to valuation:**

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



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**14. Subsequent Event**

On 7 September 2018, the Government of Barbados ('GoB') announced the launch of a Debt Exchange offer open to holders of Barbados dollar denominated debt issued by the GoB and certain state-owned enterprise ('SOE's') as part of its Comprehensive Debt Restructuring program. The exchange offer applied to institutions holding Treasury Bills, Treasury Notes, Debentures, Loans and Bonds issued or owed by the GoB, as well as Loans and Bonds issued or owed by certain SOE's ("Exchange Instruments").

On 9 October 2018, the Group accepted the Government of Barbados Debt Exchange offer. The terms of the Exchange Instruments are significantly different due to extended maturities and lower interest rates, consequently, at the next reporting date, these instruments will be de-recognised and new financial instruments recognised in the Statement of Financial Position.







Republic Funds (Barbados) Inc.