

REPUBLIC FUNDS
(BARBADOS) INC.
ANNUAL REPORT 2012



Republic Funds (Barbados) Inc.



Republic Funds (Barbados) Inc.

Republic Funds (Barbados) Incorporated

Financial Statements

30 September 2012

(Expressed in Barbados dollars)

Republic Funds (Barbados) Inc.

Financial Statements
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Republic Funds (Barbados) Inc.

Corporate Information

Directors

Mr. Ronald Harford - Chairman
Mr. Derwin Howell - Managing Director
Mr. David Dulal-Whiteway
Mr. Ralph Williams
Mr. William Layne
Ms Jacqueline Quamina

Secretary

Ms. Sasha Shillingford

Auditors

Ernst & Young
Chartered Accountants
Worthing, Christ Church, Barbados

Banker

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

Consulting Counsel

Clarke Gittens & Farmer
Attorneys At Law

Republic Funds (Barbados) Incorporated
Financial Statements

AUDITORS' REPORT

To the Shareholders of Republic Funds (Barbados) Inc.

We have audited the accompanying financial statements of Republic Funds (Barbados) Inc. which comprise the statement of financial position as at 30 September 2012, statement of comprehensive income, statement of changes in equity, statement of changes in net assets attributable to redeemable fund shareholders, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Funds as at 30 September 2012, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.


CHARTERED ACCOUNTANTS

Barbados
January 2, 2013

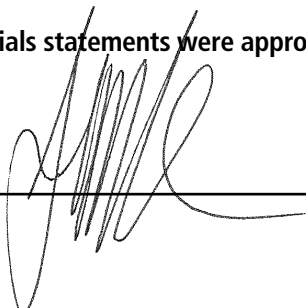
Republic Funds (Barbados) Inc.

Statement of Financial Position
As at 30 September 2012

	Notes	2012 The Funds \$	2011 The Funds \$	2012 Republic Income Fund \$	2011 Republic Income Fund \$
ASSETS					
Investments	6	39,039,610	41,024,672	21,345,876	20,697,257
Other assets					
Cash	7	2,644,611	5,729,710	740,742	3,683,001
Interest receivable		321,644	273,038	214,567	191,300
Other receivables		23,249	333,521	729	729
Withholding tax receivable		73,777	60,093	25,509	17,279
		3,063,281	6,396,362	981,547	3,892,309
TOTAL ASSETS		42,102,891	47,421,034	22,327,423	24,589,566
LIABILITIES & EQUITY					
Liabilities					
Due to related company	8	1,150,235	2,624,181	64,498	70,877
Accounts payable and accrued expenses		182,994	167,384	144,720	132,283
		1,333,229	2,791,565	209,218	203,160
Net assets attributable to redeemable fund shareholders		40,768,712	44,628,519	22,117,805	24,386,006
Total liabilities		42,101,941	47,420,084	22,327,023	24,589,166
Represented by:					
Shareholders' equity					
Common shares	9	950	950	400	400
TOTAL LIABILITIES & EQUITY		42,102,891	47,421,034	22,327,423	24,589,566
Net asset value per redeemable fund share				1.3022	1.3086

The accompanying notes form an integral part of these financial statements

These financial statements were approved for issue by the Board of Directors on January 2, 2013 and signed on its behalf by:



Director



Director

Republic Funds (Barbados) Inc.

 Statement of Financial Position ...continued
 As at 30 September 2012

	Notes	2012 Republic Capital Growth Fund \$	2011 Republic Capital Growth Fund \$	2012 Republic Property Fund \$	2011 Republic Property Fund \$
ASSETS					
Investments	6	10,572,506	10,914,491	7,121,228	9,412,924
Other assets					
Cash	7	1,709,558	1,944,211	194,311	102,498
Interest receivable		105,614	80,409	1,463	1,329
Other receivables		400	332,642	22,120	150
Withholding tax receivable		25,261	19,807	23,007	23,007
		1,840,833	2,377,069	240,901	126,984
TOTAL ASSETS		12,413,339	13,291,560	7,362,129	9,539,908
LIABILITIES & EQUITY					
Liabilities					
Due to related company	8	57,313	62,598	1,028,424	2,490,706
Accounts payable and accrued expenses		17,402	14,987	20,872	20,114
		74,715	77,585	1,049,296	2,510,820
Net assets attributable to redeemable fund shareholders		12,338,224	13,213,575	6,312,683	7,028,938
Total liabilities		12,412,939	13,291,160	7,361,979	9,539,758
Represented by:					
Shareholders' equity					
Common shares	9	400	400	150	150
TOTAL LIABILITIES & EQUITY		12,413,339	13,291,560	7,362,129	9,539,908
Net asset value per redeemable fund share		1.2667	1.2410	1.5323	1.6506

The accompanying notes form an integral part of these financial statements

Republic Funds (Barbados) Inc.

Statement of Comprehensive Income
Year ended 30 September 2012

		2012	2011	2012	2011
	Notes	The Funds	The Funds	Republic	Republic
		\$	\$	Income	Income
				Fund	Fund
				\$	\$
Income					
Interest on bank balances		101,041	103,113	38,120	66,746
Interest on investments		1,746,485	1,931,062	1,297,901	1,308,828
Dividends		165,355	165,372	5,519	6,071
(Losses) gains on investments		(363,041)	271,329	(176,881)	(24,834)
Other income		205,431	150,875	587	-
		1,855,271	2,621,751	1,165,246	1,356,811
Expenses					
Management fees	4	536,547	588,397	213,851	231,096
Custody fees	4	99,581	108,817	53,463	57,774
Other charges		323,225	231,570	80	10,373
Barbados stock exchanges fees		5,166	492	-	246
Audit fees		72,000	94,545	38,400	47,144
Interest expense		57,796	173,206	-	-
		1,094,315	1,197,027	305,794	346,633
Operating income (loss) for the year		760,956	1,424,724	859,452	1,010,178
Finance costs					
Distributions to redeemable fund shareholders		(716,443)	(769,587)	(716,443)	(769,587)
Net income (loss)		44,513	655,137	143,009	240,591
Other comprehensive loss					
Unrealized losses on available-for-sale financial assets		(382,590)	(822,112)	(251,102)	(321,029)
Total comprehensive income (loss) for the year		(338,077)	(166,975)	(108,093)	(80,438)

The accompanying notes form an integral part of these financial statements

Republic Funds (Barbados) Inc.Statement of Comprehensive Income ... continued
Year ended 30 September 2012

	Notes	2012 Republic Capital Growth Fund \$	2011 Republic Capital Growth Fund \$	2012 Republic Property Fund \$	2011 Republic Property Fund \$
Income					
Interest on bank balances		51,382	30,019	11,539	6,348
Interest on investments		448,584	610,792	-	11,442
Dividends		159,836	159,301	-	-
(Losses) gains on investments		(1,160)	(21,434)	(185,000)	317,597
Other income		-	-	204,844	150,875
		658,642	778,678	31,383	486,262
Expenses					
Management fees	4	207,430	236,628	115,266	120,673
Custody fees	4	29,652	33,804	16,466	17,239
Other charges		107	3,348	323,038	217,849
Barbados stock exchanges fees		5,166	-	-	246
Audit fees		24,000	28,729	9,600	18,672
Interest expense		-	-	57,796	173,206
		266,355	302,509	522,166	547,885
Operating income (loss) for the year		392,287	476,169	(490,783)	(61,623)
Finance costs					
Distributions to redeemable fund shareholders		-	-	-	-
Net income (loss)		392,287	476,169	(490,783)	(61,623)
Other comprehensive loss					
Unrealized losses on available-for-sale financial assets		(131,488)	(499,366)	-	(1,717)
Total comprehensive income (loss) for the year		260,799	(23,197)	(490,783)	(63,340)

The accompanying notes form an integral part of these financial statements

Republic Funds (Barbados) Inc.

Statement of Changes in Equity
Year ended 30 September 2012

	The Funds \$	Republic Income Fund \$	Republic Capital Growth Fund \$	Republic Property Fund \$
Common shares				
Balance as at 30 September 2010, 2011 and 2012	950	400	400	150

The accompanying notes form an integral part of these financial statements

Republic Funds (Barbados) Inc.

Statement of Changes in Net Assets Attributable to Redeemable Fund Shareholders
Year ended 30 September 2012

	Notes	The Funds \$	Republic Income Fund \$	Republic Capital Growth Fund \$	Republic Property Fund \$
2012					
Opening balance as at 1 October 2011		44,628,519	24,386,006	13,213,575	7,028,938
Total Comprehensive (loss) income		(338,077)	(108,093)	260,799	(490,783)
Shares issued during the year	9	728,560	567,361	161,199	-
Shares redeemed during the year	9	(4,250,290)	(2,727,469)	(1,297,349)	(225,472)
Closing balance as at 30 September 2012		40,768,712	22,117,805	12,338,224	6,312,683
2011					
Opening balance as at 1 October 2010		48,155,011	24,993,908	15,593,272	7,567,831
Total Comprehensive (loss) income		(166,975)	(80,438)	(23,197)	(63,340)
Shares issued during the year		1,917,358	1,608,484	308,874	-
Shares redeemed during the year		(5,276,875)	(2,135,948)	(2,665,374)	(475,553)
Closing balance as at 30 September 2011		44,628,519	24,386,006	13,213,575	7,028,938

The accompanying notes form an integral part of these financial statements

Republic Funds (Barbados) Inc.

Statement of Cash Flows
Year ended 30 September 2012

	2012	2011	2012	2011
	The Funds	The Funds	Republic	Republic
	\$	\$	Income	Income
	\$	\$	fund	fund
	\$	\$	\$	\$
Operating activities				
Operating income (loss) for the year	760,956	1,424,724	859,452	1,010,178
Add (deduct) items not affecting cash				
Realized losses (gains) on investments	363,041	(271,329)	176,881	24,834
Interest income	(1,848,113)	(2,034,175)	(1,336,608)	(1,375,574)
Dividend income	(165,355)	(165,372)	(5,519)	(6,071)
	(889,471)	(1,046,152)	(305,794)	(346,633)
Changes in operating assets and liabilities				
Decrease (increase) in other receivables	310,272	1,964,745	-	2,065,329
(Decrease) increase in amounts due to related company	(1,473,946)	678,082	(6,379)	(33,251)
Increase in accounts payable and accrued expenses	15,611	71,826	12,437	52,584
Net cash flows (used in) from operating activities	(2,037,534)	1,668,501	(299,736)	1,738,029
Investing activities				
Interest received	1,798,920	2,102,691	1,312,754	1,445,668
Dividends received	165,355	165,372	5,519	
Disposal of investments	4,309,730	8,892,872	307,755	5,142,800
Purchase of investments	(3,083,397)	(4,369,347)	(1,392,000)	(4,289,347)
Net cash flows from investing activities	3,190,608	6,791,588	234,028	2,305,192
Financing activities				
Issuance of redeemable fund shares	728,560	1,917,358	567,361	1,608,484
Redemption of redeemable fund shares	(4,250,290)	(5,276,875)	(2,727,469)	(2,135,948)
Distributions paid	(716,443)	(769,587)	(716,443)	(769,587)
Net cash flows used in financing activities	(4,238,173)	(4,129,104)	(2,876,551)	(1,297,051)
Net increase (decrease) in cash	(3,085,099)	4,330,985	(2,942,259)	2,746,170
Cash - beginning of year	5,729,710	1,398,725	3,683,001	936,831
Cash - end of year	2,644,611	5,729,710	740,742	3,683,001

The accompanying notes form an integral part of these financial statements

Republic Funds (Barbados) Inc.

 Statement of Cash Flows ...continued
 Year ended 30 September 2012

	2012 Republic Capital Growth Fund \$	2011 Republic Capital Growth Fund \$	2012 Republic Property Fund \$	2011 Republic Property Fund \$
Operating activities				
Operating income (loss) for the year	392,287	476,169	(490,783)	(61,623)
Add (deduct) items not affecting cash				
Realized losses (gains) on investments	1,160	21,434	185,000	(317,597)
Interest income	(499,966)	(640,811)	(11,539)	(17,790)
Dividend income	(159,836)	(159,301)	-	-
	(266,355)	(302,509)	(317,322)	(397,010)
Changes in operating assets and liabilities				
Decrease (increase) in other receivables	332,242	(117,084)	(21,970)	16,500
(Decrease) increase in amounts due to related company	(5,285)	(32,551)	(1,462,282)	743,884
Increase in accounts payable and accrued expenses	2,415	13,515	759	5,727
Net cash flows (used in) from operating activities	63,017	(438,629)	(1,800,815)	369,101
Investing activities				
Interest received	474,761	633,616	11,405	23,407
Dividends received	159,836	159,301	-	-
Disposal of investments	1,895,280	3,503,246	2,106,695	246,826
Purchase of investments	(1,691,397)	-	-	(80,000)
Net cash flows from investing activities	838,480	4,296,163	2,118,100	190,233
Financing activities				
Issuance of redeemable fund shares	161,199	308,874	-	-
Redemption of redeemable fund shares	(1,297,349)	(2,665,374)	(225,472)	(475,553)
Distributions paid	-	-	-	-
Net cash flows used in financing activities	(1,136,150)	(2,356,500)	(225,472)	(475,553)
Net (decrease) increase in cash	(234,653)	1,501,034	91,813	83,781
Cash - beginning of year	1,944,211	443,177	102,498	18,717
Cash - end of year	1,709,558	1,944,211	194,311	102,498

The accompanying notes form an integral part of these financial statements

Republic Funds (Barbados) Inc.
Notes to the Financial Statements
Year ended 30 September 2012

Republic Funds (Barbados) Inc.

Notes to the Financial Statements
Year ended 30 September 2012

1. Incorporation and principal activity

Republic Funds (Barbados) Inc., formerly BNB Funds Inc, (the 'Funds') 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.

On July 1, 2012, the corporation changed its name to Republic Funds (Barbados) Inc.

The Funds currently offer the following classes of shares with each class representing a different investment objective:

- Republic Income Fund - formerly BNB Income Fund
- Republic Capital Growth Fund - formerly BNB Capital Growth Fund
- Republic Property Fund - formerly BNB Property fund

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

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

2. Significant accounting policies

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

a) Basis of preparation

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

b) Changes in accounting policies

i) New accounting policies adopted

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Funds' annual financial statements for the year ended 30 September 2011 except for the adoption of new standards and interpretations noted below:

IAS 24 - Related Party Disclosures (Revised) (effective 1 January 2011)

The amended standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The Funds does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard. The adoption of this standard had no effect on the financial position or performance of the Funds.

Republic Funds (Barbados) Inc.

Notes to the Financial Statements
Year ended 30 September 2012

2. Significant accounting policies (*continued*)

b) Changes in accounting policies (*continued*)

i) New accounting policies adopted (*continued*)

IFRS 7 - Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements (effective 1 July 2011)

The amendment requires additional disclosures about financial assets that have been transferred, but not derecognised, to enable the user of the Funds' financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of and risks associated with the entity's continuing involvement in those derecognised assets. The adoption of this standard had no effect on the financial position or performance of the Funds.

IFRIC 14 - Prepayments of a minimum funding requirement (Amendments) (effective 1 January 2011)

The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The adoption of this standard had no impact on the financial statements of the Funds.

IAS 1 - Presentation of Financial Statements (effective 1 January 2011)

The amendment clarifies that an entity will present an analysis of other comprehensive income (OCI) for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment is applied retrospectively, in accordance with the requirements of IAS 8 for changes in accounting policy.

IAS 34 - Interim Financial Reporting (effective 1 January 2011)

The amendment provides guidance to illustrate how to apply the disclosure principles in IAS 34 and requires additional disclosures of the circumstances likely to affect fair values of financial instruments and their classification; transfers of financial instruments between different levels of the fair value hierarchy; changes in classification of financial assets; and changes in contingent liabilities and assets. The amendment is applied retrospectively, in accordance with the requirements of IAS 8 for changes in accounting policy. The adoption of this standard had no effect on the financial position or performance of the Funds.

IFRS 7 - Financial Instruments: Disclosures (effective 1 January 2011)

The amendments emphasise the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments as follows:

- The amendments clarify that only financial assets with carrying amounts that do not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk;
- The amendments require, for all financial assets, disclosure of the financial effect of collateral held as security and other credit enhancements, including the amount that best represents the maximum exposure to credit risk (e.g., a description of the extent to which collateral mitigates credit risk);
- The amendments remove the disclosure requirement of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired;
- The amendments remove the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired; and

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2012

2. Significant accounting policies (continued)**b) Changes in accounting policies (continued)****i) New accounting policies adopted (continued)**

- The amendments clarify that the additional disclosure required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets held at the reporting date.

IFRIC 13 - Customer Loyalty Programmes (effective 1 January 2011)

The amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme is to be taken into account. The amendment is applied retrospectively, in accordance with the requirements of IAS 8 for changes in accounting policy. The adoption of this interpretation had no effect on the financial position or performance of the Funds.

IFRS 1 - First-time Adoption of International Financial Reporting Standards - (Amendments) - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective July 01, 2011)

The amendment provides guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to severe hyperinflation. The adoption of this interpretation had no effect on the financial position or performance of the Funds.

ii) Standards in issue not yet effective

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

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

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

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

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

Republic Funds (Barbados) Inc.

Notes to the Financial Statements
Year ended 30 September 2012

2. Significant accounting policies (*continued*)

b) Changes in accounting policies (*continued*)

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

IFRS 9 - Financial Instruments: Classification and Measurement ((Phase 1) effective 1 January 2015)

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

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

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

IAS 1 - Presentation of Items of Other Comprehensive Income - Amendments to IAS 1 (effective 1 July 2012)

The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income (OCI). Items that would be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendments do not change the nature of the items that are currently recognised in OCI, nor do they impact the determination of whether items in OCI are reclassified through profit or loss in future periods.

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

IFRS 1 - Government Loans - Amendment to IFRS 1 (effective 1 January 2013)

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

IFRS 10 - Consolidated Financial Statements, IAS 27 Separate Financial Statements (effective 1 January 2013)

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

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

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

Republic Funds (Barbados) Inc.

Notes to the Financial Statements
Year ended 30 September 2012

2. Significant accounting policies (continued)**c) Financial instruments**

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

Available-for-sale

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

d) Investment properties

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

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

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

e) Distributions to shareholders

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

f) Net asset value per redeemable fund share

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

Republic Funds (Barbados) Inc.

Notes to the Financial Statements
Year ended 30 September 2012

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 fair value is below the weighted-average cost for greater than one year.

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

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

i) Functional and presentation currency

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

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2012

2. Significant accounting policies (continued)**j) Foreign currency translation**

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

k) Interest income

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

l) Dividend revenue

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

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

The preparation of the Funds' financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

i) Impairment of financial assets

Management makes judgements at each statement of financial position date to determine whether financial assets are impaired. Financial assets are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

ii) Valuation of investment securities

The Funds have applied IAS 39 in its classification of investments securities which requires measurement of securities at fair value. For unquoted equity instruments and unlisted securities, fair values are estimated using price/earnings or price/cash flow ratios which have been refined to accommodate the specific circumstances of the issuer.

iii) Valuation of investment properties

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

iv) Going concern

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

Republic Funds (Barbados) Inc.

Notes to the Financial Statements
Year ended 30 September 2012

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 \$536,547 (2011 - \$588,397) were charged for the year.

Republic Bank (Barbados) Limited, a related company, serves as registrar, transfer agent and custodian of the Funds. As a result of providing custodian services, Republic Bank (Barbados) Limited receives a Custodian Trustee Fee in respect of each class of the Fund in the amount of one quarter of 1% (0.25%) per annum calculated on the same basis as the management fees paid to the investment manager. Fees for the year amounted to \$99,581 (2011 - \$108,817).

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 2012 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 2012 year end.

Republic Funds (Barbados) Inc.

 Notes to the Financial Statements
 Year ended 30 September 2012

6 Investments

	The Funds \$	Republic Income Fund \$	Republic Capital Growth Fund \$	Republic Property Fund \$
September 30, 2012				
Available-for-sale				
Local investments	30,862,997	21,345,876	9,342,121	175,000
Foreign investments	1,230,385	-	1,230,385	-
	<u>32,093,382</u>	<u>21,345,876</u>	<u>10,572,506</u>	<u>175,000</u>
Investment properties				
Local investments	6,946,228	-	-	6,946,228
	<u>39,039,610</u>	<u>21,345,876</u>	<u>10,572,506</u>	<u>7,121,228</u>
September 30, 2011				
Available-for-sale				
	29,107,972	20,697,257	8,235,715	175,000
Local investments	2,678,776	-	2,678,776	-
Foreign investments	<u>31,786,748</u>	<u>20,697,257</u>	<u>10,914,491</u>	<u>175,000</u>
Investment properties				
Local investments	9,237,924	-	-	9,237,924
	<u>41,024,672</u>	<u>20,697,257</u>	<u>10,914,491</u>	<u>9,412,924</u>

Republic Funds (Barbados) Inc.

Notes to the Financial Statements
Year ended 30 September 2012

6. Investments (continued)

	2012		2011			
No. of shares	Cost \$	Market Value \$	No. of shares	Cost \$	Market Value \$	
Republic Income Fund						
Local investments						
Equity securities						
Banking						
Republic Bank (Barbados) Ltd.	55,190	99,171	165,570	55,190	99,171	303,545
Total equity securities		<u>99,171</u>	<u>165,570</u>		<u>99,171</u>	<u>303,545</u>
Fixed income securities						
Government of Barbados Debentures		7,620,499	7,930,318		6,441,550	6,818,301
Government of Barbados Treasury notes		3,002	3,030		3,060	3,139
Arawak Cement Company. Ltd. Bond		3,898,508	3,898,508		4,741,204	3,898,508
Apes Hill Bond		1,280,200	1,295,050		1,000,000	1,294,270
University of the West Indies Bond		4,088,750	4,175,841		3,750,000	4,459,029
University of the West Indies - Clarendon Bond		1,095,243	1,030,733		1,000,000	988,908
Barbados Agricultural & Management Co. Ltd Bond		2,000,000	1,882,800		2,000,000	1,896,800
Transport Board Bond		931,066	964,026		1,049,000	1,034,757
Total fixed income securities		<u>20,917,269</u>	<u>21,180,306</u>		<u>19,984,814</u>	<u>20,393,712</u>
Total Republic Income Fund Investments		<u><u>21,016,440</u></u>	<u><u>21,345,876</u></u>		<u><u>20,083,985</u></u>	<u><u>20,697,257</u></u>

Republic Funds (Barbados) Inc.

Notes to the Financial Statements
Year ended 30 September 2012

6. Investments (continued)

	2012		2011			
No. of shares	Cost \$	Market Value \$	No. of shares	Cost \$	Market Value \$	
Republic Capital Growth Fund						
Local investments						
Equity securities						
Conglomerate						
Goddard Enterprises Limited	159,948	300,729	799,740	159,948	300,729	959,688
Neal & Massy Holdings Ltd.	27,152	305,094	407,574	27,152	305,094	364,677
		<u>605,823</u>	<u>1,207,314</u>		<u>605,823</u>	<u>1,324,365</u>
Banking						
FirstCaribbean International Bank	95,230	363,518	296,165	95,230	363,518	285,690
Republic Bank (Barbados) Ltd.	195,850	780,632	587,550	195,850	780,632	1,077,175
National Commercial Bank of Jamaica	200,000	137,214	100,551		-	-
		<u>1,281,364</u>	<u>984,266</u>		<u>1,144,150</u>	<u>1,362,865</u>
Non Bank Finance						
Insurance Corporation of Barbados Ltd.	171,117	590,413	462,016	171,117	590,413	462,016
Sagikor Financial Corporation	137,692	608,477	304,808	137,692	608,477	345,607
Guardian Holdings Limited	50,000	223,364	285,727		-	-
		<u>1,422,254</u>	<u>1,052,551</u>		<u>1,198,890</u>	<u>807,623</u>
Manufacturing						
Banks Holdings Ltd.	3,609	14,436	10,827	3,609	14,436	11,729
West Indian Tobacco Ltd.	746	6,914	17,367	746	6,914	13,203
Ansa McAL Ltd.	24,093	413,674	482,032	24,093	413,674	404,358
Grace Kennedy	3,000	1,163	3,541		-	-
		<u>436,187</u>	<u>513,767</u>		<u>435,024</u>	<u>429,290</u>
Media						
One Caribbean Media	82,128	427,879	385,974	17,128	102,330	62,550
		<u>4,173,507</u>	<u>4,143,872</u>		<u>3,486,217</u>	<u>3,986,693</u>

Republic Funds (Barbados) Inc.

Notes to the Financial Statements
Year ended 30 September 2012

6. Investments (continued)

	2012			2011		
No. of shares	Cost \$	Market Value \$	No. of shares	Cost \$	Market Value \$	
Republic Capital Growth Fund (cont'd)						
Local investments						
Fixed income securities						
Government of Barbados Debentures	1,001,029	1,024,143		1,060	1,094	
Arawak Cement Co. Ltd. Bond	187,500	187,500		300,000	187,500	
Apes Hill Development SRL Bond	2,840,100	2,873,045		2,200,000	2,871,353	
University of the West Indies Bond	1,090,334	1,113,560		1,000,000	1,189,075	
Total fixed income securities	5,118,963	5,198,248		3,501,060	4,249,022	
Foreign investments						
Equity securities						
Banking						
Royal Bank of Canada	10,611	1,039,454	1,223,740	10,611	1,039,454	974,345
Fixed income securities						
Money market funds		6,645	6,645		6,645	6,645
Government of Barbados Euro Debentures (US\$ denominated)		-	-		1,941,966	1,697,786
		1,046,099	1,230,385		2,988,065	2,678,776
Total Republic Capital Growth Fund Investments		10,338,569	10,572,506		9,975,342	10,914,491

Republic Funds (Barbados) Inc.

 Notes to the Financial Statements
 Year ended 30 September 2012

6. Investments (continued)

	2012		2011		
No. of shares	Cost \$	Market Value \$	No. of shares	Cost \$	Market Value \$
Republic Property Fund					
Local investments					
Equity securities					
Unlisted					
Southern Golf & Country Club Ltd.	50,000	50,000	50,000	50,000	50,000
Total equity securities		<u>50,000</u>		<u>50,000</u>	<u>50,000</u>
Fixed income securities					
Arawak Cement Co. Ltd. Bond		125,000	200,000	125,000	125,000
Total fixed income securities		<u>125,000</u>		<u>200,000</u>	<u>125,000</u>
Investment properties					
Heron Courts Lots	2,225,000	2,175,000	2,222,277	2,225,000	2,225,000
Apes Hill Development	1,291,149	1,443,000	1,291,149	1,443,000	1,443,000
Palm Beach Condominiums	-	-	1,599,267	2,100,000	2,100,000
Sapphire Condominiums	3,211,157	3,328,228	3,453,687	3,469,924	3,469,924
Total investment properties		<u>6,727,306</u>		<u>8,566,380</u>	<u>9,237,924</u>
Total Republic Property Fund		<u>6,902,306</u>		<u>8,816,380</u>	<u>9,412,924</u>
Total Fund Investments		<u>38,257,315</u>		<u>38,875,707</u>	<u>41,024,672</u>

Republic Funds (Barbados) Inc.

Notes to the Financial Statements
Year ended 30 September 2012

7. Cash

The cash balances are held with Republic Bank (Barbados) Limited a related company and bear interest at rates varying from 1% to 2.5% (2011 - 1% to 2.5%) per annum.

8. Due to related company

Republic Property Fund was granted a loan of \$495,109 (2011 - 2,100,000) by a related company at an effective interest rate of 9.2% and repayable on demand. As at September 2012, the balance drawn down was \$495,109 (2011 - 2,092,857). The balance due to the related company is unsecured.

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

9. Share capital

	No. of Shares	2012 \$	No. of Shares	2011 \$
Authorized Common shares 1,000 common shares of no par value				
Redeemable fund shares				
An unlimited number of Redeemable mutual fund shares of no par value designated as:				
Class A - 'Republic Income Fund'				
Class B - 'Republic Capital Growth Fund'				
Class D - Republic Property Fund				
Class F, Class G & Class H Shares				
Issued Common Shares				
Republic Income Fund	400	400	400	400
Republic Capital Growth Fund	400	400	400	400
Republic Property Fund	150	150	150	150
	950	950	950	950

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

Republic Funds (Barbados) Inc.

Notes to the Financial Statements
Year ended 30 September 2012

9. Share capital (continued)

	No. of Shares	2012 \$	No. of Shares	2011 \$
Redeemable fund shares				
Republic Income Fund				
Balance - beginning of the year	18,635,716	21,314,795	19,040,009	21,842,259
Issued during the year	438,718	567,361	1,220,719	1,608,484
Redeemed during the year	(2,089,699)	(2,727,469)	(1,625,012)	(2,135,948)
	16,984,735	19,154,687	18,635,716	21,314,795
Republic Capital Growth Fund				
Balance - beginning of the year	10,647,572	14,321,694	12,508,587	16,678,194
Issued during the year	128,588	161,199	245,521	308,874
Redeemed during the year	(1,035,471)	(1,297,349)	(2,106,536)	(2,665,374)
	9,740,689	13,185,544	10,647,572	14,321,694
Republic Property Fund				
Balance - beginning of the year	4,258,388	6,598,381	4,551,233	7,073,934
Redeemed during the year	(138,744)	(225,472)	(292,845)	(475,553)
	4,119,644	6,372,909	4,258,388	6,598,381

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 2012

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 2012	No. of Shares 2011
Republic Finance & Trust (Barbados) Corporation		
Republic Property Fund	1,486,607	1,486,607
BNB Pension fund		
Republic Income Fund	756,335	733,440
Republic Capital Growth Fund	877,938	877,938
Republic Property Fund	979,014	979,014
Robert Le Hunte		
Republic Income Fund	-	55,088
Ralph Williams		
Republic Income Fund	14,113	14,113
Republic Capital Growth Fund	15,306	15,306
William Layne		
Republic Capital Growth Fund	-	8,029

During the year, the Republic Property Fund received rental income amounting to \$117,000 (2011 - \$97,500) from Republic Bank (Barbados) Ltd.

11. Risk Management

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

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

Republic Funds (Barbados) Inc.

Notes to the Financial Statements
Year ended 30 September 2012

11. Risk Management (*continued*)

11.1 Interest rate risk

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

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

	2012 Interest Rates	Years to maturity	2011 Interest Rates	Years to maturity
Republic Income Fund				
Debentures, bonds and treasury notes	6.5%-9.45%	0-14	7% - 8.5%	1 - 24
Republic Capital Growth Fund				
Debentures and bonds	7% - 9.03%	3-15	6.625% - 7%	4 - 24
Republic Property Fund				
Debentures and bonds	8.25%	3	7.00%	4

An interest rate sensitivity analysis was performed to determine the impact on net profit and equity of a reasonable 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.

2012

	Impact on Net Profit			Impact on equity	
	Increase/decrease basis points	Increase in basis points	Decrease in basis points	Increase in basis points	Decrease in basis points
Republic Income Fund	+/-50	6,475	(6,475)	(327,235)	338,614
Republic Capital Growth Fund	+/-50	14,365	(14,365)	(56,453)	58,960

2011

	Impact on Net Profit			Impact on equity	
	Increase/decrease basis points	Increase in basis points	Decrease in basis points	Increase in basis points	Decrease in basis points
Republic Income Fund	+/-50	6,471	(6,471)	(201,904)	445,171
Republic Capital Growth Fund	+/-50	14,357	(14,357)	(51,834)	61,281

Republic Funds (Barbados) Inc.

Notes to the Financial Statements
Year ended 30 September 2012

11. Risk Management (*continued*)

11.2 Foreign currency risk

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

11.3 Price risk

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

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

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

	2012		2011	
	Fair value	decline	Fair value	decline
	\$	\$	\$	\$
Republic Income Fund				
Equity securities:				
Listed on Caribbean stock exchanges and markets	165,570	(8,279)	303,545	(15,177)
	<u>165,570</u>	<u>(8,279)</u>	<u>303,545</u>	<u>(15,177)</u>
Republic Capital Growth Fund				
Equity securities:				
Listed on Caribbean stock exchanges and markets	4,143,872	(207,194)	3,986,693	(199,335)
Listed on US stock exchanges and markets	1,223,740	(61,187)	974,345	(48,717)
	<u>5,367,612</u>	<u>(268,381)</u>	<u>4,961,038</u>	<u>(248,053)</u>
Republic Property Fund				
Equity securities:				
Unlisted securities	50,000	(2,500)	50,000	(2,500)
	<u>50,000</u>	<u>(2,500)</u>	<u>50,000</u>	<u>(2,500)</u>

Republic Funds (Barbados) Inc.

Notes to the Financial Statements
Year ended 30 September 2012

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 2012, 75% and 20% respectively of investments in the Republic Income Fund and the Republic Capital Growth Fund were in securities issued or guaranteed by the Government of Barbados.

11.4.1 Concentration of credit risk (*continued*)

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

	2012 Gross maximum exposure \$	2012 %	2011 Gross maximum exposure \$	2011 %
REPUBLIC INCOME FUND				
Cash	740,742	3%	3,683,001	15%
Interest receivable	214,567	1%	191,300	1%
Fixed income securities	21,180,306	96%	20,393,712	84%
Other receivables	26,238	0%	18,008	0%
Total	22,161,853	100%	24,286,021	100%
REPUBLIC CAPITAL GROWTH FUND				
Cash	1,709,558	24%	1,944,211	24%
Interest receivable	105,614	2%	80,409	1%
Fixed income securities	5,198,248	74%	5,946,808	71%
Other receivables	25,661	0%	352,449	4%
Total	7,039,081	100%	8,323,877	100%
REPUBLIC PROPERTY FUND				
Cash	194,311	54%	102,498	41%
Interest receivable	1,463	0%	1,329	0%
Fixed income securities	125,000	34%	125,000	50%
Other receivables	45,127	12%	23,157	9%
Total	365,901	100%	251,984	100%

Republic Funds (Barbados) Inc.

Notes to the Financial Statements
Year ended 30 September 2012

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:

	2012	2011
REPUBLIC INCOME FUND		
Barbados	22,161,853	24,286,021
Total	<u>22,161,853</u>	<u>24,286,021</u>

	2012	2011
REPUBLIC CAPITAL GROWTH FUND		
Barbados	7,039,081	6,626,091
Other Countries	-	1,697,786
Total	<u>7,039,081</u>	<u>8,323,877</u>

	2012	2011
REPUBLIC PROPERTY FUND		
Barbados	365,901	251,984
Total	<u>365,901</u>	<u>251,984</u>

Republic Funds (Barbados) Inc.

 Notes to the Financial Statements
 Year ended 30 September 2012

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

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

	2012	2011
REPUBLIC INCOME FUND		
Government & Government Bodies	7,933,348	6,821,440
Financial Sectors	981,547	3,892,309
Manufacturing	3,898,508	3,898,508
Other Service	9,348,450	8,379,494
Construction	-	1,294,270
	22,161,853	24,286,021
	2012	2011
REPUBLIC CAPITAL GROWTH FUND		
Government & Government Bodies	1,024,160	1,698,880
Financial Sectors	1,747,349	2,377,069
Manufacturing	187,500	187,500
Other Service	4,080,072	1,189,075
Construction	-	2,871,353
	7,039,081	8,323,877
	2012	2011
REPUBLIC PROPERTY FUND		
Government & Government Bodies	23,007	23,007
Financial Sectors	217,894	103,977
Manufacturing	125,000	125,000
	365,901	251,984
	2012	2011

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 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 2012 and 2011, all financial liabilities are payable within one year or on demand.

12. Fair value

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

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

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

Republic Funds (Barbados) Inc.

Notes to the Financial Statements
Year ended 30 September 2012

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.

Republic Funds (Barbados) Inc.

Notes to the Financial Statements
Year ended 30 September 2012

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

REPUBLIC INCOME FUND	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
As at 30 September 2012				
Fixed income securities	-	21,180,306	-	21,180,306
Equity securities	165,570	-	-	165,570
	<u>165,570</u>	<u>21,180,306</u>	<u>-</u>	<u>21,345,876</u>

As at 30 September 2011

Fixed income securities	-	20,393,712	-	20,393,712
Equity securities	303,545	-	-	303,545
	<u>303,545</u>	<u>20,393,712</u>	<u>-</u>	<u>20,697,257</u>

REPUBLIC CAPITAL GROWTH FUND

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
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As at 30 September 2012

Fixed income securities	-	5,198,248	-	5,198,248
Equity securities	5,374,258	-	-	5,374,258
	<u>5,374,258</u>	<u>5,198,248</u>	<u>-</u>	<u>10,572,506</u>

As at 30 September 2011

Fixed income securities	-	5,946,808	-	5,946,808
Equity securities	4,967,683	-	-	4,967,683
	<u>4,967,683</u>	<u>5,946,808</u>	<u>-</u>	<u>10,914,491</u>

REPUBLIC PROPERTY FUND

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
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As at 30 September 2012

Fixed income securities	-	125,000	-	125,000
Equity securities	-	-	50,000	50,000
	<u>-</u>	<u>125,000</u>	<u>50,000</u>	<u>175,000</u>

As at 30 September 2011

Fixed income securities	-	125,000	-	125,000
Equity securities	-	-	50,000	50,000
	<u>-</u>	<u>125,000</u>	<u>50,000</u>	<u>175,000</u>

Republic Funds (Barbados) Inc.

Notes to the Financial Statements

Year ended 30 September 2012

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

13.1 Transfers between Level 1 and 2

For the year ended 30 September 2012, 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 2012, there was no movement in Level 3 financial instruments.

Republic Funds (Barbados) Inc.

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