RBC Investment Management (Caribbean) Limited

Financial Statements
31 October 2011

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RBC Investment Management (Caribbean) Limited

Statement of management responsibilities

The Financial Institutions Act, 2008 (FIA 2008) requires management to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the operating results of the Company for the period. It also requires management to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Management accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the FIA 2008. Management is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. Management further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of Management to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Head Investment Management	Head Finance, Specialized Businesses
17 January, 2012	17 January, 2012

Deloitte.

Deloitte & Touche
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Woodbrook, Port of Spain,
Trinidad, West Indies.

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Independent auditor's report

To the shareholder of
RBC Investment Management (Caribbean) Limited

Report on the financial statements

We have audited the accompanying financial statements of RBC Investment Management (Caribbean) Limited, which comprise the statement of financial position as of 31 October 2011 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and the 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.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 financial statements present fairly, in all material respects, the financial position of RBC Investment Management (Caribbean) Limited as of 31 October 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

Deloitte and Touche
Port of Spain,
Trinidad, West Indies
17 January, 2012

RBC Investment Management (Caribbean) Limited

Statement of financial position

	Notes	At as 31 October 2011 $	2010 $
Assets			
Cash resources		104,371,559	38,272,000
Property and equipment	5	170,626	208,563
Intangible assets - software	6	7,753,221	8,467,845
Receivables and prepayments	7	13,824,478	3,465,278
Deferred tax asset	8	741,493	23,515,249
Total assets		126,861,377	73,928,935
Liabilities			
Payables and accruals	9	1,874,529	2,597,680
Current income tax liabilities		7,627,052	-
Post retirement benefit obligations	10	2,398,487	2,466,000
Total liabilities		11,900,068	5,063,680
Total shareholders' equity	11	114,961,309	68,865,255
Total equity and liabilities		126,861,377	73,928,935

The notes on pages 7 to 38 form an integral part of these financial statements.

On 17 January, 2012, the Board of Directors of RBC Investment Management (Caribbean) Limited authorized these financial statements for issue.

Director

Director

RBC Investment Management (Caribbean) Limited

Statement of comprehensive income

	Notes	Year ended 31 October 2011 $	Nineteen months ended 31 October 2010 $
Interest income	12	15,417	85,470
Fee, commission and other income	13	221,028,191	173,732,758
Total income		221,043,608	173,818,228
Staff costs		(8,773,085)	(12,143,342)
Other operating expenses		(17,761,784)	(17,340,532)
Total operating expenses	14	(26,534,869)	(29,483,874)
Client guarantee payment	15	-	(238,886,447)
Income/(loss) before taxation		194,508,739	(94,552,093)
Taxation (charge)/credit	16	(48,806,155)	23,398,248
Income/(loss) after taxation		145,702,584	(71,153,845)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the period		145,702,584	(71,153,845)

The notes on pages 7 to 38 form an integral part of these financial statements.

RBC Investment Management (Caribbean) Limited

Statement of changes in equity

	Share Capital $	Statutory Reserve	Retained Deficit $	Total Shareholders' Equity $
Year ended 31 October 2011				
Balance at beginning of year	225,019,100	--	(156,153,845)	68,865,255
Total comprehensive income	--	--	145,702,584	145,702,584
Transfer to statutory reserve	--	14,570,258	(14,570,258)	--
Reduction of share capital	(60,000,000)	--	--	(60,000,000)
Dividends	--	--	(39,606,530)	(39,606,530)
Balance at end of year	165,019,100	14,570,258	(64,628,049)	114,961,309
Period ended 31 October 2010				
Balance at beginning of period	50,000	--	--	50,000
Total comprehensive loss	--	--	(71,153,845)	(71,153,845)
Issue of share capital	224,969,100	--	--	224,969,100
Dividends	--	--	(85,000,000)	(85,000,000)
Balance at end of period	225,019,100	--	(156,153,845)	68,865,255

The notes on pages 7 to 38 form an integral part of these financial statements.

Statement of cash flows

	Year ended 31 October 2011 $	Nineteen months ended 31 October 2010 $
Operating activities		
Income/(loss) for the period	145,702,584	(71,153,845)
Adjustments for:		
Post retirement benefit expense	(67,513)	2,466,000
Taxation expense/(credit)	48,806,155	(23,398,248)
Amortization and depreciation	753,760	430,075
Income/(loss) before changes in operating assets and liabilities	195,194,986	(91,656,018)
Decrease/(increase) in operating assets		
Receivables and prepayments	(10,359,200)	(3,465,278)
(Decrease)/increase in operating liabilities		
Payables and accruals	(723,151)	2,597,680
Corporation taxes paid	(18,405,347)	(117,000)
Cash generated from/(used in) operating activities	165,707,288	(92,640,616)
Investing activities		
Addition of intangible asset	-	(8,871,267)
Disposal of intangible assets	6,805	-
Additions to equipment	(8,004)	(235,217)
Cash used in investing activities	(1,199)	(9,106,484)
Financing activities		
Reduction of share capital	(60,000,000)	-
Issue of share capital	-	224,969,100
Dividends paid	(39,606,530)	(85,000,000)
Cash (used in)/generated from financing activities	(99,606,530)	139,969,100
Net increase in cash resources	66,099,559	38,222,000
Cash resources at beginning of year/period	38,272,000	50,000
Cash resources at end of year/period	104,371,559	38,272,000

The notes on pages 7 to 38 form an integral part of these financial statements.

1 General information

The Company was incorporated in the Republic of Trinidad and Tobago on 27 July 2003.

The Company is a wholly owned subsidiary of RBC Financial (Caribbean) Limited which is incorporated in Trinidad and Tobago. Its ultimate parent is Royal Bank of Canada which is incorporated in Canada. The Company is a licensed financial institution under the Financial Institutions Act, 2008 of Trinidad and Tobago and has been set up to provide a full range of services pertaining to asset management and support services associated therewith, to corporate and individual clients. Its registered office is St. Clair Place, 7-9 St. Clair Avenue, Port of Spain, Trinidad and Tobago.

Ownership of the Company was transferred on 2 November, 2009 from RBTT Trust Limited, its former 100% owner to its current parent, RBC Financial (Caribbean) Limited, and commenced operations as of that date.

During fiscal 2010, the company changed its end of reporting period to 31 October, 2010 to align the year-end with that of the ultimate parent company, Royal Bank of Canada. Consequently, the results for the period ended 31 October 2010 includes the results of operations for nineteen months from 1 April 2009 to 31 October 2010.

On 16 June 2011 the company changed its name from RBTT Asset Management Limited to RBC Investment Management (Caribbean) limited.

2 Adoption of new and revised International Financial Reporting Standards (IFRSs)

The following new and revised IFRSs and interpretations have been adopted in the current period and have had no impact on the amounts reported in these financial statements.

Standards and Interpretations adopted with no effect on financial statements

- IFRS 3, Business Combinations – Amendments resulting from May 2010 annual improvements to IFRSs (effective 1 July 2010)
- IAS 27, (revised in 2008) Consolidated and Separate Financial Statements – Changes in ownership interests in its subsidiaries that do not result in loss of control are dealt with in equity, with no impact on goodwill or profit or loss (effective 1 July 2009)
- IAS 28, (revised in 2008) Investment in Associates – Amendments resulting from May 2010 annual improvements to IFRSs (effective 1 July 2009)
- IFRIC 17, Distributions of Non-cash Assets to Owners (effective 1 July 2009)
- IAS 31, Interests in Joint Ventures: consequential amendments arising from amendments to IFRS 3 (effective 1 July 2009)
- IAS 39, financial instruments: recognition and measurement: amendments for eligible hedged items (effective 1 July 2009)
- IAS 1, Presentation of Financial Statements. Amendments resulting from April 2009 annual improvements to IFRSs (effective 1 January 2010)

2 Adoption of new and revised International Financial Reporting Standards (IFRSs)

Standards and Interpretations adopted with no effect on financial statements (continued)

- IAS 7, Statement of Cash Flows. Amendments resulting from April 2009 annual improvements to IFRSs (effective 1 January 2010)
- IAS 17, Leases. Amendments resulting from April 2009 annual improvements to IFRSs (effective 1 January 2010)
- IAS 32, financial instruments. Amendment relating to classification of rights issues (effective 1 February 2010)
- IAS 36, Impairment of Assets. Amendments resulting from April 2009 annual improvements to IFRSs (effective 1 January 2010)
- IAS 38, Intangible Assets. Amendments resulting from April 2009 annual improvements to IFRSs (effective 1 January 2010)
- IFRIC 18, Transfer of Assets to Customers (effective for transfers of assets from customers received beginning on or after 1 July 2009)
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective July 2010)
- IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, Amendment resulting from May 2008 annual improvements to IFRS (effective 1 July 2009)
- IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, Amendment resulting from April 2009 annual improvements to IFRS (effective 1 January 2010)

Standards and Interpretations in issue not yet adopted

- IAS 24, Related party disclosures. Revised definition of related parties (annual periods beginning on or after 1 January 2011)
- IFRIC 14, Requirements and their interaction. November 2009 amendment with respect to voluntary prepaid contributions (to be effected 1 January 2011)
- IFRS 1, First-time Adoption of International Financial Reporting Standards. Amendments resulting from May 2010 Annual Improvements to IFRSs (annual periods beginning on or after 1 January 2011)
- IFRS 1, First-time Adoption of International Financial Reporting Standards. Replacement for fixed dates' for certain exceptions with 'the date of transaction to IFRSs (annual periods beginning on or after 1 July 2011)
- IFRS 1, First-time Adoption of International Financial Reporting Standards. Additional exemption for entities ceasing to suffer from severe hyperinflation (annual periods beginning on or after 1 July 2011)
- IFRS 7, Financial Instruments: Disclosures. Amendments resulting from May 2010 annual improvements to IFRSs (annual periods beginning on or after 1 January 2011)
- IFRS 7, Financial Instruments: Disclosures. Amendments enhancing disclosure about transfers of financial assets (annual periods beginning on or after 1 July 2011)

2 Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

Standards and Interpretations in issue not yet adopted (continued)

- IFRS 9, Financial Instruments. Classification and Measurement (annual periods beginning on or after 1 January 2015)
- IFRS 10, Consolidated Financial Statements (annual periods beginning on or after 1 January 2013)
- IFRS 11, Joint Arrangements (annual periods beginning on or after 1 January 2013)
- IFRS 12, Disclosure in Interests in Other Entities (annual periods beginning on or after 1 January 2013)
- IFRS 13, Fair Value Measurement (annual periods beginning on or after 1 January 2013)
- IAS 1, Presentation of Financial Statements. Amendments resulting from April 2010 annual improvements to IFRSs (annual periods beginning on or after 1 July 2011)
- IAS 1, Presentation of Financial Statements. Amendments to revise the way other comprehensive income is presented (annual periods beginning on or after 1 January 2012)
- IAS 12, Income Taxes. Limited scope amendment (recovery of underlying assets) (annual periods beginning on or after 1 January 2012)
- IAS 19, Employee Benefits. Amended standard resulting from the post-employment benefits and termination benefits project (annual periods beginning on or after 1 January 2013)
- IAS 27, Consolidated and Separate Financial Statements. Reissued as IAS 27 *Separate Financial Statements* (as amended in 2011), (annual periods beginning on or after 1 January 2013)
- IAS 28, Investments in Associates. Reissued as IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011), (annual periods beginning on or after 1 January 2013)

3 Significant Accounting Policies

a) Basis of preparation

Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis of measurement

The financial statements are prepared in Trinidad and Tobago dollars. These financial statements are prepared under the historical cost convention.

3 **Significant Accounting Policies (continued)**

b) **Foreign currency transactions**

Functional and presentation currency

The financial statements are presented in Trinidad and Tobago dollars which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognized in the statement of comprehensive income and other changes in the carrying amount are recognised in other comprehensive income.

c) **Cash and cash equivalents**

Cash and cash equivalents comprises cash and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value. Such investments are normally those with original maturities up to three months from the date of acquisition.

d) **Financial assets**

The company classifies its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using effective interest rate method, less any impairment.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and poin ts paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

3 **Significant Accounting Policies (continued)**

e) **Derecognition of financial assets**

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it has transferred the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred financial asset, the company recognises its retained interest in the financial asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise both the financial asset, as well as the collateralised borrowing for the proceeds received

f) **Impairment of financial assets**

i) Financial assets carried at amortised cost

The company assesses at each reporting period whether there exists objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the company uses to determine that there is objective evidence of an impairment loss include:

(i) Delinquency in contractual payments of principal or interest;
(ii) Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
(iii) Breach of loan covenants or conditions;
(iv) Initiation of bankruptcy proceedings;
(v) Deterioration of the borrower's competitive position;
(vi) Deterioration in the value of collateral; and
(vii) Downgrading of the asset.

The company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

3 **Significant Accounting Policies (continued)**

f) **Impairment of financial assets (continued)**

i) Financial assets carried at amortised cost (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Comprehensive Income. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price. The calculation of the present value of the estimated future cash flows of collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped together on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Entities that have no entity-specific loss experience or insufficient experience use peer group experience for comparable groups of financial assets. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

When a financial asset is uncollectible, it is written off against the related provision for impairment loss. Such financial assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If in the subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in income.

3 **Significant Accounting Policies (continued)**

g) **Financial Liabilities**

Financial liabilities are classified as other financial liabilities.

Other financial liabilities, including borrowings, are initially measured at fair value net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire.

h) **Leases**

The leases entered into by the company which do not transfer substantially all the risk and benefits of ownership are classified as operating leases. The total payments made under operating leases are charged to other operating expenses in income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

i) **Intangible assets**

Intangible assets are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Amortization is charged on a straight-line basis over the estimated useful lives of the intangible assets which are estimated to be 7-10 years.

3 **Significant Accounting Policies (continued)**

j) **Impairment of tangible and intangible assets excluding goodwill**

At the end of each reporting date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual assets, the company estimates the recoverable amount of the cash-generating unit to which the assets belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant assets is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

k) **Premises and Equipment**

Premises and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

3 **Significant Accounting Policies (continued)**

k) **Premises and Equipment (continued)**

Management reviews the estimated useful lives, residual values and method of depreciation at each year-end. Any changes are accounted for prospectively as a change in accounting estimate.

Depreciation is computed principally on the straight line method. Rates in effect are designed to write off the depreciable amounts of assets over their estimated useful lives. The following rates are used:

Furniture and equipment	- 15% to 20%
Computer equipment	- 20% to 25%
Motor vehicles	- 25%

Gains and losses on disposal of premises and equipment are determined by reference to their carrying amounts and are taken into account in determining profit/ (loss). Costs of repairs and renewals are charged to income when the expenditure is incurred.

l) **Provisions**

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be immaterial.

m) **Employee benefits**

i) Pension obligations

The Company operates both defined contributions and defined benefit pension plans, through its parent company the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant Group companies, taking account of the recommendations of independent qualified actuaries.

3 **Significant Accounting Policies (continued)**

m) **Employee benefits (continued)**

i) Pension obligations (continued)

For defined benefit plans maintained as part of multi-employer plans operated by certain group companies, the administrators are unable to provide information on the companies' proportionate share of the defined benefit obligation and plan assets. These plans are accounted for as if they are defined contribution plans in accordance with IAS 19, Employee Benefits.

The Company's contributions to the defined contribution pension plans are charged to the statement of comprehensive income in the year to which they relate.

ii) Employee Share Ownership Plan (ESOP)

The employees of the Company have the option to receive their bonuses in cash and/or ordinary shares of the ultimate parent company, Royal Bank of Canada, purchased on the open market, in accordance with the terms outlined in the Trust Deed governing an approved ESOP. The company recognises an expense within staff costs when bonuses are awarded.

iii) Other post-retirement benefits

The Company also provides post-retirement benefits to their retirees through the parent company's plan. The entitlement to these benefits is conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The cost of providing benefits is determined using the Projected Unit Method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the Company's defined benefit obligation and the fair value of plan assets as at the end of the prior year are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. A full valuation of these obligations is carried out by independent qualified actuaries every three years.

n) **Revenue recognition**

i) Interest income and expense

Interest income and interest expense are recognised in the Statement of Comprehensive Income for all interest bearing instruments on an accrual basis using the effective interest method.

3 **Significant Accounting Policies (continued)**

n) **Revenue recognition**

i) Interest income and expense

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or where appropriate, a shorter period to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transactions costs and all other premiums or discounts.

ii) Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided.

iii) Dividend income

Dividend income is recognised when the right to receive dividend is established.

o) **Share capital**

Shares issued for cash are accounted for at the issue price less any transaction costs of the issue.

p) **Dividends**

Dividends that are proposed and declared during the period are accounted for as an appropriation of retained earnings in the statement of changes in equity.

Dividends that are proposed and declared after the Statement of Financial Position date are not shown as a liability on the Statement of Financial Position but are disclosed as a note to the consolidated financial statements.

3 **Significant Accounting Policies (continued)**

q) **Taxation**

i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

iii) Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively

3 **Significant Accounting Policies (continued)**

r) **Offsetting**

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

s) **Comparative information**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. These changes have no effect on the profit after tax of the company for the previous year.

4 **Critical accounting estimates and judgments in applying accounting policies**

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definitions, seldom equal the related actual results. The estimate and assumptions that have a significant risk of causing a material adjustment is the carrying amount of the assets and liabilities within the financial period as discussed below.

Income taxes

The company is subject to income taxes locally. There are several transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provisions in the period in which such determination is made.

Deferred taxation assets

Deferred tax assets are recognised to the extent it is probable that the taxable income will be available in future against which they can be utilised. Future taxable profits are estimates based on business plans, which include estimates and assumptions regarding economic growth, interest, inflation, taxation rates and competitive forces.

Useful lives and residual values of property and equipment

The estimates of useful lives as translated into depreciation rates are detailed in the property, plant and equipment policy above. These rates and the residual lives of the assets are reviewed annually taking cognizance of the forecasted commercial and economic realities and through benchmarking of accounting treatments within the industry.

4 Critical accounting estimates and judgments in applying accounting policies (continued)

Impairment of assets

An assessment of the recoverable amount of the business is done annually with the business being considered as a single cash-generating unit.

Contingent liabilities

Management applies its judgement to the facts and advice it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. Such judgement is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 10.

5 Property and equipment

	Computer Equipment $	Capital Work In Progress $	Total $
Year ended 31 October 2011			
Opening net book value	201,813	6,750	208,563
Additions/(capitalization)	14,754	(6,750)	8,004
Depreciation charge	(45,941)	--	(45,941)
Closing net book value	170,626	--	170,626
At 31 October 2011			
Cost	243,221	--	243,221
Accumulated depreciation	(72,595)	--	(72,595)
Net book value	170,626	--	170,626
Nineteen months ended 31 October 2010			
Opening net book value	--	--	--
Additions	228,467	6,750	235,217
Depreciation charge	(26,654)	--	(26,654)
Closing net book value	201,813	6,750	208,563
At 31 October 2010			
Cost	228,467	6,750	235,217
Accumulated depreciation	(26,654)	--	(26,654)
Net book value	201,813	6,750	208,563

6 Intangible assets – software

	2011 $	2010 $
Opening net book value	8,467,845	--
Additions	-	8,871,267
Disposals	(6,805)	-
Amortization charge	(707,819)	(403,422)
Closing net book value	7,753,221	8,467,845
Cost	8,864,462	8,871,267
Accumulated amortisation	(1,111,241)	(403,422)
Net book value	7,753,221	8,467,845

7 Receivables and prepayments

	2011	2010
Prepayments	1,047,816	1,026,432
Fees receivable	12,776,662	2,438,846
	13,824,478	3,465,278

8 Deferred tax asset

	2011 $	2010 $
Deferred tax asset	741,493	23,515,249

The movement in the deferred tax account is as follows:

	2011 $	2010 $
At beginning of period	23,515,249	--
Statement of comprehensive income (charge)/credit	(22,773,756)	23,515,249
At end of period	741,493	23,515,249

Deferred tax asset is attributable to the following items:

	2011 $	2010 $
Tax losses	--	23,061,036
Post retirement benefits	698,950	616,000
Accelerated tax depreciation	42,543	(161,787)
	741,493	23,515,249

9 Payables and accruals

	2011 $	2010 $
Other payables and accruals	1,874,529	2,597,680

10 Post retirement benefit obligations

The Company provides post-retirement benefits to its retirees. The entitlement to these benefits is conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

The amounts recognized in the statement of financial position and statement of comprehensive income for post-retirement benefit plans are as follows:

10 **Post retirement benefit obligations (continued)**

	Medical $000	Group Life $000	Pension $000	Total $000
As at 31 October 2011				
Fair value of plan assets	--	--	(1,458)	(1,458)
Post retirement benefit obligation	857	105	2,828	3,790
Unrecognized actuarial gain/(loss)	69	(2)	--	67
Liability in the statement of financial position	926	103	1,370	2,399
As at 31 October 2010				
Fair value of plan assets	--	--	(1,432)	(1,432)
Post retirement benefit obligation	746	106	2,835	3,687
Unrecognized actuarial gain/(loss)	217	(6)	--	211
Liability in the statement of financial position	963	100	1,403	2,466

The movements in the liability recognized in the statement of financial position are as follows:

	Medical	Group Life	Pension	Total
Year ended 31 October 2011				
At the beginning of the period	963	100	1,403	2,466
Net benefit cost	(11)	6	80	75
Benefits paid by the company (net of retirees' premiums)	(26)	(4)	(113)	(143)
At the end of the period	926	103	1,370	2,399
Period ended 31 October 2010				
At the beginning of the period	-	-	-	-
Net benefit cost	990	106	1,458	2,554
Benefits paid by the company (net of retirees' premiums)	(27)	(6)	(55)	(88)
At the end of the period	963	100	1,403	2,466

10 **Post retirement benefit obligations (continued)**

Change in post-retirement benefit obligation:

	Medical $000	Group Life $000	Pension $000	Total $000
Year ended 31 October 2011				
Defined benefit obligation at the beginning of the period	746	106	2,835	3,688
Current service cost	26	4	79	109
Interest cost	44	7	165	216
Actuarial gains	67	(8)	(174)	(116)
Benefits paid	(26)	(4)	(77)	(107)
Defined benefit obligation at the end of the period	857	105	2,828	3,790
Period ended 31 October 2010				
Defined benefit obligation at the beginning of the period	-	-	-	-
Current service cost	30	5	43	78
Interest cost	79	10	253	342
Actuarial gains	664	97	2,594	3,355
Benefits paid	(27)	(6)	(55)	(88)
Defined benefit obligation at the end of the period	746	106	2,835	3,687

The amount recognized in the statement of comprehensive income is as follows:

	Medical $000	Group Life $000	Pension $000	Total $000
Year ended 31 October 2011				
Current service cost	26	4	79	109
Interest cost	44	6	165	215
Actuarial gains/(losses) amortized	(45)	(4)	(113)	(162)
Expected return on plan assets	--	--	(87)	(87)
Net benefit costs included in staff costs	25	6	44	75
Period ended 31 October 2010				
Current service cost	30	5	43	78
Interest cost	79	10	253	342
Actuarial gains/(losses) amortized	881	90	1,279	2,250
Expected return on plan assets	--	--	(118)	(118)
Net benefit costs included in staff costs	990	105	1,457	2,552

10 **Post retirement benefit obligations (continued)**

Summary of principal assumptions

	31 October 2011	31October 2010
Discount rates – medical and life	6.25%	6.25%
Discount rates – pension	6.00%	6.00%
Salary increases	4.25 -5.00%	4.50% - 5.00%
Medical expense increases		
- Basic cover for retirees	5.00%	5.00%
- All other cover	2.50%	2.50%

Effect of one percentage point change in medical expenses increase assumptions

	31 October 2011	31October 2010
Medical expense increase by 1%		
Effect on aggregate service and interest costs	16	20
Effect on year end defined benefit obligation	163	18
Medical expense decrease by 1%		
Effect on aggregate service and interest costs	(12)	(144)
Effect on year end defined benefit obligation	(129)	(114)

11 **Shareholders' equity**

	2011 $	2010 $
Share capital		
Authorised		
An unlimited number of ordinary shares of no par value		
Issued and fully paid		
165,019,100 (March 31, 2010: 225,019,100) ordinary shares of no par value	165,019,100	225,019,100
Statutory reserve (Note 22)	14,570,258	-
Retained deficit	(64,628,049)	(156,153,845)
Shareholders' equity	114,961,309	68,865,255

During the year ended 31 October 2011, 60,000,000 ordinary shares were redeemed for a total value of $60,000,000.

12 **Interest income**

Deposits with banks	15,417	85,470

13 **Fees, commissions and other income**

Fee income	220,268,045	173,399,903
Commission income	514,015	326,914
Miscellaneous income	246,131	5,941
	221,028,191	173,732,758

14 Operating expenses

	2011 $	2010 $
Staff costs	8,773,085	12,143,342
Advertising	2,434,231	2,538,555
Amortization and depreciation	753,760	430,076
Directors' remuneration	61,500	58,250
Auditors' remuneration	129,151	99,055
Foreign exchange losses	--	1,099,905
Other operating expenses	14,383,142	13,114,691
	26,534,869	29,483,874
Staff costs include:		
Salaries and wages	8,699,085	9,591,342
Post retirement benefits	74,000	2,552,000
	8,773,085	12,143,342

15 Client guarantee payment

On 19 November 2009, RBTT as sponsor of the Roytrin Mutual Fund products announced its intention to move from a fixed net asset value (NAV) to a floating NAV for its TTD and USD Income Funds. The change was effective 1 January 2010, so unitholders of those Funds were given a six week period to re-evaluate their portfolios and determine the best investment mix to meet their investment objectives. RBTT stated their intention to commence the floating with a NAV of $25 and make up any shortfall on the NAV as of 31 December 2009. This payment reflects the total amounts paid into the Funds to satisfy this client guarantee.

16 Taxation charge/(credit)

	2011 $	2010 $
Current tax charge	25,627,051	--
Deferred tax charge/(credit)	22,773,756	(23,515,248)
Green fund levy	405,348	117,000
	48,806,155	(23,398,248)

The tax on the operating profit differs from the theoretical amount that would arise using the basic tax rate as follows:

	2011 $	2010 $
Income/(loss) before tax	194,508,739	(94,552,093)
Prima facie tax at the rate of 25%	48,627,185	(23,638,023)
Non allowable expenses	(204,040)	122,775
Green fund levy	405,348	117,000
Other timing differences	(22,338)	--
Tax charge/(credit)	48,806,155	(23,398,248)

17 Dividends

Dividends accounted for as an appropriation of earnings are as follows:

	2011 $	2010 $
Interim dividend for 2011 - $0.240 per share (2010: $0.378)	39,606,530	85,000,000

18 Contingent liabilities

Legal proceedings

There were no contingent liabilities in respect of any legal proceedings against the Company as at 31 October 2011 (31 October 2010 – Nil).

19 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The parent company is RBC Financial (Caribbean) Limited which owns 100% of the Company. The ultimate parent is Royal Bank of Canada.

A number of transactions are entered into with related parties in the normal course of business. These transactions are carried out on commercial terms and conditions and at market rates.

(i) **Outstanding balances at period-end arising from related party transactions and related income and expense for the period are as follows:**

	2011 $	2010 $
Cash		
Affiliated entities	104,371,559	38,272,000
Property and equipment		
Transfer from affiliated entity	--	2,190,687
Intangible asset		
Transfer from affiliated entity	--	6,915,798
Share Capital-Reduction		
Transfer to affiliated entity	60,000,000	--

19 **Related party transactions (continued)**

(i) **Outstanding balances at period-end arising from related party transactions and related income and expenses for the period are as follows: (continued)**

	2011 $	2010 $
Interest income		
Affiliated entities	15,417	85,470
Fees and commission income		
Affiliated entities	176,902,498	153,736,469
Other operating expenses		
Affiliated entities	8,799,901	8,370,282
Client guarantee payment		
Affiliated entities	--	238,886,447
Dividends		
Affiliated entities	39,606,530	85,000,000

(ii) **Key management compensation**

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the actions of the Company.

	2011 $	2010 $
Salaries and other short term benefits	867,700	693,803
Post- retirement benefits	--	44,056
	867,700	737,859

20 Financial risk management

20.1 Risk management

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and is accountable for the risk exposures relating to its responsibilities. The Company is exposed to credit risk, liquidity risk, currency risk and market risk. It is also subject to operating risks.

The risk control process does not include business risks such as changes in the environment, technology and industry.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks. As a subsidiary of the RBC Financial (Caribbean) Limited, there are several Committees which have been set up at a Group level to address risk management throughout the Group and the Company's activities are reported at regular intervals to these bodies.

Board of directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Audit committee

This Committee is comprised of one (1) Executive Director and two (2) Non-Executive Directors. The Committee is responsible for managing and monitoring risks and reports to the Board of Directors on a quarterly basis.

Risk management unit

A centralized Risk Management Unit provides oversight of the implementation and maintenance of risk related procedures to ensure an independent control process. The unit which is sub-divided into three departments (Group Market Risk, Group Credit Risk and Operational Risk), is also responsible for monitoring compliance with risk policies and limits across the Group in the three key areas of credit risk, market risk and operational risk. Each business group has decentralized units which are responsible for the independent control of risks, including monitoring the risk or exposures against limits and the assessment of risks of new products and structured transactions. These decentralized units also ensure the complete capture of the risks in the risk measurement and reporting systems.

20 **Financial risk management (continued)**

20.1 **Risk management (continued)**

Mark to market committee

The Group has established a Mark to Market Committee which is responsible for the review and validation of the policies and procedures applied in the valuation of financial assets. The Committee also approves the mark to market valuation of financial assets and liabilities on a quarterly basis.

Investment policy committee

The Investment Policy Committee is comprised of two (2) Non-Executive Directors and one Operating Committee member. The Committee is responsible for approving all Statements of Investments Policy (SIP) and reviewing compliance with same. The SIPs shall be drafted in accordance with the stated objectives of each Fund with close reference to the assets permissible by law or deed. The SIPs shall be reviewed annually to ensure compliance with any statutory changes or amendments to relevant deeds. The Committee meets on a quarterly basis.

Investment strategy committee

This Committee is engaged in providing guidance to the Company relative to economic and capital markets. The Committee prepares an investment outlook that is submitted to the Investment Policy Committee and provides guidance to the Company's Portfolio Managers as it relates to mix of investments, geographical allocations, duration and currency exposure.

Internal audit

Risk management processes throughout the Group are audited annually by the internal audit function that examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Risk measurement and reporting systems

The Company's risks are measured using methods which reflect both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Company also runs worse case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact occur.

20 Financial risk management (continued)

20.1 Risk management (continued)

Risk measurement and reporting systems

Monitoring and controlling risks is primarily performed based on limits established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept, with additional emphasis on selected industries and geographies. In addition, the Company monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled is examined and processed in order to analyze, control and identify early risks. This information which consists of several reports is presented and explained to the Board of Directors, the Audit Committee and the Asset/Liability Committees. The reports include but are not limited to aggregate credit exposure, open currency positions, liquidity ratios and risk profile changes. On a quarterly basis senior management assesses the appropriateness of the allowance for credit losses.

20.2 Categorization

	Financial assets or liabilities carried at amortized costs $	Non- financial assets or liabilities $	Equity instruments $	Total $
As at 31 October 2011				
Assets				
Cash resources	104,371,559	--	--	104,371,559
Property and equipment	--	170,626	--	170,626
Software	--	7,753,221	--	7,753,221
Receivables and prepayments	12,776,662	1,047,816	--	13,824,478
Deferred tax asset	--	741,493	--	741,493
Total assets	117,148,221	9,713,156	--	126,861,377
Equities and liabilities				
Liabilities				
Payables and accruals	1,475,217	399,312	--	1,874,529
Post retirement benefit obligations	--	2,398,487	--	2,398,487
Current Income tax Liability	--	7,627,052	--	7,627,052
Shareholders' equity	--	--	114,961,309	114,961,309
Total equity and liabilities	1,475,217	10,424,851	114,961,309	126,861,377

20.2 Categorization (continued)

20 Financial risk management (continued)

	Financial assets or liabilities carried at amortized costs $	Non- financial assets or liabilities $	Equity instruments $	Total $
As at 31 October 2010				
Assets				
Cash resources	38,272,000	--	--	38,272,000
Property and equipment	--	208,563	--	208,563
Software	--	8,467,845	--	8,467,845
Receivables and prepayments	2,438,846	1,026,432	--	3,465,278
Deferred tax asset	--	23,515,249	--	23,515,249
Total assets	40,710,846	33,218,089	--	73,928,935
Equities and liabilities				
Liabilities				
Payables and accruals	2,597,680	--	--	2,597,680
Post retirement benefit obligations	--	2,466,000	--	2,466,000
Shareholders' equity	--	--	68,865,255	68,865,255
Total equity and liabilities	2,597,680	2,466,000	68,865,255	73,928,935

20 Financial risk management

20.3 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Company's liquidity management process is carried out by the Treasury department and monitored by Group Treasury. The Company's liquidity management framework is designed to ensure that there are adequate reserves of cash and other liquid securities to satisfy current and prospective commitments arising from either on-statement of financial position or off-statement of financial position liabilities.

20 **Financial risk management (continued)**

20.3 **Liquidity risk (continued)**

20.3.1 **Non-derivative cash flows**

The table below presents the cash flows payable by the company under non-derivative financial liabilities by remaining contractual maturities at the statement of financial position date.

	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
As at 31 October 2011				
Liabilities				
Other liabilities	1,475	--	--	1,475
Total liabilities (contractual maturity dates)	1,475	--	--	1,475

	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
As at 31 October 2010				
Liabilities				
Other liabilities	2,597	--	--	2,597
Total liabilities (contractual maturity dates)	2,597	--	--	2,597

20.4 **Market risk**

The Company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency products, both of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads and foreign exchange rates.

The market risks arising from non-trading activities are measured separately by the Group Market Risk department who submits reports to the Group Asset/Liability Committee on a regular basis. On a quarterly basis, the Mark to Market Committee reviews and approves the valuation of all investment securities. Additionally, reports are submitted to Group Market Risk on a monthly basis.

20 **Financial risk management (continued)**

20.4 **Market risk (continued)**

20.4.1 **Market risk measurement techniques**

The major measurement technique used to measure and control market risk is stress testing.

The Company applies stress tests to provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out include changes in the general level of interest rates and the depreciation of foreign currency rates. The statement of financial position impact of the changes in interest rates is measured to calculate the impact on net interest income as a result of the changes in interest rates.

20.4.2 **Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established limits on the interest rate gaps for stipulated periods. Positions are monitored on a daily basis to ensure that they are maintained within the established limits.

20.4.3 **Interest sensitivity of assets and liabilities to repricing risk**

The table below summarizes the Company's exposure to interest rate repricing risk. It includes the Company's financial instruments at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

As at 31 October 2011	**Up to one year $'000**	**One to five years $'000**	**Over five years $'000**	**Non-interest bearing $'000**	**Total $'000**
Financial assets					
Cash resources	104,371	--	--	--	104,371
Receivables and prepayments	--	--	--	12,776	12,776
Total financial assets	104,371	--	--	12,776	117,147
Total financial liabilities	--	--	--	1,475	1,475
Interest sensitivity gap	104,371	--	--		

20 **Financial risk management continued)**

20.4 **Market Risk (continued)**

20.4.3 **Interest sensitivity of assets and liabilities to repricing risk (continued)**

As at 31 October 2010	Up to one year $'000	One to five years $'000	Over five years $'000	Non-interest bearing $'000	Total $'000
Financial assets					
Cash resources	38,272	--	--	--	38,272
Receivables and prepayments	--	--	--	2,439	2,439
Total financial assets	38,272	--	--	2,439	40,711
Total financial liabilities	--	--	--	2,597	2,597
Interest sensitivity gap	38,272	--	--		

20.5 **Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on positions by currency. Positions are monitored on a monthly basis so as to ensure that they are maintained within established limits.

20.5.1 **Concentrations of currency risk**

The functional currency of the Company is Trinidad and Tobago dollars. The table below summarizes the Company's exposure to foreign currency exchange rate risk as at 31 October 2011 and 31 October 2010.

20 Financial risk management (continued)

20.5.1 Concentrations of currency risk (continued)

As at 31 October 2011	TT $'000	US $'000	Total $'000
Financial assets			
Cash resources	58,254	46,118	104,372
Receivables and prepayments	12,776	--	12,776
Total financial assets	71,030	46,118	117,148
Total financial liabilities	(1,475)	--	(1,475)
Net Statement of financial position	69,555	46,118	115,673

As at 31 October 2010	TT $'000	US $'000	Total $'000
Total financial assets	24,452	16,259	40,711
Total financial liabilities	(2,597)	(--)	(2,597)
Net Statement of financial position	21,855	16,259	38,114

20.5.2 Foreign currency exchange risk

As at 31 October 2011, had the exchange rate between the TT dollar and US dollar increased or decreased by 0.50% with all other variables held constant, the increase or decrease in profit would amount to $221,278 (31 October 2010: $81,295).

20.6 Credit risk

Credit risk is the risk that the Company will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Company has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral reviews. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Company to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

20 Financial risk management (continued)

20.6 Credit risk (continued)

20.6.1 Maximum exposure to credit risk

	Gross Maximum exposure 2011 $'000	Gross Maximum exposure 2010 $'000
Cash resources	104,372	38,272
Receivables and prepayments	12,776	2,439
Total	117,148	40,711

20.7 Capital management

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial positions, are:

- To comply with the capital requirements set by the regulators;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for its shareholder and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored on a monthly basis by the Company's management, employing techniques based on the guidelines developed by the Basel Committee on Banking Supervision as implemented by the Central Bank of Trinidad and Tobago. The required information is filed with the Authority on a monthly basis.

The table below summarises the composition of regulatory capital and the ratio of the Company at the statement of financial position date. During those two periods, the Company complied with all of the externally imposed capital requirements to which it is subject.

20 **Financial risk management (continued)**

20.7 **Capital management (continued)**

	2011 $	2010 $
Tier 1 capital:		
Statutory reserve	14,570,258	--
Share capital	165,019,100	225,019,100
Retained deficit	(64,628,049)	(156,153,845)
Total qualifying Tier 1 capital	114,961,309	68,865,255
Total regulatory capital	114,961,309	68,865,255
Risk-weighted assets:		
On-statement of financial position	79,227,000	32,467,000
Total risk-weighted assets	79,227,000	32,467,000
Total regulatory capital to risk weighted assets	145.10%	212.11%

21 **Fair value of financial assets and liabilities**

Financial assets and liabilities not carried at fair value include cash resources and receivables. The following comments are relevant to their fair value.

Assets

Cash resources

Since these assets are short-term in nature, the values are taken as indicative of realisable value.

22 **Statutory reserves**

The Financial Institutions Act 2008, Part iv, Section 56 (1) (a) stipulates, the company must transfer at the end of each Financial year no less than 10% of its profit after tax to a reserve fund until the amount standing to the credit of the fund is not less than the stated capital of the company. For the year ended 31 October, 2011 a transfer of $14,570,258 was made to the statutory reserve.