RBC Trust (Trinidad & Tobago) Limited

Financial Statements
31 October 2011

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RBC Trust (Trinidad & Tobago) 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 - RBC Trust (Trinidad & Tobago)Limited	Head - Finance, Specialised Businesses
19 January 2012	19 January 2012

Deloitte.

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Independent auditor's report

To the shareholder of
RBC Trust (Trinidad & Tobago) Limited

Report on the financial statements

We have audited the accompanying financial statements of RBC Trust (Trinidad & Tobago) 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 financials 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 Trust (Trinidad & Tobago) 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
19 January 2012

RBC Trust (Trinidad & Tobago) Limited

Statement of financial position

	Notes	As at 31 October 2011 $	2010 $
Assets			
Cash resources		34,871,549	44,511,870
Investment securities	5	1,634,349	27,093,706
Investment in associate	7	17,349,074	45,181,398
Loans to customers	8	--	8,055,914
Property and equipment	9	2,125,611	2,108,605
Intangible assets - software	10	3,283,176	3,989,273
Receivables and prepayments	11	16,520,347	4,108,026
Deferred tax asset	12	979,173	952,944
Taxation recoverable		4,704,543	5,420,660
Total assets		81,467,822	141,422,396
Liabilities			
Payables and accruals	13	418,574	1,852,852
Post retirement benefit obligations	14	3,553,315	3,835,000
Provisions		1,550,244	450,000
Taxation payable		--	2,867,981
Dividend payable		20,000,000	--
Total liabilities		25,522,133	9,005,833
Shareholder's equity			
Share capital	15	15,000,000	15,000,000
Statutory reserve	16	15,000,000	15,000,000
Investment revaluation reserve		-	5,510,824
Retained earnings		25,945,689	96,905,739
Total shareholders' equity		55,945,689	132,416,563
Total equity and liabilities		81,467,822	141,422,396

The notes on pages 7 to 48 form an integral part of these financial statements.

On 19 January 2012, the Board of Directors of RBC Trust (Trinidad & Tobago) Limited authorised these financial statements for issue.

_________________ Director　　　　_________________ Director

RBC Trust (Trinidad & Tobago) Limited

Statement of comprehensive income

	Notes	Year ended 31 October 2011 $	Nineteen months period ended 31 October 2010 $
Continuing operation			
Interest income	17	1,484,884	17,599,548
Interest expense		--	(497,215)
Net interest income		1,484,884	17,102,333
Fee, commission and other income	18	41,456,028	33,444,426
Total income		42,940,912	50,546,759
Staff costs		(6,153,198)	(8,314,341)
Other operating expenses		(11,935,123)	(6,624,648)
Total operating expenses	19	(18,088,321)	(14,938,989)
Share of profits/(losses) of associate	7.1	1,326,071	(1,386,500)
Income before taxation from continuing operations		26,178,662	34,221,270
Taxation (charge)/credit from continuing operations	20	(3,211,712)	888,551
Income after taxation from continuing operations		22,966,950	35,109,821
Discontinued operations			
Income after taxation from discontinued operations	21	--	32,148,164
Income for the period		22,966,950	67,257,985
Other comprehensive income			
Net value (loss)/gain on available-for-sale financial assets		(5,749,440)	5,510,274
Total comprehensive income for the period		17,217,510	72,768,259

The notes on pages 7 to 48 form an integral part of these financial statements.

RBC Trust (Trinidad & Tobago) Limited

Statement of changes in equity

	Share capital $	Statutory reserve $	Investment revaluation reserve $	Retained earnings $	Total shareholder's equity $
Year ended 31 October 2011					
Balance at beginning of year	15,000,000	15,000,000	5,510,824	96,905,739	132,416,563
Profit for the year	--	--	--	22,966,950	22,966,950
Other comprehensive income	--	--	(5,749,440)	--	(5,749,440)
Total comprehensive income for the year	--	--	(5,749,440)	22,966,950	17,217,510
Share of reserves from associate	--	--	238,616	--	238,616
Dividends	--	--	--	(80,000,000)	(80,000,000)
Adjustment to carrying value of associate arising from group reorganization	--	--	--	(13,927,000)	(13,927,000)
Balance at end of year	15,000,000	15,000,000	--	25,945,689	55,945,689
Period ended 31 October 2010					
Balance at beginning of period	15,000,000	15,000,000	(17,008,203)	259,647,754	272,639,551
Profit for the period	--	--	--	67,257,985	67,257,985
Other comprehensive income	--	--	5,510,274	--	5,510,274
Total comprehensive income for the period	--	--	5,510,274	67,257,985	72,768,259
Share of reserves from associate	--	--	17,008,753	--	17,008,753
Dividends	--	--	--	(230,000,000)	(230,000,000)
Balance at end of period	15,000,000	15,000,000	5,510,824	96,905,739	132,416,563

The notes on pages 7 to 48 form an integral part of these financial statements.

RBC Trust (Trinidad & Tobago) Limited

Statement of cash flows

	Year ended 31 October 2011 $	Nineteen months period ended 31 October 2010 $
Operating activities		
Income for the period	22,966,950	67,257,985
Adjustments for:		
Capitalised interest on investment securities	--	(341,167)
Loss/(gain) on disposal of investment securities	(5,280,502)	8,295,376
Share of (losses)/profits of associate	(1,326,071)	1,386,500
Taxation expense	3,211,712	9,827,504
Amortization and depreciation	833,303	2,107,728
Income before changes in operating assets and liabilities	20,405,392	88,533,926
Decrease/(Increase) in operating assets		
Receivables and prepayments	(12,412,321)	16,803,923
(Decrease) Increase in operating liabilities		
Payables and accruals and provisions	(615,719)	(1,347,634)
Corporation taxes paid	(5,166,995)	(56,267,899)
Cash provided by operating activities	2,210,357	47,722,316
Investing activities		
Purchase of investment securities	--	(603,821,461)
Additions to equipment	(551,839)	--
Disposal of intangible assets	416,597	--
Additions to intangible assets	(8,970)	--
Disposal of investment in subsidiary	--	50,000
Proceeds from sale/redemptions of investment securities	24,990,420	784,781,021
Net decrease in loans to customers	8,055,914	45,414,764
Dividends received from Investment in Associate	15,247,200	--
Cash provided by investing activities	48,149,322	226,424,324
Financing activities		
Dividends paid	(60,000,000)	(230,000,000)
Cash used in financing activities	(60,000,000)	(230,000,000)
Net (decrease)/increase in cash resources	(9,640,321)	44,146,640
Cash resources at beginning of period	44,511,870	365,230
Cash resources at end of period	34,871,549	44,511,870

The notes on pages 7 to 48 form an integral part of these financial statements.

1 General information

The Company was incorporated in the Republic of Trinidad and Tobago on 17 July 1959.

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 authorised thereunder to conduct "business of a financial nature" falling within the class of "Trust Company". The Company provides a full range of services pertaining to administration, trusteeship, executorship, and support services associated therewith, to corporate and individual clients. Its registered office is 55 Independence Square, Port of Spain, Trinidad and Tobago.

The associate company of RBC Trust (Trinidad & Tobago) Limited is engaged in banking and financial intermediation services.

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 comparative period ended 31 October 2010 include 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 Trust Limited to RBC Trust (Trinidad & Tobago) 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 there has been 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)
- 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)

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

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

- 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)
- 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)

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

Standards and Interpretations in issue not yet adopted (continued)

- 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

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

Basis of measurement

These financial statements are prepared in Trinidad and Tobago.

These financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities.

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3 **Significant accounting policies (continued)**

b) **Investment in associate**

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, investments in associates are carried in the unconsolidated Statement of Financial Position at cost as adjusted for post-acquisition changes in the Entity's share of the net assets of the associate, less any impairment in the value of individual investments.

Losses of an associate in excess of the Entity's interest in that associate (which includes any long-term interests that, in substance, form part of the Entity's net investment in the associate) are not recognized, unless the Entity's has incurred legal or constructive obligation or made payments on behalf of the associate.

Where a Company transacts with associates of the Entity, profits and losses are eliminated to the extent of the Entity's interest in the relevant associate.

c) **Comparatives**

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 comparative period.

d) **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.

3 **Significant accounting policies (continued)**

d) **Foreign currency transactions (continued)**

Transactions and balances (continued)

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.

Associate

The results and financial position of the associate which has a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognized as a separate component of equity.

e) **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.

f) **Financial assets**

The Company classifies its financial assets into the following categories: loans and advances to customers; and available-for-sale (AFS) financial assets. Management determines the classification of its investments at initial recognition.

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 on points 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)**

f) **Financial assets (continued)**

i) Loans to customers

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (b) those that the entity upon initial recognition designates as AFS; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

ii) AFS financial assets

AFS investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Purchases and sales of financial assets are recognised on the settlement date – the date on which there is a cash outflow or inflow.

Financial assets are initially recognised at fair value plus transaction costs.

Available for sale financial assets are subsequently carried at fair value. Loans and advances to customers and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of available for sale financial assets are recognised directly in Other Comprehensive Income.

At the time of disposal, the cumulative gain or loss previously recognised in Other Comprehensive Income is recognised in profit or loss. Interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognised in the Statement of Comprehensive Income. Dividends on available for sale equity instruments are recognised in the Statement of Comprehensive Income when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the Company establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

3 **Significant accounting policies (continued)**

f) **Financial assets (continued)**

iii) De-recognition 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 the financial asset and also recognises a collateralised borrowing for the proceeds received.

g) **Impairment of financial assets**

Financial assets classified as available for sale

At the end of the reporting period the Company assesses whether there is objective evidence that a financial asset or a group of financial assets classified as AFS is impaired. A financial asset or a group of financial assets classified as AFS is impaired if its carrying amount is greater than its estimated recoverable amount based on the present value of expected future cash flows discounted at the current market rate of interest.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment

At the end of the reporting period if any such evidence exists for financial assets available for sale, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss, is removed from equity and recognised in the profit or loss

With the exception of AFS equity instruments, if, in a 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, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For AFS equity investments, reversals of impairment losses previously recognised in income is recognised in other comprehensive income.

3 **Significant accounting policies (continued)**

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

Renegotiated loans

Where possible, the Company seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

h) **Leases**

Company is the lessee

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 acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives of the intangible assets which are estimated to be 7 to 10 years. 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.

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.

3 **Significant accounting policies (continued)**

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

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.

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% - 20%
Computer equipment	- 20% - 25%
Motor vehicles	- 25%

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

3 **Significant accounting policies (continued)**

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) **Share capital**

Shares issued for cash are accounted for at the issue price less any transaction costs of the issue. Shares issued as consideration for the acquisition of a business are recorded at the market price on the date of the issue.

n) **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 financial statements.

o) **Employee benefits**

i) Pension obligations

The Company operates 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 company, taking account of the recommendations of independent qualified actuaries.

3 **Significant accounting policies (continued)**

o) **Employee benefits (continued)**

i) Pension obligations (continued)

For defined benefit plans maintained as part of multi-employer plans by the group, the administrators are unable to provide information on individual group company's 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 unconsolidated 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.

p) **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)**

p) **Revenue recognition (continued)**

i) Interest income and expense (continued)

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 Company 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 the dividend is established.

q) **Taxation**

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the unconsolidated 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.

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.

3 **Significant accounting policies (continued)**

q) **Taxation (continued)**

Deferred tax (continued)

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.

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 recognised 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.

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.

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.

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

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.

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 14.

5 **Investment securities**

	2011 $	2010 $
Amounts neither past due nor impaired		
Available for sale		
Government and state owned enterprise securities	278,616	21,446,025
Corporate securities	1,281,540	5,112,723
Money market instruments	25,000	31,269
	1,585,156	26,590,017
Interest receivable	49,193	503,689
	1,634,349	27,093,706

The movement in investment securities may be summarized as follows:

	2011 $	2010 $
Balance at beginning of period	26,590,017	199,165,872
Additions	--	603,821,461
Disposals/maturities	(20,015,670)	(779,258,643)
Principal repayments	(4,730,399)	(3,247,746)
Capitalized interest	--	341,167
Changes in fair value	(258,792)	5,767,906
Balance at end of period	1,585,156	26,590,017

6 **Investment in subsidiary**

	2011 $	2010 $
RBTT Asset Management Limited	--	--

During the previous financial period the investment in subsidiary was transferred to the parent of RBC Trust (Trinidad and Tobago) Limited (formerly RBTT Trust Limited), RBC Financial (Caribbean) Limited at its book value.

7	**Investment in associate**	**2011** **$**	**2010** **$**
	RBTT Securities (Jamaica) Limited	17,349,074	45,181,398

On February 22, 2008, RBC Trust (Trinidad & Tobago) Limited acquired a 20% holding in RBTT Securities (Jamaica) Limited.

7.1 **Movement in equity interest in associate**

	2011	2010
Balance at beginning of period	45,181,398	29,087,845
Share of current period's (losses)/profits before tax	1,326,071	(1,386,500)
Share of current period's tax (charge)/credit (Note 20)	(222,811)	471,302
Share of current period's reserves	238,616	17,008,751
Adjustment to the carrying amount of associate arising from group reorganisation	(13,927,000)	--
Dividends	(15,247,200)	--
Balance at end of period	17,349,074	45,181,398

The Company's interest in its principal associate, which is unlisted, is as follows:

	Country of Incorporation	Assets $'000	Liabilities $'000	Revenues $'000	(Loss)/ Profit $'000	% Interest Held
2011						
RBTT Securities (Jamaica) Limited	Jamaica	19,945	76	1,899	1,326	20%
2010						
RBTT Securities (Jamaica) Limited	Jamaica	104,498	70,693	18,244	(1,386)	20%

8	**Loans to customers**	**2011** **$**	**2010** **$**
	Amounts neither past due nor impaired		
	Commercial/corporate	--	8,981,579
	Unearned interest	--	(941,579)
		--	8,040,000
	Interest receivable	--	15,914
		--	8,055,914

8.1	**Sectoral analysis**	**2011** **$**	**2010** **$**
	Corporate loans	--	8,040,000

9 Property and equipment

	Leasehold Improvements $	Furniture, Fixtures and Electrical Equipment $	Computer Equipment $	Capital Work In Progress $	Total $
Year ended 31 October 2011					
Opening net book value	475,891	329,541	1,303,173	--	2,108,605
Transfers	--	--	513,282	38,557	551,839
Depreciation charge	(163,188)	(196,837)	(174,808)	--	(534,833)
Closing net book value	312,703	132,704	1,641,647	38,557	2,125,611
At 31 October 2011					
Cost	1,065,625	1,691,742	3,643,528	38,557	6,439,452
Accumulated depreciation	(752,922)	(1,559,038)	(2,001,881)	--	(4,313,841)
Net book value	312,703	132,704	1,641,647	38,557	2,125,611
Nineteen months ended 31 October 2010					
Opening net book value	484,184	399,845	1,843,776	126,112	2,853,917
Transfers	--	41,097	85,015	(126,112)	--
Disposals	--	--	(46,511)	--	(46,511)
Depreciation charge	(8,293)	(111,401)	(579,107)	--	(698,801)
Closing net book value	475,891	329,541	1,303,173	--	2,108,605
At 31 October 2010					
Cost	1,065,625	1,691,742	3,130,246	--	5,887,613
Accumulated depreciation	(589,734)	(1,362,201)	(1,827,073)	--	(3,779,008)
Net book value	475,891	329,541	1,303,173	--	2,108,605

10 Intangible assets – software

	2011 $	2010 $
Opening net book value	3,989,273	13,967,731
Additions	8,970	403,707
Disposals	(416,597)	(8,973,238)
Amortization charge	(298,470)	(1,408,927)
Closing net book value	3,283,176	3,989,273
Cost	5,986,412	6,394,039
Accumulated amortisation	(2,703,236)	(2,404,766)
Net book value	3,283,176	3,989,273

11 Receivables and prepayments

	2011 $	2010 $
Prepayments	328,223	362,505
Fees receivable	10,376,395	3,745,521
Other	5,815,729	--
	16,520,347	4,108,026

12 Deferred tax asset

	2011 $	2010 $
Deferred tax asset	979,173	952,944

The movement in the deferred tax account is as follows:

	2011 $	2010 $
At beginning of period	952,944	290,070
Statement of comprehensive income credit (note 20)	26,229	15,822
At end of period	979,173	952,944

Deferred tax asset is attributable to the following items:

	2011 $	2010 $
Other	(59,961)	--
Available for sale securities	--	(42,555)
Post retirement benefits	888,579	959,000
Accelerated tax depreciation	150,555	36,499
	979,173	952,944

13 Payables and accruals

	2011 $	2010 $
Other payables and accruals	418,574	1,852,852

14 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.

i) The amounts recognized on the statement of financial position for other post-retirement benefit plans are as follows:

	Medical $000	Group Life $000	Pension $000	Total $000
As at 31 October 2011				
Fair value of plan assets	--	--	(2,160)	(2160)
Post retirement benefit obligation	1,270	156	4,189	5,615
Unrecognized actuarial gain/(loss)	102	(4)	--	98
Liability in the statement of financial position	1,372	152	2,029	3,553
As at 31 October 2010				
Fair value of plan assets	--	--	(2,229)	(2,229)
Post retirement benefit obligation	1,160	165	4,411	5,736
Unrecognized actuarial gain/(loss)	337	(9)	--	328
Liability in the statement of financial position	1,497	156	2,182	3,835

ii) 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 year	1,497	156	2,182	3,835
Net benefit cost	(86)	2	14	(70)
Benefits paid by the company (net of retirees' premiums)	(39)	(6)	(167)	(212)
At the end of the year	1,372	152	2,029	3,553
Period ended 31 October 2010				
At the beginning of the year	2,289	229	2,253	4,771
Net benefit cost	(750)	(67)	43	(774)
Benefits paid by the company (net of retirees' premiums)	(42)	(6)	(114)	(162)
At the end of the year	1,497	156	2,182	3,835

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

(iii) 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 year	1,160	165	4,411	5,736
Current service cost	38	6	117	161
Interest cost	66	9	245	320
Actuarial gains	45	(20)	(416)	(391)
Benefits paid	(39)	(6)	(167)	(212)
Defined benefit obligation at the end of the year	1,270	154	4,190	5,614
Period ended 31 October, 2010				
Defined benefit obligation at the beginning of the year	1,577	186	4,222	5,985
Current service cost	46	8	67	122
Interest cost	123	16	394	533
Actuarial gains	(544)	(36)	(187)	(767)
Benefits paid	(42)	(10)	(85)	(137)
Defined benefit obligation at the end of the year	1,160	164	4,411	5,735

(iv) 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	38	6	117	161
Interest cost	66	9	245	320
Actuarial gains/(losses) amortized	(137)	(13)	(271)	(421)
Expected return on plan assets			(130)	(130)
Net benefit costs included in staff costs	(33)	2	(39)	(70)
Period ended 31 October 2010				
Current service cost	46	9	33	88
Interest cost	123	16	197	336
Actuarial gains/(losses) amortized	(919)	(92)	(186)	(1,197)
Net benefit costs included in staff costs	(750)	(67)	44	(773)

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

The principal actuarial assumptions used were as follows:

	31 October 2011	31 October 2010
Discount rates – Medical and Life	6.25%	6.25%
Discount rates – Pension	6.00%	6.00%
Expected rate of salary increase	4.5% - 5%	4.5% - 5%
Medical Expense :		
- 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	31 October 2010
Medical Expense Increase by 1%		
Effects on Aggregate Service and Interest Cost	23	31
Effect on Year End Defined Benefit Obligation	242	28
Medical Expense Decrease by 1%		
Effects on Aggregate Service and Interest Cost	(18)	(223)
Effect on Year End Defined Benefit Obligation	(192)	(178)

15 **Share capital**

	2011 $	2010 $
Authorised		
An unlimited number of ordinary shares of no par value	15,000,000	15,000,000
Issued and fully paid		
15,000,000 ordinary shares of no par value	15,000,000	15,000,000

16 **Statutory reserve**

The Financial Institutions Act, 2008 r equires financial institutions in Trinidad and Tobago to transfer annually a minimum of 10% of its profit after taxation to a reserve fund until the balance on this reserve is not less than the paid up capital of the institution.

	Year ended 31 October	Nineteen month period ended 31 October
17 **Interest income**	**2011**	**2010**
	$	**$**
Investment securities	1,286,026	10,145,088
Loans to customers	184,557	7,265,466
Deposits with banks	14,301	188,994
	1,484,884	17,599,548

18 **Fees, commissions and other income**	**2011**	**2010**
	$	**$**
Fee income	29,381,565	32,588,330
Commission income	79,132	793,004
Miscellaneous income	3,775	63,092
Realised gains on disposal of AFS Securities	5,280,502	--
Reversal of impairment of investment security	6,711,054	--
	41,456,028	33,444,426

19 **Operating expenses**	**2011**	**2010**
	$	**$**
Staff costs	6,153,198	8,314,341
Advertising	167,856	663,273
Amortization and depreciation	833,302	1,053,864
Directors' remuneration	55,500	44,250
Auditors' remuneration	50,639	84,169
Foreign exchange losses	186,922	--
Other operating expenses	10,640,904	4,779,092
	18,088,321	14,938,989
Staff costs include:		
Salaries and wages	6,223,198	9,087,341
Post retirement benefits	(70,000)	(773,000)
	6,153,198	8,314,341

	Year ended 31 October 2011 $	Nineteen month period ended 31 October 2010 $
Current tax charge from continuing operations	2,983,885	3,517,957
Deferred tax (credit) (Note 12)	(26,229)	(15,822)
Green fund levy	31,245	145,715
Share of tax (credit)/charge of associate (Note 7.1)	222,811	(471,302)
Prior years	--	(4,065,099)
Taxation charge/(credit) from continuing operations	3,211,712	(888,551)
Current tax charge from discontinued operations (Note 21)	--	10,716,055
Taxation expense for the period from continuing and discontinued operations	3,211,712	9,827,504

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

Income before tax from continuing operations	26,178,662	34,221,270
Income before tax from discontinued operations (Note 21)	--	42,864,219
Income before tax for the period/year	26,178,662	77,085,489
Prima facie tax at the rate of 25%	6,544,666	19,271,372
Income exempt from tax	(149,925)	(1,970,783)
Non allowable expenses	(1,772,020)	7,443
Prior years	--	(3,092,685)
Green fund levy	31,245	145,715
Share of tax losses of associate	--	1,083,042
Share of tax charge of associate (Note 6.1)	222,810	(471,302)
Prior period	--	(4,065,099)
Other timing differences	(1,665,064)	(1,080,199)
Taxation expense for the period/year from continuing and discontinued operations	3,211,712	9,827,504

21 Discontinued operations

Separation of asset management business line

During the previous financial period, the company separated its asset management and trustee business lines into two separate legal entities in anticipation of pending regulatory amendments. As of November 2, 2009, the asset management business line is conducted under RBC Investment Management (Caribbean) Limited whilst the trustee business line remained with RBC Trust (Trinidad & Tobago) Limited.

21 **Discontinued operations (continued)**

Separation of asset management business line (Continued)

The results of the asset management business line included in the statement of comprehensive income are set out below:

Profit for the period from discontinued operations	**2011 $**	**2010 $**
Income		
Fees, commissions and other income	--	110,539,817
Expenses		
Staff costs	--	5,702,328
Losses on disposal of investment securities	--	11,180,355
Losses on agency fee arrangements	--	40,901,006
Other operating expenses	--	9,891,909
Total expenses	--	67,675,598
Income before tax	--	42,864,219
Attributable income tax expense	--	(10,716,055)
Income for the period from discontinued operations	--	32,148,164
Cash flows from discontinued operations		
Net cash inflows from operating activities	--	22,810,449
Net cash inflows from investing activities	--	108,226,946
Net cash outflows from financing activities	--	(109,936,058)
Net cash inflows	--	21,101,337

22 **Dividends**

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

	2011 $	**2010 $**
Interim dividend for 2011 - $5.33 per share (2010: $15.33)	80,000,000	230,000,000

23 **Contingent liabilities**

Legal proceedings

As at 31 October 2011, there were certain legal proceedings outstanding against the Company. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise (2010 – Nil).

24 **Lease commitments**

There are no operating lease commitments as at 31 October 2011 (31 October 2010 – Nil).

25 **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 year-end arising from related party transactions and related income and expense for the year ended are as follows:**

	2011 $	2010 $
Cash		
Affiliated companies	34,871,549	44,511,870
Investment in associate	17,349,074	45,181,398
Property and equipment		
Transfer to affiliated entity	--	2,190,687
Intangible asset		
Transfer to affiliated entity	--	6,915,798
Interest income		
Affiliated entities	14,301	3,329,903
Fees and commission income		
Affiliated entities	126,382	49,252,935
Other operating expenses		
Affiliated companies	7,364,037	12,041,822
Dividends		
Affiliated entities - payment	60,000,000	230,000,000
Affiliated entities – payable	20,000,000	--
Affiliated entities – dividend income	15,247,200	--

25 **Related party transactions (continued)**

(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	498,835	1,090,722
Termination payments	--	986,200
Post- retirement benefits	--	135,525
	498,835	2,212,447

26 **Financial risk management**

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

26 Financial risk management (continued)

26.1 Risk management (continued)

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.

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.

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.

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.

26 Financial risk management (continued)

26.2 Categorization

	Financial assets or liabilities carried at fair value	Financial assets or liabilities carried at amortized costs	Non-financial assets or liabilities	Equity instruments	Total
	$	$	$	$	$
As at 31 October 2011					
Assets					
Cash resources	--	34,871,549	--	--	34,871,549
Investment securities	1,634,349	--	--	--	1,634,349
Investment in associate	--	--	17,349,074	--	17,349,074
Loans to customers	--		--	--	
Property and equipment	--	--	2,125,611	--	2,125,611
Intangible assets - software	--	--	3,283,176	--	3,283,176
Receivables and prepayments	--	16,192,124	328,223	--	16,520,347
Deferred tax asset	--	--	979,173	--	979,173
Taxation recoverable	--	--	4,704,543	--	4,704,543
Total assets	1,634,349	51,063,673	28,769,800	--	81,467,822
Equities and liabilities					
Liabilities					
Payables and accruals	--	418,574	--	--	418,574
Post retirement benefit obligations	--	--	3,553,315	--	3,553,315
Provisions	--	--	1,550,244	--	1,550,244
Taxation payable	--	--	--	--	--
Dividend Payable	--	--	20,000,000	--	20,000,000
Shareholders' equity					
Share capital	--	--	--	15,000,000	15,000,000
Capital reserve	--	--	--	15,000,000	15,000,000
Investment revaluation reserve	--	--	--	--	--
Retained earnings	--	--	--	25,945,689	25,945,689
Total equity and liabilities	--	418,574	25,103,559	55,945,689	81,467,822

26 Financial risk management (continued)

26.2 Categorization (continued)

	Financial assets or liabilities carried at fair value	Financial assets or liabilities carried at amortized costs	Non-financial assets or liabilities	Equity instruments	Total
	$	$	$	$	$
As at 31 October 2010					
Assets					
Cash resources	--	44,511,870	--	--	44,511,870
Investment securities	27,093,706	--	--	--	27,093,706
Investment in associate	--	--	45,181,398	--	45,181,398
Loans to customers	--	8,055,914	--	--	8,055,914
Property and equipment	--	--	2,108,605	--	2,108,605
Intangible assets - software	--	--	3,989,273	--	3,989,273
Receivables and prepayments	--	3,745,521	362,505	--	4,108,026
Deferred tax asset	--	--	952,944	--	952,944
Taxation recoverable	--	--	5,420,660	--	5,420,660
Total assets	27,093,706	56,313,305	58,015,385	--	141,422,396
Equities and liabilities					
Liabilities					
Payables and accruals	--	1,852,852	--	--	1,852,852
Post retirement benefit obligations	--	--	3,835,000	--	3,835,000
Provisions	--	--	450,000	--	450,000
Taxation payable	--	--	2,867,981	--	2,867,981
Shareholders' equity					
Share capital	--	--	--	15,000,000	15,000,000
Capital reserve	--	--	--	15,000,000	15,000,000
Investment revaluation reserve	--	--	--	5,510,824	5,510,824
Retained earnings	--	--	--	96,905,739	96,905,739
Total equity and liabilities	--	1,852,852	7,152,981	132,416,563	141,422,396

26 Financial risk management (continued)

26.3 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 depa rtment 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.

26.3.1 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	418	--	--	418
Total liabilities (contractual Maturity dates)	418	--	--	418

	Up to one year ($'000)	One to five years ($'000)	Over five years ($'000)	Total ($'000)
As at 31 October 2010				
Liabilities				
Other liabilities	1,853	--	--	1,853
Total liabilities (contractual maturity dates)	1,853	--	--	1,853

26 Financial risk management (continued)

26.4 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 the Group Market Risk on a monthly basis.

26.4.1 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.

26.4.2 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.

26 **Financial risk management (continued)**

26.4 **Market risk (continued)**

26.4.3 **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	34,872	--	--	--	34,872
Investment securities	1,335	299	--	--	1,634
Loans to customers	--	--	--	--	
Receivables and prepayments	16,192	--	--	--	16,192
Total financial assets	52,399	299	--	--	52,698
Total financial liabilities	418	--	--	--	418
Interest sensitivity gap	51,981	299	--	--	52,280

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	44,512	--	--	--	44,512
Investment securities	13,196	8,281	5,113	504	27,094
Loans to customers	8,040	--	--	16	8,056
Receivables and prepayments	3,745	--	--	--	3,745
Total financial assets	69,493	8,281	5,113	520	83,407
Total financial liabilities	1,853	--	--	--	1,853
Interest sensitivity gap	67,640	8,281	5,113	520	81,554

As at 31 October 2011, had the interest rates increased or decreased by 100 basis points with all other variables held constant, the increase or decrease in profit would amount to $796,620 (31 October 2010: $2,553,910), arising substantially from the increase/decrease in market values of debt securities.

26 **Financial risk management (continued))**

26.4 **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.

26.5 **Currency risk**

26.5.1 **Concentrations of currency risk**

The functional currency of the Company is Trinidad and Tobago dollars. Foreign currency transactions do not require the use of interest rate swaps and foreign currency options or other derivative instruments which all carry inherent risks. The table below summarizes the Company's exposure to foreign currency exchange rate risk as at 31 October 2011 and 31 October 2010.

	TT	US	Total
As at 31 October 2011	**$'000**	**$'000**	**$'000**
Financial assets			
Cash resources	34,872	--	34,872
Investment securities	324	1,310	1,634
Loans to customers	--	--	--
Receivables and prepayments	14,804	1,388	16,192
Total financial assets	50,000	2,698	52,698
Total financial liabilities	(418)	--	(418)
Net Statement of financial position	49,582	2,698	52,280

	TT	US	Total
As at 31 October 2010	**$'000**	**$'000**	**$'000**
Total financial assets	57,575	25,832	83,407
Total financial liabilities	(1,853)	--	(1,853)
Net Statement of financial position	55,722	25,832	81,554

26.5.2 **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 $13,490 (31 October 2010: $129,160).

26 Financial risk management (continued)

26.6 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.

26.6.1 Credit risk management

a) Loans and advances

In measuring credit risk of loan and advances to customers at a counterparty level, the Company reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Company derive the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations.

The Company assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison with externally available data. Clients of the Company are segmented into seven rating classes. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The Group regularly validates the performance of the rating and their predictive power with regard to default events.

26 Financial risk management (continued)

26.6 Credit risk (continued)

26.6.1 Credit risk management (Continued)

Group's Internal ratings scale and mapping of external ratings

Group's rating	Description of the grade	Credit quality	External rating Standard & Poor's equivalent
1	Excellent	High grade	BB+
2	Very Good	High grade	BB, BB-
3	Good	Standard grade	B+, B
4	Special Mention	Substandard grade	B-, CCC+
5	Unacceptable	Past due or impaired	CCC, CCC-
6	Bad and Doubtful	Past due or impaired	CC+, CC
7	Virtual Certain Loss	Past due or impaired	CC-

The ratings of the major rating agency shown in the table above are mapped to Group's rating classes based on the long-term average default rates of each external grade. The Group uses the external ratings where available to benchmark the internal credit risk assessment. Observed defaults per rating category vary year on year, especially over an economic cycle.

26.6.2 Risk limit control and mitigation policies

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Board of Directors.

Collateral

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its periodic review of loan accounts.

26 Financial risk management (continued)

26.6 Credit risk (continued)

26.6.3 Impairment and provisioning policies

Impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the statement of financial position date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

The Company's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at statement of financial position date on a case-by-case basis, and are applied to all individually significant accounts.

The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for portfolios of homogenous assets that are individually below the materiality threshold.

26.6.4 Maximum exposure to credit risk

	Gross Maximum exposure 2011 $'000	Gross maximum exposure 2010 $'000
Cash resources	34,872	44,512
Investment securities	1,634	27,094
Loans to customers	--	8,056
Receivables and prepayments	16,192	3,745
Total	52,698	83,407

The above table represents a worse case scenario of credit risk exposure to the Company without taking account of any collateral held or other credit enhancement attached.

26 Financial risk management (continued)

26.6 Credit risk (continued)

26.6.5 Concentration of risk of financial assets with credit risk exposure by industry sectors

The following table breaks down the Company's main credit exposure of their carrying amounts, as categorized by industry sectors of counterparties.

	Gross maximum exposure 2011 $'000	Gross maximum exposure 2010 $'000
Financial services	52,395	52,181
Transport	--	13,406
Utilities	--	--
Distribution	--	8,056
Petroleum	--	5,188
Government	303	4,576
Total	52,698	83,407

26.6.6 Credit quality by class of financial assets

All of the Company's financial assets are neither past due nor impaired.

26 **Financial risk management (continued)**

26.6 **Credit risk (continued)**

26.6.7 **Credit risk exposure on debt securities and other bills based on the Group's internal corporate rating system**

The table below presents an analysis of debt securities, treasury bills and other eligible bills by internal and equivalent rating agency designation.

	Government debt securities $'000	Corporate debt securities $'000	Short term investments $'000	Total $'000
As at 31 October 2011				
1. Excellent (BB+)			25	25
2. Very good (BB, BB-)				
3. Good (B+, B)	225	1,310	--	1,535
4. Special mention (B-, CCC+)	74	--	--	74
Total	299	1,310	25	1,634
As at 31 October 2010				
1. Excellent (BB+)	290	5,189	--	5,479
2. Very good (BB, BB-)	--	31	--	31
3. Good (B+, B)	4,285	3,893	--	8,178
4. Special mention (B-, CCC+)	13,406	--	--	13,406
Total	17,981	9,113	--	27,094

26.7 **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.

26 **Financial risk management (continued)**

26.7 **Capital management (continued)**

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 years, the Company complied with all of the externally imposed capital requirements to which it is subject.

	2011 $	2010 $
Tier 1 capital		
Share capital	15,000,000	15,000,000
Statutory reserve	15,000,000	15,000,000
Retained earnings	25,945,689	96,905,739
Total qualifying Tier 1 capital	55,945,689	126,905,739
Tier 2 capital		
Revaluation reserve – available-for-sale investments	--	5,510,824
Total qualifying Tier 2 capital	--	5,510,824
Less: investments in subsidiary	--	--
Total regulatory capital	55,945,689	132,416,563
Risk-weighted assets:		
On-statement of financial position	47,944,000	128,845,000
Total risk-weighted assets	47,944,000	128,845,000
Total regulatory capital to risk weighted assets	116.69%	102.77%

27 Fair value of financial assets and liabilities

Financial assets and liabilities not carried at fair value mainly comprise loans to customers. 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.

Loans to customers

Loans to customers are net of specific provision for losses. These assets result from transactions conducted under typical market conditions and their values are not adversely affected by unusual terms. The portfolio constitutes assets with floating rates of interest that approximate market conditions and yield discounted cash flows which are substantially in accordance with financial statement amounts.

	Carrying value ($'000)	Fair value ($'000)
Balance at 31 October 2011	--	--
Balance at 31 October 2010	8,056	8,056

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

27 Fair value of financial assets and liabilities (Continued)

As at 31 October 2011	Level 1 ($'000)	Level 2 ($'000)	Level 3 ($'000)	Total ($'000)
Securities available-for-sale at fair value				
Government and state-owned enterprises debt securities	--	--	250	250
Corporate debt securities	--	--	1,310	1,310
Money market instruments	--	--	25	25
	--	--	1,585	1,585
Total Investments	--	--	1,585	1,585

There were no transfers between Level 1 and 2 in the period.

Reconciliation of Level 3 fair value measurements of financial assets – year ended 31 October, 2011

	Available - For-sale ($'000)
As at November 1, 2010	26,590
Disposal (sale and redemption)	(20,016)
Principal repayments	(4,730)
Losses from changes in fair value	(259)
As at October 31, 2011	1,585

As at 31 October 2010	Level 1 ($'000)	Level 2 ($'000)	Level 3 ($'000)	Total ($'000)
Securities available-for-sale at fair value				
Government and state-owned enterprises debt securities	--	--	21,446	21,446
Corporate debt securities	--	--	5,113	5,113
Money market instruments	--	--	31	31
	--	--	26,590	26,590
Total Investments	--	--	26,590	26,590

There were no transfers between Level 1 and 2 in the period.

27 **Fair value of financial assets and liabilities (Continued)**

Reconciliation of Level 3 fair value measurements of financial assets – peri od ended 31 October, 2010

	Available - For-sale ($'000)
As at April 1, 2009	199,166
Additions	603,821
Disposal (sale and redemption)	(779,259)
Principal repayments	(3,247)
Capitalized interest	341
Gains from changes in fair value	5,768
As at October 31, 2010	26,590