



# WISE

## Financial Statements 2021



**West Indies Stockbrokers Limited**

**Financial Statements**  
**October 31, 2021**

## **West Indies Stockbrokers Limited**

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# West Indies Stockbrokers Limited

## Statement of Management's Responsibilities

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Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of West Indies Stockbrokers Limited (the 'Company') which comprise the statement of financial position as at October 31, 2021 and the statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Company's assets, detection/prevention of fraud, and the achievement of Company operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Company will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.



Head, West Indies Stockbrokers Limited

January 28, 2022



Director, Finance- Trinidad and Tobago

January 28, 2022





## Independent auditor's report

To the shareholder of West Indies Stockbrokers Limited

### Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of West Indies Stockbrokers Limited (the Company) as at 31 October 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 October 2021;
- the statement of income and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

### Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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### Responsibilities of management and those charged with governance for the financial statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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**Auditor's responsibilities for the audit of the financial statements**

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

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

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

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



Port of Spain,  
Trinidad, West Indies  
31 January 2022

# West Indies Stockbrokers Limited

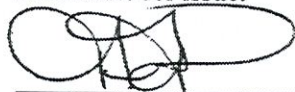
## Statement of Financial Position

Expressed in Trinidad and Tobago dollars

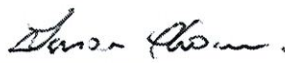
		As at October 31,	
	Notes	2021 (\$'000)	2020 (\$'000)
<b>Assets</b>			
Cash and cash equivalents	3	36,184	32,343
Securities	4	8,682	12,571
Intangible assets	5	181	365
Equipment	6	129	195
Deferred tax asset	7	185	232
Other assets	8	1,976	3,976
<b>Total assets</b>		<b>47,337</b>	<b>49,682</b>
<b>Liabilities</b>			
Post-retirement benefit obligation	9	616	773
Deferred tax liabilities	7	2,075	3,324
Other liabilities	10	8,476	11,194
<b>Total liabilities</b>		<b>11,167</b>	<b>15,291</b>
<b>Equity</b>			
Share capital	11	8,000	8,000
Reserves	12	5,058	7,764
Retained earnings		23,112	18,627
<b>Total equity</b>		<b>36,170</b>	<b>34,391</b>
<b>Total equity and liabilities</b>		<b>47,337</b>	<b>49,682</b>

The notes on pages 8 to 56 form an integral part of these financial statements.

On January 28, 2022, the Board of Directors of West Indies Stockbrokers Limited authorised these financial statements for issue.



Director



Director



# West Indies Stockbrokers Limited

## Statement of Income and Other Comprehensive Income

Expressed in Trinidad and Tobago dollars

		Year ended October 31	
	Notes	2021 (\$'000)	2020 (\$'000)
<b>Revenue</b>			
Non-interest income	13	14,479	12,427
Investment income	14	316	2,191
		<u>14,795</u>	<u>14,618</u>
 Operating expenses	15	<u>(8,574)</u>	<u>(9,042)</u>
 <b>Net income before taxation</b>		6,221	5,576
  Taxation expense	16	<u>(1,816)</u>	<u>(1,889)</u>
 <b>Net income after taxation</b>		<u>4,405</u>	<u>3,687</u>
 <b>Other comprehensive income, net of tax:</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Re-measurement of post-retirement benefit obligation		82	(9)
Net fair value (losses)/gains on securities at FVOCI		<u>(2,708)</u>	<u>1,468</u>
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<u>(2,626)</u>	<u>1,459</u>
<b>Total comprehensive income for the year</b>		<u><u>1,779</u></u>	<u><u>5,146</u></u>

The notes on pages 8 to 56 form an integral part of these financial statements.

# West Indies Stockbrokers Limited

## Statement of Changes in Equity

Expressed in Trinidad and Tobago dollars

	Share Capital (\$'000)	Reserves (\$'000)	Retained Earnings (\$'000)	Total equity (\$'000)
<b>Year ended October 31, 2021</b>				
Balance at November 1, 2020	8,000	7,764	18,627	34,391
Net income after taxation	-	-	4,405	4,405
Other comprehensive loss for the year	-	(2,708)	82	(2,626)
Total comprehensive income for the year	-	(2,708)	4,487	1,779
Balance at October 31, 2021	8,000	5,056	23,114	36,170
<b>Year ended October 31, 2020</b>				
Balance at November 1, 2019	8,000	6,296	14,949	29,245
Net income after taxation	-	-	3,687	3,687
Other comprehensive income for the year	-	1,468	(9)	1,459
Total comprehensive income for the year	-	1,468	3,678	5,146
Balance at October 31, 2020	8,000	7,764	18,627	34,391

The notes on pages 8 to 56 form an integral part of these financial statements.



# West Indies Stockbrokers Limited

## Statement of Cash Flows

Expressed in Trinidad and Tobago dollars

	Year ended October 31	
	2021	2020
	(\$'000)	(\$'000)
<b>Cash flows from operating activities</b>		
Net income before taxation	6,221	5,576
Post- retirement benefit obligation	(40)	(252)
Fair value gains on financial assets at fair value through profit or loss	(25)	(530)
Amortisation on financial assets at fair value through profit or loss	3,977	2,667
Depreciation and amortisation of equipment and intangible assets	250	284
	10,383	7,745
Movement in working capital		
Decrease/(increase) in other assets	2,000	(3,090)
(Decrease)/increase in other liabilities	(3,490)	6,403
Cash generated from operations	8,893	11,058
Corporation tax paid, net of refunds received	(1,211)	(3,015)
<b>Net cash generated from operating activities</b>	<b>7,682</b>	<b>8,043</b>
<b>Cash flows from investing activities</b>		
Purchase of securities	346,483	573,050
Proceeds from sale of securities	(350,324)	(575,239)
Additions of equipment and intangible assets	-	(134)
<b>Net cash used in investing activities</b>	<b>(3,841)</b>	<b>(2,323)</b>
<b>Increase in cash and cash equivalents</b>	<b>3,841</b>	<b>5,720</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>32,343</b>	<b>26,623</b>
<b>Cash and cash equivalents at end of year</b>	<b>36,184</b>	<b>32,343</b>

The notes on pages 8 to 56 form an integral part of these financial statements.

# West Indies Stockbrokers Limited

## Notes to the Financial Statements

October 31, 2021

Expressed in Trinidad and Tobago dollars

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### 1 General information

West Indies Stockbrokers Limited (the 'Company') is incorporated in the Republic of Trinidad and Tobago and carries on the business of stockbrokers, investment dealers and agents. It is a wholly owned subsidiary of RBC Financial (Caribbean) Limited, which is also incorporated in the Republic of Trinidad and Tobago. Its registered office is at 7-9 St Clair Avenue, St. Clair Place, Port of Spain. The ultimate parent company is the Royal Bank of Canada, which is incorporated in Canada.

### 2 Summary of significant accounting policies, estimates and judgements

The significant accounting policies used in preparation of these financial statements are summarized below. Except where otherwise noted, the same accounting policies have been applied to all periods presented.

#### 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, as modified by the revaluation of securities.

##### **Use of estimates and assumptions**

The preparation of these financial statements requires the use of certain critical accounting estimates that affect the reported amount of assets, liabilities, net income and related disclosures. Estimates made by management are based on historical experience and other assumptions that are believed to be reasonable. Key sources of estimation uncertainty include: determination of fair value of financial instruments, derecognition of financial assets, pensions and other post-employment benefits and income taxes. Accordingly, actual results may differ from these and other estimates thereby impacting our future financial statements. Refer to the relevant accounting policies in this note for details on our use of estimates and assumptions.

# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

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### 2 Summary of significant accounting policies, estimates and judgements (continued)

#### Basis of preparation (continued)

##### **Significant judgements**

Management also exercises judgement that affects the carrying amounts of certain assets and liabilities and the reported amounts of revenues and expenses recorded during the period. Significant judgements have been made in the following areas and discussed as noted in the Financial Statements:

- Fair value of financial instruments      Note 2 – page 12
- Employee benefits                              Note 2 – page 21, Note 9 – page 33
- Derecognition of financial assets      Note 2 – page 20
- Income taxes                                      Note 2 – page 22, Note 16 – page 39

Accordingly, actual results may differ from these and other estimates thereby impacting our future Financial Statements.

#### New, revised and amended standards not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2022. The Company has not early-adopted any of them and therefore they have not been applied in preparing these financial statements. The amendment listed below is most likely to have an impact on the Company's performance, financial position or disclosures. The Company is in the process of assessing the impact of this amendment on the subsequent financial statements.

Effective November 1, 2021

- Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)



# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

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### 2 Summary of significant accounting policies, estimates and judgements (continued)

#### Changes in accounting policies (continued)

##### Other significant accounting policies

The following accounting policies are applicable to all periods presented:

##### **Classification of financial assets**

Financial assets are measured at initial recognition at fair value, and are classified and subsequently measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortized cost based on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the instrument.

Debt instruments are measured at amortized cost if both of the following conditions are met and the asset is not designated as FVTPL: (a) the asset is held within a business model that is Held-to-Collect (HTC) as described below, and (b) the contractual terms of the instruments give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Debt instruments are measured at FVOCI if both of the following conditions are met and the asset is not designated as FVTPL: (a) the asset is held within a business model that is Held-to-Collect-and-Sell (HTC&S) as described below, and (b) the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI.

All other debt instruments are measured at FVTPL.

Equity instruments are measured at FVTPL, unless the asset is not held for trading purposes and the Company makes an irrevocable election to designate the asset as FVOCI. This election is made on an instrument-by-instrument basis.

##### *Business model assessment*

The Company determines the business models at the level that best reflects how the Company manages portfolios of financial assets to achieve business objectives. Judgement is used in determining the business models, which is supported by relevant, objective evidence including:

- How the economic activities of the businesses generate benefits, for example through trading revenue, enhancing yields or other costs and how such economic activities are evaluated and reported to key management personnel;
- The significant risks affecting the performance of the businesses, for example, market risk, credit risk, or other risks as described in the Risk Management Note 18, and the activities taken to manage those risks;
- Historical and future expectations of sales of the loans and securities managed as part of a business model; and
- The compensation structures for managers of the businesses within the Company, to the extent that these are directly linked to the economic performance of the business model.

# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

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### 2 Summary of significant accounting policies, estimates and judgements (continued)

#### Other significant accounting policies (continued)

##### **Classification of financial assets (continued)**

The Company's business models fall into three categories, which are indicative of the key categories used to generate returns:

- HTC: the objective of this business model is to hold loans and securities to collect contractual principal and interest cash flows; sales are incidental to this objective and are expected to be insignificant or infrequent;
- HTC&S: both collecting contractual cash flows and sales are integral to achieving the objective of the business model;
- Other fair value business models: these business models are neither HTC nor HTC&S, and primarily represent business models where assets are held-for-trading or managed on a fair value basis.

##### *SPPI assessment*

Instruments held within a HTC or HTC&S business model are assessed to evaluate if their contractual cash flows are comprised of solely payments of principal and interest. SPPI payments are those which would typically be expected for basic lending arrangements. Principal amounts include the fair value of the financial asset at initial recognition from lending and financing arrangements, and interest primarily relates to basic lending return, including compensation for credit risk and the time value of money associated with the principal amount outstanding over a period of time. Interest can also include other basic lending risks and costs (for example, liquidity risk, servicing or administrative costs) associated with holding the financial asset for a period of time, and a profit margin.

##### **Securities**

Trading securities include all securities that are classified at FVTPL, by nature and securities designated at FVTPL. Obligations to deliver trading securities sold but not yet purchased are recorded as liabilities and carried at fair value. Realized and unrealized gains and losses on these securities are generally recorded as trading revenue in non-interest income. Dividends and interest income accruing on trading securities are recorded in interest income.

Investment securities include all securities classified as FVOCI and amortized cost.

Debt securities carried at FVOCI are measured at fair value with unrealized gains and losses arising from changes in fair values included in other components of equity. Impairment gains and losses are included in provision for credit losses and correspondingly reduce the accumulated change in fair value included in other components in equity. When a debt instrument measured at FVOCI is sold, the cumulative gain or loss is reclassified from other components of equity to net gain (loss) on investment securities in non-interest income.

Equity securities carried at FVOCI are measured at fair value. Unrealized gains and losses arising from changes in fair value are recorded in other components of equity and not subsequently reclassified to profit or loss when realized. Dividends from FVOCI securities are recognized in interest income.

The Company accounts for all securities using settlement date accounting and changes in fair value between trade date and settlement date are reflected in income for securities measured at FVTPL, and changes in fair value of securities measured at FVOCI between trade date and settlement date are recorded in OCI, except for changes in foreign exchange rates on debt securities, which are recorded in non-interest income.



# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

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### 2 Summary of significant accounting policies, estimates and judgements (continued)

#### Other significant accounting policies (continued)

##### **Fair value option**

A financial instrument with a reliably measurable fair value can be designated as FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing. The fair value option can be used for financial assets if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognizing related gains and losses on a different basis (an "accounting mismatch"). The fair value option can be elected for financial liabilities if: (i) the election eliminates an accounting mismatch; (ii) the financial liability is part of a portfolio that is managed on a fair value basis, in accordance with a documented risk management or investment strategy; or (iii) there is an embedded derivative in the financial or non-financial host contract and the derivative is not closely related to the host contract. These instruments cannot be reclassified out of the FVTPL category subsequently.

Financial assets designated as FVTPL are initially recorded at fair value and any unrealized gains or losses arising due to changes in fair value are included in Non-interest income.

##### **Derivatives**

Derivatives are primarily used in trading activities. Derivatives are also used to manage our exposure to interest, currency, credit and other market risks. The most frequently used derivative products are interest rate and foreign exchange swaps, options, futures, and forward rate agreements, equity swaps and credit derivatives. All derivative instruments are initially recorded on our Statement of Financial Position at fair value.

When derivatives are embedded in other financial instruments or host contracts, such combinations are known as hybrid instruments. Some of the cash flows of a hybrid instrument vary in a way similar to a stand-alone derivative. If the host contract is a financial asset within the scope of IFRS 9, the classification and measurement criteria are applied to the entire hybrid instrument as described in the Classification of financial assets section of Note 2. If the host contract is a financial liability or an asset that is not within the scope of IFRS 9, embedded derivatives are separately recognized if the economic characteristics and risks of the embedded derivative are not clearly and closely related to the host contract, unless an election has been made to apply the fair value option, as described above. The host contract is accounted for in accordance with the relevant standards. When derivatives are used in trading activities, the realized and unrealized gains and losses on these derivatives are recognized in Non-interest income. Derivatives with positive fair values are presented as Derivative assets and derivatives with negative fair values are reported as Derivative liabilities. In accordance with our policy for offsetting financial assets and financial liabilities, the net fair value of certain derivative assets and liabilities are reported as an asset or liability, as appropriate. Valuation adjustments are included in the fair value of Derivative assets and Derivative liabilities. Premiums paid and premiums received are part of Derivative assets and Derivative liabilities, respectively.



# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

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### 2 Summary of significant accounting policies, estimates and judgements (continued)

#### Other significant accounting policies (continued)

##### **Allowance for credit losses**

An allowance for credit losses (ACL) is established for all financial assets, except for financial assets classified or designated as FVTPL and equity securities designated as FVOCI, which are not subject to impairment assessment. Assets subject to impairment assessment include loans, securities, interest-bearing deposits with banks and accounts receivable. ACL on financial assets is disclosed in the notes to the financial statements. Provision for credit losses (PCL) on debt securities measured at FVOCI is booked to the Statement of Other Comprehensive Income and the ACL on debt securities measured at FVOCI is presented in other components of equity on the Statement of Financial Position. Financial assets carried at amortized cost are presented net of ACL on the Statement of Financial Position. Provision for credit losses (PCL) on amortized cost instruments are recognized directly in the Statement of Income.

Off-balance sheet items subject to impairment assessment include financial guarantees and undrawn loan commitments. ACL for undrawn credit commitments is included in ACL for loans. ACL for financial guarantees is included in other liabilities. For these products, ACL is disclosed in the notes to the financial statements.

We measure the ACL at each Statement of Financial Position date according to a three-stage expected credit loss impairment model:

- Performing financial assets
  - Stage 1 – From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults occurring over the 12 months or shorter if remaining term is less than 12 months following the reporting date.
  - Stage 2 – Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognized equal to the credit losses expected over the remaining lifetime of the asset.
- Impaired financial assets
  - Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance is recognized equal to credit losses expected over the remaining lifetime of the asset.

The ACL is a discounted probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant time horizon. For loan commitments, credit loss estimates consider the portion of the commitment that is expected to be drawn over the relevant time period.

Increases or decreases in the required ACL attributable to purchases and new originations, derecognitions or maturities, and remeasurements due to changes in loss expectations or stage migrations are recorded in provision for credit losses. Write-off and recoveries are recorded against allowance for credit losses.

The ACL represents an unbiased estimate of expected credit losses on our financial assets as at the Statement of Financial Position date. Judgment is required in making assumptions and estimations when calculating the ACL, including movements between the three stages and the application of forward looking information. The underlying assumptions and estimates may result in changes to the allowances from period to period that significantly affects the results of operations.



# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

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### 2 Summary of significant accounting policies, estimates and judgements (continued)

#### Other significant accounting policies (continued)

##### **Allowance for credit losses (continued)**

###### *Measurement of expected credit losses*

Expected credit losses are based on a range of possible outcomes and consider available reasonable and supportable information including historical credit loss experience and expectations about future cash flows. The measurement of expected credit losses is based primarily on the product of the instrument's probability of default (PD), loss given default (LGD), and exposure at default (EAD) discounted to the reporting date. The main difference between Stage 1 and Stage 2 expected credit losses for performing financial assets is the respective calculation horizon. Stage 1 estimates project PD, LGD and EAD over a maximum period of 12 months while Stage 2 estimates project PD, LGD and EAD over the remaining lifetime of the instrument.

The IFRS 9 model is not calibrated for unprecedented events such as the COVID 19 pandemic. In order to appropriately reflect the impact of the COVID 19 pandemic on future credit losses in the portfolio, we applied an overlay to the model predicted allowance. In the context of IFRS 9, post-model adjustments through overlays are short-term increases or decreases to the estimate credit losses at the portfolio level to account for late breaking events, model deficiencies and expert credit judgement applied following management review and challenge. We have internal governance in place to regularly monitor these overlays and where possible to reduce the reliance on these through model recalibration or redevelopment, as appropriate. The overlay was based on expert judgement, historical experience and economic growth projections. In our analysis we also considered tourism projections, vulnerable sectors affected by COVID 19, levels of multilateral support and the effects of bank and government led payment support programs.

Expected credit losses are discounted to the reporting period date using the effective interest rate.

###### *Expected life*

For instruments in Stage 2 or Stage 3, loss allowances reflect expected credit losses over the expected remaining lifetime of the instrument. For most instruments, the expected life is limited to the remaining contractual life.

An exemption is provided for certain instruments with the following characteristics: (a) the instrument includes both a loan and undrawn commitment component; (b) we have the contractual ability to demand repayment and cancel the undrawn commitment; and (c) our exposure to credit losses is not limited to the contractual notice period. For products in scope of this exemption, the expected life may exceed the remaining contractual life and is the period over which our exposure to credit losses is not mitigated by our normal credit risk management actions. This period varies by product and risk category and is estimated based on our historical experience with similar exposures and consideration of credit risk management actions taken as part of our regular credit review cycle. Products in scope of this exemption are credit cards balances. Determining the instruments in scope for this exemption and estimating the appropriate remaining life based on our historical experience and credit risk mitigation practices requires significant judgment.



# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

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### 2 Summary of significant accounting policies, estimates and judgements (continued)

#### Other significant accounting policies (continued)

##### **Allowance for credit losses (continued)**

###### *Assessment of significant increase in credit risk*

The assessment of significant increase in credit risk requires significant judgment. Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk as at the reporting date has increased significantly relative to the date it was initially recognized. The assessment is performed at the instrument level.

###### *Use of forward-looking information*

The PD and LGD inputs used to estimate the Stage 1 and Stage 2 credit loss allowances under the IFRS 9 model are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in our expected credit loss calculation includes a projection of all relevant macroeconomic variables used in our models for a five year period. Macroeconomic variables used in our expected credit loss models include, but are not limited to, unemployment rate, GDP and inflation rate.

The emergence of the COVID 19 global pandemic significantly impacted our economic outlook. We closely tracked economic growth projections and set an allowance that reflected the underlying economic conditions. In our analysis we also considered tourism projections, vulnerable sectors affected by COVID 19, levels of multilateral support and the effects of bank and government led payment support programs.

The environment, including government support measures introduced, is rapidly evolving and as a result, our macroeconomic outlook has a higher than usual degree of uncertainty and is inherently subject to change, which materially changed our credit loss allowance. We closely monitored changes in conditions and their impact on our expected credit losses, and updated our macroeconomic variables as the impact of COVID 19 progressed.

###### *Scenario design*

Our estimation of expected credit losses in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. Scenarios and scenario weights are set at the Enterprise level; considering the RBC baseline forecast and reasonable downside and upside assumptions. Scenarios are global in nature and include predictions of macroeconomic conditions in North America, Europe and the Caribbean. Having scenarios and scenario weights set at the enterprise level allows RBC to have a consistent view of macroeconomic scenarios across business lines and legal entities.

Scenarios are designed to capture a wide range of possible outcomes and weighted on the relative likelihood of the range of outcomes that each scenario represents. Scenario weights take into account historical frequency, current trends, and forward-looking conditions and are updated on a quarterly basis. All scenarios considered are applied to all portfolios subject to expected credit losses with the same probability weighting.



# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

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### 2 Summary of significant accounting policies, estimates and judgements (continued)

#### Other significant accounting policies (continued)

##### **Allowance for credit losses (continued)**

###### *Definition of default*

The definition of default used in the measurement of expected credit losses is consistent with the definition of default used for our internal credit risk management purposes. Our definition of default may differ across products and consider both quantitative and qualitative factors, such as the terms of financial covenants and days past due. For retail and wholesale borrowers, except as detailed below, default occurs when the borrower is more than 90 days past due on any material obligation to us, and/or we consider the borrower unlikely to make their payments in full without recourse action on our part, such as taking formal possession of any collateral held. For certain credit card balances, default occurs when payments are 180 days past due. For these balances, the use of a period in excess of 90 days past due is reasonable and supported by the performance experienced on historical credit card portfolios. The definition of default used is applied consistently from period to period and to all financial instruments unless it can be demonstrated that circumstances have changed such that another definition of default is more appropriate.

###### *Credit-impaired financial assets (Stage 3)*

Financial assets are assessed for credit-impairment at each Statement of Financial Position date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganization, as well as a measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the borrower or economic conditions that correlate with defaults. An asset that is in Stage 3 will move back to Stage 2 when, as at the reporting date, it is no longer considered to be credit-impaired. The asset will migrate back to Stage 1 when its credit risk at the reporting date is no longer considered to have increased significantly from initial recognition, which could occur during the same reporting period as the migration from Stage 3 to Stage 2.

When a financial asset has been identified as credit-impaired, expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the instrument's original effective interest rate. For impaired financial assets with drawn and undrawn components, expected credit losses also reflect any credit losses related to the portion of the loan commitment that is expected to be drawn down over the remaining life of the instrument.

When a financial asset is credit-impaired, interest ceases to be recognized on the regular accrual basis, which accrues income based on the gross carrying amount of the asset. Rather, the accrual is calculated by applying the effective interest rate to the carrying amount, which is recorded on the Statement of Financial Position. The discount resulting from the impact of time delays in collecting principal (time value of money) is established and recorded through provision for credit losses.

ACL for credit-impaired financial assets in Stage 3 are established at the financial asset level, where losses related to impaired financial asset are identified on individually significant financial asset, or collectively assessed and determined through the use of portfolio-based rates, without reference to particular financial assets.



# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

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### 2 Summary of significant accounting policies, estimates and judgements (continued)

#### Other significant accounting policies (continued)

##### **Determination of fair value**

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We determine fair value by incorporating all factors that market participants would consider in setting a price, including commonly accepted valuation approaches.

We have established policies, procedures and controls for valuation methodologies and techniques to ensure fair value is reasonably estimated. Major valuation processes and controls include, but are not limited to, profit and loss decomposition, independent price verification (IPV) and model validation standards. These control processes are managed by either Finance or Group Risk Management and are independent of the relevant businesses and their trading functions. Profit and loss decomposition is a process to explain the fair value changes of certain positions and is performed for trading portfolios. All fair value instruments are subject to IPV, a process whereby trading function valuations are verified against external market prices and other relevant market data. Market data sources include traded prices, brokers and price vendors. We give priority to those third-party pricing services and prices having the highest and most consistent accuracy. The level of accuracy is determined over time by comparing third-party price values to traders' or system values, to other pricing service values and, when available, to actual trade data. Other valuation techniques are used when a price or quote is not available. Some valuation processes use models to determine fair value. We have a systematic and consistent approach to control model use. Valuation models are approved for use within our model risk management framework. The framework addresses, among other things, model development standards, validation processes and procedures, and approval authorities. Model validation ensures that a model is suitable for its intended use and sets parameters for its use. All models are revalidated regularly.

Valuation adjustments are recorded for the credit risk of our derivative portfolios in order to arrive at their fair values. Credit valuation adjustments (CVA) take into account our counterparties' creditworthiness, the current and potential future mark-to-market of the transactions, and the effects of credit mitigants such as master netting and collateral agreements. CVA amounts are derived from estimates of exposure at default, probability of default, recovery rates on a counterparty basis, and market and credit factor correlations. Exposure at default is the amount of expected derivative related assets and liabilities at the time of default, estimated through modeling using underlying risk factors. Probability of default and recovery rate are generally implied from the market prices for credit protection and credit ratings of the counterparty or derived from internal estimates when market data is unavailable. Correlation is the statistical measure of how credit and market factors may move in relation to one another. Correlation is estimated using historical data and market data where available. CVA is calculated and changes are recorded in non-interest income.

In determining fair value, a hierarchy is used which prioritizes the inputs to valuation techniques. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Determination of fair value based on this hierarchy requires the use of observable market data whenever available. Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access at the measurement date. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model inputs that are either observable, or can be corroborated by observable market data for substantially the full term of the assets or liabilities.



# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

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### 2 Summary of significant accounting policies, estimates and judgements (continued)

#### Other significant accounting policies (continued)

##### **Determination of fair value (continued)**

Level 3 inputs are inputs that are unobservable. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available at the measurement date. The availability of inputs for valuation may affect the selection of valuation techniques. The classification of a financial instrument in the hierarchy for disclosure purposes is based upon the lowest level of input that is significant to the measurement of fair value. Where observable prices or inputs are not available, management judgement is required to determine fair values by assessing other relevant sources of information such as historical data, proxy information from similar transactions, and through extrapolation and interpolation techniques. For more complex or illiquid instruments, significant judgement is required in the determination of the model used, the selection of model inputs, and in some cases, the application of valuation adjustments to the model value or quoted price for inactively traded financial instruments, as the selection of model inputs may be subjective and the inputs may be unobservable. Unobservable inputs are inherently uncertain as there is little or no market data available from which to determine the level at which the transaction would occur under normal business circumstances. Appropriate parameter uncertainty and market-risk valuation adjustments for such inputs and other model-risk valuation adjustments are assessed in all such instances.

##### **Interest**

Interest is recognized in Interest income and Interest expense in the Statement of Income and Other Comprehensive Income for all interest bearing financial instruments using the effective interest method. The effective interest rate is the rate that discounts estimated future cash flows over the expected life of the financial asset or liability to the net carrying amount upon initial recognition. Judgement is applied in determining the effective interest rate due to uncertainty in the timing and amounts of future cash flows.

##### **Revenue recognition**

Revenue is recognized when control of a service transfers to a customer. Service contracts are assessed by taking the following factors into consideration sequentially, which individually will vary based on the facts and circumstances present in a contract with a customer and will require the exercise of management judgement:

1. Identified all contracts with customers;
2. Identified the separate performance obligations under a contract;
3. Determined the transaction price of the contract;
4. Allocated the transaction price to each of the separate performance obligations; and
5. Recognized the revenue as each performance obligation is satisfied.

The Company adopts the portfolio approach, as an operational expedient, where contracts are assessed as a portfolio as opposed to individually assessed when the characteristics of each contract is similar. The Company reviews the services provided as part of the contract, the contract duration, the terms and conditions for the contract, the amount, form and timing of consideration and the timing of the transfer of the service. Due to the high volume of the Company's contracts that are identical or have similar contractual terms (for example standardized banking agreements with retail customers), the expedient is applied to many of the Company's current revenue streams.

# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

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### 2 Summary of significant accounting policies, estimates and judgements (continued)

#### Other significant accounting policies (continued)

##### **Revenue recognition (continued)**

In addition, the Company does not adjust for the effects of a significant financing component for contracts with a 12 months or less expected time difference between when we transfer the service to the customer and the receipt of the contract consideration.

The Company expenses incremental costs to obtain a contract if the expected amortization period of the asset the Company otherwise would have recognized is 12 months or less. Anticipated contract renewals and amendments with the same customer are considered when determining whether the period of benefit, and therefore the period of amortization, is 12 months or less.

Income which falls under the scope of revenue recognition is not netted off against related expense. The Company does not incur material costs to obtain contracts with customers such as sales commissions.

##### **Commissions and fees**

Commission and fees primarily relate to transactions service fees/ commissions and securities brokerage commissions and are recognized based on the applicable service contracts with customers.

Commissions related to securities brokerage services relate to the provision of specific transaction type services and are recognized when the service is fulfilled. Where services are provided over time, revenue is recognized as the services are provided.

When service fees and other costs are incurred in relation to commissions and fees earned, we record these costs on a gross basis in either 'other operating expenses or staff costs' based on our assessment of whether we have primary responsibility to fulfill the contract with the customer and have discretion in establishing the price for the commissions and fees earned, which may require judgment.

##### **Transaction costs**

Transaction costs are expensed as incurred for financial instruments classified or designated as at FVTPL. For other financial instruments, transaction costs are capitalized on initial recognition. For financial assets and financial liabilities measured at amortized cost, capitalized transaction costs are amortized through net interest income over the estimated life of the instrument using the effective interest method.

##### **Offsetting financial assets and financial liabilities**

Financial assets and financial liabilities are offset on the Statement of Financial Position when there exists both a legally enforceable right to offset the recognized amounts and an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.



# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

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### 2 Summary of significant accounting policies, estimates and judgements (continued)

#### Other significant accounting policies (continued)

##### **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.

##### **Derecognition of financial assets**

Financial assets are derecognized from our Statement of Financial Position when our contractual rights to the cash flows from the assets have expired, when we retain the rights to receive the cash flows of the assets but assume an obligation to pay those cash flows to a third party subject to certain pass-through requirements or when we transfer our contractual rights to receive the cash flows and substantially all of the risk and rewards of the assets have been transferred. When we retain substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognized from our Statement of Financial Position and are accounted for as secured financing transactions. When we neither retain nor transfer substantially all risks and rewards of ownership of the assets, we derecognize the assets if control over the assets is relinquished. If we retain control over the transferred assets, we continue to recognize the transferred assets to the extent of our continuing involvement.

Management's judgement is applied in determining whether the contractual rights to the cash flows from the transferred assets have expired or whether we retain the rights to receive cash flows on the assets but assume an obligation to pay for those cash flows. We derecognize transferred financial assets if we transfer substantially all the risk and rewards of the ownership in the assets. When assessing whether we have transferred substantially all of the risk and rewards of the transferred assets, management considers the entity exposure before and after the transfer with the variability in the amount and timing of the net cash flows of the transferred assets. In transfers that we retain the servicing rights, management has applied judgement in assessing the benefits of servicing against market expectations. When the benefits of servicing are greater than fair market value, a servicing asset is recognized in Other assets in our Statement of Financial Position. When the benefits of servicing are less than fair market value, a servicing liability is recognized in Other liabilities in our Statement of Financial Position.

##### **Derecognition of financial liabilities**

We derecognize a financial liability from our Statement of Financial Position when our obligation specified in the contract expires, or is discharged or cancelled. We recognize the difference between the carrying amount of a financial liability transferred and the consideration paid in our Statement of Income and Other Comprehensive Income.

# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

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### 2 Summary of significant accounting policies, estimates and judgements (continued)

#### Other significant accounting policies (continued)

##### **Employee benefits – Pensions and other post-employment benefits**

Our defined benefit pension expense, which is included in Non-interest expense, consists of the cost of employee pension benefits for the current year's service, net interest on the net defined benefit liability (asset), past service cost and gains or losses on settlement. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in other comprehensive income in the period in which they occur. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), as well as the effects of changes in actuarial assumptions. Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment and is charged immediately to income.

For each defined benefit plan, we recognize the present value of our defined benefit obligations less the fair value of the plan assets, as a defined benefit liability reported on our Statement of Financial Position.

The calculation of defined benefit expenses and obligations requires significant judgement as the recognition is dependent on discount rates and various actuarial assumptions such as healthcare cost trend rates, projected salary increases, retirement age, and mortality and termination rates. Due to the long-term nature of these plans, such estimates and assumptions are subject to inherent risks and uncertainties. For our pension and other post-employment plans, the discount rate is determined by reference to market yields on high quality government bonds. Since the discount rate is based on currently available yields, and involves management's assessment of market liquidity, it is only a proxy for future yields. Actuarial assumptions, set in accordance with current practices in the respective countries of our plans, may differ from actual experience as country specific statistics is only an estimate for future employee behaviour. These assumptions are determined by management and are reviewed by actuaries at least annually. Changes to any of the above assumptions may affect the amounts of benefits obligations, expenses and remeasurements that we recognize. Our contribution to defined contribution plans are expensed when employees have rendered services in exchange for such contributions. Defined contribution plan expense is included in Non-interest expense.

##### **Green fund levy**

Green fund levy is a levy imposed by the Government of Trinidad and Tobago on gross income of companies and partnerships doing business in Trinidad and Tobago. This levy is payable quarterly and is neither a deduction in computing chargeable income nor a credit against corporation tax due. Green fund levy is presented in non-interest expenses in the Statement of Income.



# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

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### 2 Summary of significant accounting policies, estimates and judgements (continued)

#### Other significant accounting policies (continued)

##### **Income taxes**

Income tax comprises current tax and deferred tax and is recognized in our Statement of Income and Other Comprehensive Income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current income tax payable on profits is recognized as an expense based on the applicable tax laws in each jurisdiction in the period in which profits arise, calculated using tax rates enacted or substantively enacted by the Statement of Financial Position date. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for accounting purposes compared with tax purposes. A deferred income tax asset or liability is determined for each temporary difference, except for earnings related to our subsidiaries, associates and interests in joint ventures where the temporary differences will not reverse in the foreseeable future and we have the ability to control the timing of reversal. Deferred tax assets and liabilities are determined based on the tax rates that are expected to be in effect in the period that the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the Statement of Financial Position date. Current tax assets and liabilities are offset when they are levied by the same taxation authority on either the same taxable entity or different taxable entities within the same tax reporting group (which intends to settle on a net basis), and when there is a legal right to offset. Deferred tax assets and liabilities are offset when the same conditions are satisfied. The Statement of Income and Other Comprehensive Income include items that are non-taxable or non-deductible for income tax purposes and, accordingly, this causes the income tax provision to be different from what it would be if based on statutory rates.

Deferred income taxes accumulated as a result of temporary differences and tax loss carryforwards are included on the Statement of Financial Position. On a quarterly basis, we review our deferred income tax assets to determine whether it is probable that the benefits associated with these assets will be realized; this review involves evaluating both positive and negative evidence.

We are subject to income tax laws in various jurisdictions where we operate, and the complex tax laws are potentially subject to different interpretations by the relevant taxation authorities and the Company. Significant judgement is required in the interpretation of the relevant tax laws, and in assessing the probability of acceptance of our tax positions to determine our tax provision, which includes our best estimate of tax positions that are under audit or appeal by relevant taxation authorities. We perform a review on a quarterly basis to incorporate our best assessment based on information available, but additional liability and income tax expense could result based on decisions made by the relevant tax authorities.

The determination of our deferred income tax asset or liability also requires significant management judgement as the recognition is dependent on our projection of future taxable profits and tax rates that are expected to be in effect in the period the asset is realized or the liability is settled. Any changes in our projection will result in changes in deferred tax assets or liabilities on our Statement of Financial Position, and also deferred tax expense in our Statements of Income and Other Comprehensive Income.



# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

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### 2 Summary of significant accounting policies, estimates and judgements (continued)

#### Other significant accounting policies (continued)

##### **Income taxes (continued)**

The Company complies with IFRIC 23 which provides guidance on the recognition and measurement of tax assets and liabilities under IAS 12 Income taxes when there is uncertainty over income tax treatments, replacing our application of IAS 37 Provisions, contingent liabilities and contingent assets for uncertain tax positions. The Company is subject to income tax laws in various jurisdictions where the Company operates, and the complex tax laws are potentially subject to different interpretations by management and the relevant taxation authorities. Significant judgement is required in the interpretations of the relevant tax laws and in assessing the probability of acceptance of the Company's tax positions, which includes the Company's best estimate of tax positions that are under audit or appeal by relevant taxation authorities. The Company performs a review on a quarterly basis to incorporate management's best assessment based on information available, but additional liability and income tax expense could result based on the non acceptance of the Company's tax positions by the relevant taxation authorities.

##### **Other intangibles**

Intangible assets represent identifiable non-monetary assets and are acquired either separately or through a business combination, or generated internally. Intangible assets acquired through a business combination are recognized separately from goodwill when they are separable or arise from contractual or other legal rights, and their fair value can be measured reliably. The cost of a separately acquired intangible asset includes its purchase price and directly attributable costs of preparing the asset for its intended use. After initial recognition, an intangible asset is carried at its cost less any accumulated amortization and accumulated impairment losses, if any. Intangible assets with a finite-life are amortized on a straight-line basis over their estimated useful lives as follows: computer software – 4 to 10 years; and customer relationships – 7 years. We do not have any intangible assets with indefinite lives.

##### **Translation of foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into Trinidad and Tobago dollars at rates prevailing at the Statement of Financial Position date. Foreign exchange gains and losses resulting from the translation and settlement of these items are recognized in non-interest income in the Statement of Income and Other Comprehensive Income.

Non-monetary assets and liabilities that are measured at historical cost are translated into Trinidad and Tobago dollars at historical rates. Non-monetary financial assets classified as securities, such as equity instruments, that are measured at fair value are translated into Trinidad and Tobago dollars at rates prevailing at the Statement of Financial Position date, and the resulting foreign exchange gains and losses are recorded in other comprehensive income until the asset is sold or becomes impaired.



# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

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### 2 Summary of significant accounting policies, estimates and judgements (continued)

#### Other significant accounting policies (continued)

##### **Premises and equipment**

Premises and equipment includes land, buildings, leasehold improvements, computer equipment, furniture, fixtures and other equipment, and are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and the initial estimate of any disposal costs. Depreciation is recorded principally on a straight-line basis over the estimated useful lives of the assets, which are 25 to 50 years for freehold properties, 5 to 50 years for leasehold properties, 4 to 5 years for computer equipment, and 5 to 7 years for furniture, fixtures and other equipment. The amortization period for leasehold improvements is the lesser of the useful life of the leasehold improvements or the lease term plus the first renewal period, if reasonably assured of renewal, up to a maximum of 10 years. Land is not depreciated. Gains and losses on disposal are recorded in non-interest income.

Premises and equipment are assessed for indicators of impairment at each reporting period. If there is an indication that an asset may be impaired, an impairment test is performed by comparing the asset's carrying amount to its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the CGU to which the asset belongs and test for impairment at the CGU level. An impairment charge is recorded to the extent the recoverable amount of an asset (or CGU), which is the higher of value in use and fair value less costs of disposal, is less than its carrying amount. Value in use is the present value of the future cash flows expected to be derived from the asset (or CGU). Fair value less costs of disposal is the amount obtainable from the sale of the asset (or CGU) in an orderly transaction between market participants, less costs of disposal.

After the recognition of impairment, the depreciation charge is adjusted in future periods to reflect the asset's revised carrying amount. If an impairment is later reversed, the carrying amount of the asset is revised to the lower of the asset's recoverable amount and the carrying amount that would have been determined (net of depreciation) had there been no prior impairment loss. The depreciation charge in future periods is adjusted to reflect the revised carrying amount.

##### **Provisions**

Provisions are liabilities of uncertain timing or amount and are recognized when we have a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured as the best estimate of the consideration required to settle the present obligation at the reporting date. Significant judgement is required in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. We record provisions related to litigation, asset retirement obligations and other items. Provisions are recorded under other liabilities on our Statement of Financial Position.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, such as an insurer, a separate asset is recognized if it is virtually certain that reimbursement will be received.

# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

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### 2 Summary of significant accounting policies, estimates and judgements (continued)

#### Other significant accounting policies (continued)

##### **Dividend income**

Dividend income is recognized when the right to receive payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders have approved the dividend for unlisted equity securities.

##### **Share capital**

We classify a financial instrument that we issue as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments issued by us are classified as equity instruments when there is no contractual obligation to transfer cash or other financial assets. Incremental costs directly attributable to the issue of equity instruments are included in equity as a deduction from the proceeds, net of tax.



# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

### 3 Cash and cash equivalents

	2021 (\$000)	2020 (\$000)
Due from affiliated banks	11,461	11,870
Treasury bills	20,189	15,581
Due from other banks	4,534	4,892
Total	<u>36,184</u>	<u>32,343</u>

Treasury bills have original maturities up to three months.

### 4 Securities

#### Carrying value of securities

The following table presents the contractual maturities of the carrying values of financial instruments held at the end of the period.

	As at October 31, 2021						
	Term to maturity <sup>(1)</sup>					With no specific maturity	Total
	Within 3 months	3 months to 1 year	1 year to 5 years	5 years to 10 years	Over 10 years		
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Fair value through profit or loss <sup>(2)</sup></b>							
Money market instruments							
Cost	-	-	-	-	-	1,807	1,807
Fair value	-	-	-	-	-	2,058	2,058
	-	-	-	-	-	2,058	2,058
<b>Fair value through other comprehensive income <sup>(3)</sup></b>							
Equities							
Cost	-	-	-	-	-	10	10
Fair value <sup>(3)</sup>	-	-	-	-	-	6,624	6,624
	-	-	-	-	-	6,624	6,624
<b>Total carrying value of securities</b>	-	-	-	-	-	8,682	8,682

# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

### 4 Securities (continued)

#### Carrying value of securities (continued)

	As at October 31, 2020						
	Term to maturity <sup>(1)</sup>						
	Within 3 months	3 months to 1 year	1 year to 5 years	5 years to 10 years	Over 10 years	With no specific maturity	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Fair value through profit or loss <sup>(2)</sup></b>							
Money market instruments							
Cost	-	-	-	-	-	1,807	1,807
Fair value	-	-	-	-	-	2,083	2,083
	-	-	-	-	-	2,083	2,083
<b>Fair value through other comprehensive income <sup>(3)</sup></b>							
Equities							
Cost	-	-	-	-	-	10	10
Fair value <sup>(3)</sup>	-	-	-	-	-	10,488	10,488
	-	-	-	-	-	10,488	10,488
<b>Total carrying value of securities</b>	-	-	-	-	-	12,571	12,571

<sup>(1)</sup> Actual maturities may differ from contractual maturities shown above since borrowers may have the right to extend or prepay obligations with or without penalties.

<sup>(2)</sup> Trading securities are recorded at fair value.

<sup>(3)</sup> We hold equity securities designated as FVOCI as the investments are not held-for-trading purposes.



# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

### 4 Securities (continued)

#### 4.1 Unrealized gains and losses on securities at fair value through other comprehensive income

The following tables present unrealized gains and losses on securities at fair value through other comprehensive income as at the end of the period.

As at October 31, 2021				
	Cost/Amortized cost (\$'000)	Gross unrealized gains (\$'000)	Gross unrealized losses (\$'000)	Fair value (\$'000)
Equities	10	6,614	-	6,624
	10	6,614	-	6,624

As at October 31, 2020				
	Cost/Amortized cost (\$'000)	Gross unrealized gains (\$'000)	Gross unrealized losses (\$'000)	Fair value (\$'000)
Equities	10	10,478	-	10,488
	10	10,478	-	10,488

<sup>(1)</sup> Gross unrealized gains and losses include allowance for credit losses, excluding equities designated as FVOCI.

<sup>(2)</sup> Unrealized gains and losses on equities will not reclassify to profit and loss when realised.

The following tables reconcile the opening and closing allowance for debt securities at amortized cost and FVOCI by stage. Reconciling items include the following:

- Transfers between stages, which are presumed to occur before any corresponding remeasurement of the allowance.
- Purchases and originations, which reflect the allowance related to assets newly recognized during the period.
- Derecognitions and maturities, which reflect the allowance related to assets derecognized during the period without a credit loss being incurred.
- Remeasurements, which comprise the impact of changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions; partial repayments and additional draws on existing facilities; changes in the measurement following a transfer between stages; and unwinding of the time value discount due to the passage of time.
- Write-offs represent the closure/ elimination of a security balance when there is no realistic prospect of recovery.

# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

### 4 Securities (continued)

#### 4.2 Allowance for credit losses on securities

##### Allowance for credit losses – securities at FVOCI <sup>(1)</sup>

Significant changes in the gross carrying amount of securities at FVOCI that contributed to changes in the allowance include the following:

For the year ended October 31, 2021				
	Performing		Impaired	Total
	Stage 1 (\$'000)	Stage 2 (\$'000)	Stage 3 (\$'000)	(S'000)
Balance at beginning of period	1	-	-	1
Provision for credit losses				
Model changes	(1)			(1)
Transfers in (out) to Stage 1	-	-	-	-
Transfers in (out) to Stage 2	-	-	-	-
Transfers in (out) to Stage 3	-	-	-	-
Purchases and originations	1	-	-	1
Derecognitions and maturities	(1)	-	-	(1)
Remeasurements	-	-	-	-
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Exchange rate and other	-	-	-	-
Balance at end of period	-	-	-	-

For the year ended October 31, 2020				
	Performing		Impaired	Total
	Stage 1 (\$'000)	Stage 2 (\$'000)	Stage 3 (\$'000)	(S'000)
Balance at beginning of period	-	-	-	-
Provision for credit losses				
Model changes				
Transfers in (out) to Stage 1	-	-	-	-
Transfers in (out) to Stage 2	-	-	-	-
Transfers in (out) to Stage 3	-	-	-	-
Purchases and originations	-	-	-	-
Derecognitions and maturities	-	-	-	-
Remeasurements	(1)	-	-	(1)
Write-offs	-	-	-	-
Recoveries	-	-	-	-
Exchange rate and other	-	-	-	-
Balance at end of period	(1)	-	-	(1)

<sup>(1)</sup> Expected credit losses on debt securities at FVOCI are not separately recognized on the statement of financial position as the related securities are recorded at fair value. The cumulative amount of credit losses recognized in profit or loss is presented in other components of equity.



# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

### 4 Securities (continued)

#### 4.3 Classification of financial instruments

	2021 (\$000)	2020 (\$000)
<b>Securities FVTPL</b>		
Money market instruments	2,058	2,083
<b>Securities FVOCI</b>		
Equities	6,624	10,488
	8,682	12,571
Interest receivable	-	-
	8,682	12,571

#### 4.4 Movement in securities

	FVTPL (\$'000)	FVOCI (\$'000)	Total (\$'000)
As at October 31, 2020	2,083	10,488	12,571
Additions	346,483	-	346,483
Disposal (sale and redemption)	(350,324)	-	(350,324)
Gains/ (losses) from changes in fair value	(25)	(3,864)	(3,889)
Accretion/ (amortization) of discount/ (premium)	3,841	-	3,841
Foreign exchange adjustment	-	-	-
As at October 31, 2021	2,058	6,624	8,682

	FVTPL (\$'000)	FVOCI (\$'000)	Total (\$'000)
As at October 31, 2019	1,987	8,390	10,377
Additions	573,050	-	573,050
Disposal (sale and redemption)	(575,239)	-	(575,239)
Gains/ (losses) from changes in fair value	(531)	2,098	1,567
Accretion/ (amortization) of discount/ (premium)	2,757	-	2,757
Foreign exchange adjustment	59	-	59
As at October 31, 2020	2,083	10,488	12,571

# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

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### 5 Intangible assets

	2021 (\$000)	2020 (\$000)
Opening net carrying value	365	567
Additions	-	-
Amortization	(184)	(202)
Closing net carrying value	181	365
Total cost	2,019	2,024
Accumulated amortization	(1,838)	(1,659)
Net carrying value	181	365

### 6 Equipment

	2021 (\$000)	2020 (\$000)
Opening net book value	195	143
Additions	-	134
Depreciation	(66)	(82)
Closing net book value	129	195
Total cost	987	979
Accumulated depreciation	(858)	(784)
Net book value	129	195



# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

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### 7 Deferred tax asset and liabilities

The following amounts are shown in the statement of financial position:

	2021 (\$000)	2020 (\$000)
Deferred tax asset	185	232
Deferred tax liabilities	(2,075)	(3,324)
	<u>(1,890)</u>	<u>(3,092)</u>
The movement on the deferred tax account is as follows:		
At beginning of year	(3,092)	(2,415)
(Charge)/credit to Statement of Profit or Loss (Note 16)	79	(53)
Fair value (gains)/losses recognized in equity (Note 12.1)	1,159	(629)
Other	(36)	5
At end of year	<u>(1,890)</u>	<u>(3,092)</u>

Deferred tax asset and liabilities are attributable to the following items:

	2021 (\$000)	2020 (\$000)
<b>Deferred tax asset</b>		
Post-retirement benefit obligation	<u>185</u>	<u>232</u>
<b>Deferred tax liabilities</b>		
FVOCI financial assets	2,022	3,181
Accelerated tax depreciation	25	73
Other	28	70
	<u>2,075</u>	<u>3,324</u>

### 8 Other assets

	2021 (\$000)	2020 (\$000)
Corporation tax recoverable	49	7
Accounts receivable	1,696	3,684
Prepayments	<u>231</u>	<u>285</u>
	<u>1,976</u>	<u>3,976</u>

The Company applies the IFRS 9 simplified approach to measuring expected credit losses (general provision) which uses a lifetime expected loss allowance for all accounts receivable balances. The resulting general provision at 31 October 2021 was NIL (2020: NIL).

# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

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### 9 Post-retirement benefit obligation

#### Plan characteristics

The Company through its parent, RBC Financial (Caribbean) Limited, sponsors pension and post-employment benefits to eligible employees. The pension arrangements including investment, plan benefits and funding decisions are governed by local pension committees.

The defined benefit pension plans provide pension benefits based on years of service, contributions and earnings at retirement. The main defined benefit pension plan is closed to new members. New employees are generally eligible to join defined contribution pension plans. Our defined contribution pension plans provide pension benefits based on accumulated employee and company contributions. The company contributions are based on a percentage of an employee's annual earnings. Our other post-retirement benefit plans provide health, dental and life insurance coverage for current and retired employees. These plans are funded by the Group and valuations of the plans are performed at each fiscal year by independent actuaries. The liability in the Statement of Financial Position is allocated to all legal entities participating in the plans based on their participating membership headcount.

#### Risks

By their design, the defined benefit pension plans expose the Company to risks such as investment performance, reductions in discount rates used to value the obligations, increased longevity of plan members, future inflation levels impacting future salary increases as well as future increases in healthcare costs. By closing our principal defined benefit pension plan and migrating to defined contribution pension plans, the volatility associated with future service costs reduces over time.

9.1 The amounts recognised in the statement of financial position are as follows:

	Other post- employment plans (\$'000)	Pension (\$'000)	Total (\$'000)
<b>October 31, 2021</b>			
Fair value of plan assets	-	-	-
Post-retirement benefit obligation	616	-	616
Liability in the statement of financial position	616	-	616
<b>October 31, 2020</b>			
Fair value of plan assets	-	-	-
Post-retirement benefit obligation	773	-	773
Liability in the statement of financial position	773	-	773



# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

### 9 Post-retirement benefit obligation (continued)

9.2 The movements in the net liability recognised in the statement of financial position are as follows:

	Other post- employment plans (\$'000)	Pension (\$'000)	Total (\$'000)
<b>October 31, 2021</b>			
At beginning of period	773	-	773
Net benefit cost (note 9.4)	(40)	-	(40)
Actuarial valuation gain	(117)	-	(117)
At end of year	616	-	616
<b>October 31, 2020</b>			
At beginning of period	1,011	-	1,011
Net benefit cost (note 9.4)	(252)	-	(252)
Actuarial valuation loss	14	-	14
At end of year	773	-	773

9.3 The movements in the post-retirement benefit obligation over the period are as follows:

	Other post- employment plans (\$'000)	Pension (\$'000)	Total (\$'000)
<b>October 31, 2021</b>			
At beginning of year	773	-	773
Current service cost	8	-	8
Past service cost	(84)	-	(84)
Interest cost	79	-	79
Benefits paid	(43)	-	(43)
Actuarial valuation gains	(117)	-	(117)
At end of year	616	-	616
<b>October 31, 2020</b>			
At beginning of year	1,011	-	1,011
Current service cost	33	-	33
Past service cost	(378)	-	(378)
Interest cost	93	-	93
Benefits paid	-	-	-
Actuarial valuation losses	14	-	14
At end of year	773	-	773

# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

### 9 Post-retirement benefit obligation (continued)

9.4 The amounts recognised in the statement of income and other comprehensive income are as follows:

	Other post- employment plans (\$'000)	Pension (\$'000)	Total (\$'000)
<b>October 31, 2021</b>			
Current service cost	8	-	8
Past service cost	(84)	-	(84)
Net interest cost	79	-	79
Benefits paid	(43)	-	(43)
Components of defined benefit gain recognised in profit or loss	(40)	-	(40)
Remeasurement on the net liability:			
Other comprehensive income remeasurements	-	-	-
Other	(117)	-	(117)
Components of defined benefit costs recognised in other comprehensive income	-	-	-
<b>Total</b>	(157)	-	(157)
	Other post- employment plans (\$'000)	Pension (\$'000)	Total (\$'000)
<b>October 31, 2020</b>			
Current service cost	33	-	33
Past service cost	(378)	-	(378)
Net interest cost	93	-	93
Benefits paid	-	-	-
Components of defined benefit costs recognised in profit or loss	(252)	-	(252)
Remeasurement on the net liability:			
Other comprehensive income remeasurements	-	-	-
Other	14	-	14
Components of defined benefit costs recognised in other comprehensive Income	14	-	14
<b>Total</b>	(238)	-	(238)



# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

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### 9 Post-retirement benefit obligation (continued)

#### 9.5 Significant assumptions

Our methodologies to determine significant assumptions used in calculating the other post-retirement expense are as follows:

##### *Discount rate*

All future expected benefit payments at each measurement date are discounted at spot rates based on a local bond market derived yield curve. The discount rate is the equivalent single rate that produces the same discounted value as that determined using the entire discount curve. This methodology does not rely on assumptions regarding reinvestment returns.

#### Summary of principal assumptions

	October 31, 2021	October 31, 2020
Discount rates – medical and life	5.60%	5.30%
Health care cost		
- Immediate trend	5.00%	5.00%
- Ultimate trend	5.00%	5.00%

# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

### 9 Post-retirement benefit obligation (continued)

#### 9.6 Sensitivity analysis

Assumptions adopted can have a significant effect on the obligations and expense for post-employment benefit plans. The following table presents the sensitivity analysis of key assumptions.

	Increase / (decrease)	
	2021	2020
	(\$'000)	(\$'000)
Other post-employment plans:		
Impact of 1.0% decrease in discount rate	225	196
Impact of 1.0% increase in discount rate	(181)	(253)
Impact of 0.5% decrease in rate of increase in future compensation	-	(53)
Impact of 0.5% increase in rate of increase in future compensation	-	(53)
Impact of 1% decrease in health care cost trend rate	(37)	(106)
Impact of 1% increase in health care cost trend rate	43	4
Impact of 1% year increase in life expectancy	(3)	(49)

### 10 Other liabilities

	2021	2020
	(\$000)	(\$000)
Trade payables	6,089	9,564
Other payables and accruals	1,319	1,327
Corporation tax payable	1,069	303
	<u>8,477</u>	<u>11,194</u>

### 11 Share capital

Authorised

8,000,000 ordinary shares of no par value

	2021	2020
	(\$000)	(\$000)
Issued and fully paid		
8,000,000 ordinary shares of no par value	<u>8,000</u>	<u>8,000</u>



# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

### 12 Reserves

	2021 (\$000)	2020 (\$000)
Capital reserve	430	430
Investment revaluation reserve	4,628	7,334
	<u>5,058</u>	<u>7,764</u>

#### 12.1 Investment revaluation reserve

	2021 (\$000)	2020 (\$000)
Balance at beginning of year	7,334	5,866
	<u>7,334</u>	<u>5,866</u>
Net gain arising on revaluation of FVOCI financial assets	(3,864)	2,097
Income tax relating to gain on revaluation of FVOCI financial assets	1,158	(629)
	<u>1,158</u>	<u>(629)</u>
Balance at end of year	<u>4,628</u>	<u>7,334</u>

### 13 Non-interest income from continuing operations

The Company derives revenue over time and at a point in time within the following categories.

	2021 (\$'000)	2020 (\$'000)
<i>Non-interest income at a point in time:</i>		
Foreign exchange earnings	(143)	94
Sundry income	14,622	12,333
	<u>14,479</u>	<u>12,427</u>

### 14 Investment income

	2021 (\$'000)	2020 (\$'000)
Bank interest income	216	1,350
Trading securities income	-	509
Mutual funds income	45	41
Dividend income	55	291
	<u>316</u>	<u>2,191</u>

# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

### 15 Operating Expenses

	2021 (\$'000)	2020 (\$'000)
Advertising	36	56
Equipment and intangible assets expenses excluding depreciation and amortization	1,281	1,278
Depreciation and amortization	248	284
Commissions	536	274
Audit fees	373	355
Staff costs (Note 15.1)	4,473	4,542
Other operating expenses	1,627	2,253
	<u>8,574</u>	<u>9,042</u>

#### 15.1 Staff Costs

	2021 (\$000)	2020 (\$000)
Salaries and wages including bonuses	4,256	4,541
Other post-retirement benefits	(40)	(252)
Employees' defined contribution expense	257	253
	<u>4,473</u>	<u>4,542</u>

### 16 Taxation expense

	2021 (\$000)	2020 (\$000)
Current tax charge	1,920	1,636
Prior years	(38)	-
Deferred tax (credit)/charge (Note 7)	(79)	53
Other	-	200
	<u>1,803</u>	<u>1,889</u>



# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

### 16 Taxation expense (continued)

#### 16.1 Income taxes

The tax on net income before taxation differs from the theoretical amount that would arise using the basic tax rate as follows:

	2021 (\$000)	2020 (\$000)
Income before tax	6,220	5,576
Prima facie tax at the rate of 30%	1,866	1,673
Income not subject to tax	(30)	(100)
Prior period	(38)	-
Other	5	316
	1,803	1,889

### 17 Related Party Transactions

Related parties include the parent, RBC Financial (Caribbean) Limited, associated companies, post-employment benefit plans for the benefit of our employees, key management personnel, the Board of Directors of RBC (Directors), close family members of key management personnel and Directors, and entities which are, directly or indirectly, controlled by, jointly controlled by or significantly influenced by key management personnel, Directors or their close family members.

The following transactions and balances were carried out between the Company and RBC Financial (Caribbean) Limited controlled companies on an arms-length basis:

	2021 (\$000)	2020 (\$000)
<b>Assets</b>		
Cash and cash equivalents	11,461	11,870
Money market instruments	2,058	2,083
	13,519	13,953
<b>Liabilities</b>		
Due to parent company	-	8
	-	8
<b>Income</b>		
Revenue from rendering of services	1,815	1,607
Investment income	45	41
Commissions	45	25
	1,905	1,673
<b>Expense</b>		
Rent	889	909
	889	909

# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

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### 17 Related Party Transactions (continued)

#### Key management personnel and Directors

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly. They include the senior executives called the Operating Committee (OC) and Executive Management Committee (EMC). The OC and EMC are comprised of the Head Caribbean Banking and those individuals that report directly to him, including the Chief Financial Officer, Chief Human Resources Officer, Chief Risk Officer, and heads of our business and functional units. The OC is ultimately responsible for all material decisions. The OC is also responsible for establishing the overall strategic direction of the Company and, in that regard, sets global parameters for the Company within which the board of directors and management exercise their respective discretion to make decisions concerning the strategic direction and day-to-day management of the particular subsidiary. The Directors of West Indies Stockbrokers Limited do not plan, direct, or control the activities of the Group; they oversee the management of the business and provide stewardship.

#### Compensation of key management personnel and Directors

The following tables present the compensation paid to key management personnel and Directors.

	2021 (\$'000)	2020 (\$'000)
<b>Key management compensation</b>		
Salaries and other short term benefits	807	886



# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

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### 18 Financial risk management

#### 18.1 Statement of Financial Position – categorization

	2021 (\$'000)	2020 (\$'000)
<b>Assets</b>		
<b>Financial assets at fair value through profit and loss</b>		
Securities	2,058	2,083
	<u>2,058</u>	<u>2,083</u>
<b>Financial assets at fair value through other comprehensive income</b>		
Securities – equity instruments	6,624	10,488
	<u>6,624</u>	<u>10,488</u>
<b>Financial assets at amortised cost</b>		
Cash on hand and due from banks	36,184	32,343
Other assets	1,976	3,976
	<u>38,160</u>	<u>36,319</u>
<b>Total financial assets</b>	<u>46,842</u>	<u>48,890</u>
<b>Non-financial assets</b>	<u>495</u>	<u>792</u>
<b>Total assets</b>	<u><u>47,337</u></u>	<u><u>49,682</u></u>
	2021 (\$'000)	2020 (\$'000)
<b>Liabilities</b>		
<b>Financial liabilities at amortised cost</b>		
Other liabilities	6,089	9,564
<b>Total financial liabilities</b>	<u>6,089</u>	<u>9,564</u>
<b>Non-financial liabilities</b>	<u>5,078</u>	<u>5,727</u>
<b>Total liabilities</b>	<u>11,167</u>	<u>15,291</u>
<b>Total equity</b>	<u>36,170</u>	<u>34,391</u>
<b>Total equity and liabilities</b>	<u><u>47,337</u></u>	<u><u>49,682</u></u>

# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

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### 18 Financial risk management (continued)

#### 18.2 Financial risk management objectives

##### **Risk management**

##### **Operating Committee (OC)**

The OC is responsible for the overall risk management approach and for approving the risk strategies and principles.

##### **Group Asset and Liability Committee (ALCO)**

The Group ALCO provides oversight and monitoring of the financial resources of operating entities. The committee's mandate includes the recommendation of policies covering investments, capital, funding and liquidity and market risk to the Operating Committee and the Board, and the monitoring of compliance with risk policies and limits in the areas of credit risk and market risk.

##### **Risk limit control and mitigation policies**

The Group 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 Operating Committee.

#### 18.3 Liquidity risk management

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 how it 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 of each business unit and monitored by the unit ALCO and Group ALCO. 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-balance sheet or off-balance sheet liabilities.



# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

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### 18 Financial risk management (continued)

#### 18.3 Liquidity risk management (continued)

The following table presents the components of the financial assets held for liquidity purposes.

	Less than three months (\$'000)	Three to six months (\$'000)	Six to twelve months (\$'000)	One to five years (\$'000)	Over five years (\$'000)	Total (\$'000)
<b>As at October 31, 2021</b>						
<b>Assets</b>						
Cash and cash equivalents	36,184	-	-	-	-	36,184
Balances with central	-	-	-	-	-	-
Loans	-	-	-	-	-	-
Securities	2,058	-	-	-	6,624	8,682
Due from associates and affiliated companies	-	-	-	-	-	-
Other assets	1,696	-	280	-	-	1,976
<b>Total financial assets less derivatives</b>	<b>39,938</b>	<b>-</b>	<b>280</b>	<b>-</b>	<b>6,624</b>	<b>46,842</b>
<b>Liabilities</b>						
Due to banks	-	-	-	-	-	-
Customers' deposits	-	-	-	-	-	-
Other funding instruments	-	-	-	-	-	-
Other borrowed funds	-	-	-	-	-	-
Debt securities in issue	-	-	-	-	-	-
Due to associates and affiliated companies	-	-	-	-	-	-
Other liabilities	6,089	-	-	-	-	6,089
<b>Total financial liabilities less derivatives</b>	<b>6,089</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,089</b>
<b>Liquidity gap</b>	<b>33,849</b>	<b>-</b>	<b>280</b>	<b>-</b>	<b>6,624</b>	<b>40,753</b>
<b>Cumulative gap</b>	<b>33,849</b>	<b>33,849</b>	<b>34,129</b>	<b>34,129</b>	<b>40,753</b>	

# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

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### 18 Financial risk management (continued)

#### 18.3 Liquidity risk management (continued)

	Less than three months (\$'000)	Three to six months (\$'000)	Six to twelve months (\$'000)	One to five years (\$'000)	Over five years (\$'000)	Total (\$'000)
<b>As at October 31, 2020</b>						
<b>Assets</b>						
Cash and cash equivalents	32,343	-	-	-	-	32,343
Balances with central	-	-	-	-	-	-
Loans	-	-	-	-	-	-
Securities	2,083	-	-	-	10,488	12,571
Due from associates and affiliated companies	-	-	-	-	-	-
Other assets	3,686	-	290	-	-	3,976
<b>Total financial assets less derivatives</b>	<b>38,112</b>	<b>-</b>	<b>290</b>	<b>-</b>	<b>10,488</b>	<b>48,890</b>
<b>Liabilities</b>						
Due to banks	-	-	-	-	-	-
Customers' deposits	-	-	-	-	-	-
Other funding instruments	-	-	-	-	-	-
Other borrowed funds	-	-	-	-	-	-
Debt securities in issue	-	-	-	-	-	-
Due to associates and affiliated companies	-	-	-	-	-	-
Other liabilities	9,564	-	-	-	-	9,564
<b>Total financial liabilities less derivatives</b>	<b>9,564</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,564</b>
<b>Liquidity gap</b>	<b>28,548</b>	<b>-</b>	<b>290</b>	<b>-</b>	<b>10,488</b>	<b>39,326</b>
<b>Cumulative gap</b>	<b>28,548</b>	<b>28,548</b>	<b>28,838</b>	<b>28,838</b>	<b>39,326</b>	



# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

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### 18 Financial risk management (continued)

#### 18.3.1 Financial facilities

	2021 (\$'000)	2020 (\$'000)
Secured bank overdraft facility:		
amount unused at October 31	<u>84,138</u>	<u>84,689</u>

### 18.4 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, currency and equity products, all 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, foreign exchange rates and equity prices.

Trading portfolios include those portfolios arising from market-making transactions where the Company acts as a principal with clients or with the market.

Non-trading portfolios also consist of interest rate, foreign exchange and equity risks arising from the Company's securities.

### 18.5 Other price risks

Other price risk arises due to the possibility that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is affected by changing prices of equity instruments designated as fair value through other comprehensive income with fair value movements recognised in other comprehensive income attributable to the Company.

#### 18.5.1 Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If equity prices had been 10% higher/lower:

- Net profit for the period ended October 31, 2021 would have been unaffected as the equity investments are classified as FVOCI.
- Other comprehensive income would increase/decrease by TT\$273,000 (October 31, 2020: increase/decrease by TT\$351,000) as a result of the changes in fair value of securities.

# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

### 18 Financial risk management (continued)

#### 18.6 Maturity and interest rate risk

	Less than 1 month (\$'000)	1-3 months (\$'000)	3 months 1 year (\$'000)	1 – 5 years (\$'000)	Total (\$'000)
<b>As at October 31, 2021</b>					
<b>Financial Assets</b>					
Non-interest bearing	1,745	-	231	-	1,976
Variable interest rate instruments	24,677	20,189	-	-	44,866
Fixed interest rate instruments	-	-	-	-	-
	26,422	20,189	231	-	46,842
<b>Financial Liabilities</b>					
Non-interest bearing	(6,089)	-	-	-	(6,089)
Net liquidity gap	20,333	20,189	231	-	40,753

	Less than 1 month (\$'000)	1-3 months (\$'000)	3 months 1 year (\$'000)	1 – 5 years (\$'000)	Total (\$'000)
<b>As at October 31, 2020</b>					
<b>Financial Assets</b>					
Non-interest bearing	3,691	-	285	-	3,976
Variable interest rate instruments	29,333	15,581	-	-	44,914
Fixed interest rate instruments	-	-	-	-	-
	33,024	15,581	285	-	48,890
<b>Financial Liabilities</b>					
Non-interest bearing	(9,564)	-	-	-	(9,564)
Net liquidity gap	23,460	15,581	285	-	39,326



# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

### 18 Financial risk management (continued)

#### 18.7 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The RBC Financial (Caribbean) Limited Board has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits

#### Concentrations of assets and liabilities

Assets are primarily funded by like currency liabilities thus reducing the element of cross-currency risk. Foreign currency transactions do not require the use of interest rate swaps and foreign currency options and other derivative instruments, which all carry inherent risks. Currency exposure resides mainly in trading activity.

The Company had the following significant currency positions:

	Liabilities	Liabilities	Assets	Assets	Net Position	
	31/10/2021	31/10/2020	31/10/2021	31/10/2020	31/10/2021	31/10/2020
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
TT\$	6,089	9,564	19,951	26,326	13,862	16,762
US\$ (TT\$ equivalent)	-	-	26,891	22,564	26,891	22,564
Total	6,089	9,564	46,842	48,890	40,753	39,326

#### 18.7.1 Foreign currency sensitivity analysis

The following table details the Company's sensitivity to a 10% increase and decrease in the United States dollar (US\$) against the Trinidad and Tobago dollar (TT\$) with all other variables held constant. A positive number below indicates an increase in profit where the US\$ strengthens 10% against the TT\$. For a 10% weakening of the US\$ against the TT\$, there would be a comparable impact on the profit, and the balances below would be negative:

	2021	2020
	(\$'000)	(\$'000)
Profit or loss	2,688	2,256

# **West Indies Stockbrokers Limited**

## **Notes to the Financial Statements (continued)**

**October 31, 2021**

Expressed in Trinidad and Tobago dollars

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### **18 Financial risk management (continued)**

#### **18.8 Credit risk management**

Credit risk is managed on a Company basis. Credit risk arises from cash and cash equivalents as well as credit exposures to customers for outstanding receivables. Credit limits are set and monitored for individual customers.

The Company categorises all government and government-backed securities, as well as cash on hand and at bank as high grade financial assets. Quoted equities, money market funds, related party balances and trade receivables are categorised as standard grade financial assets.

##### **18.8.1 Impairment and provisioning policies**

The Company applies the simplified approach to general provisioning and considers whether an additional specific provision is required at the end of each month for the potential losses that could occur in the collection of past due accounts. The specific provision is made on amounts owed over 90 days that the Company deems uncollectible as at October 31, 2021. The Company reviews all amounts owed on a quarterly basis and makes specific provisions for amounts that are deemed uncollectible as and when necessary.



# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

### 18 Financial risk management (continued)

#### 18.8 Credit risk management (continued)

##### 18.8.2 Financial assets and other credit exposure

	Stage 1	Stage 2	Stage 3	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>As at October 31, 2021</b>				
Cash and cash equivalents	36,184	-	-	36,184
Securities	2,058	-	-	2,058
Accounts receivables	1,696	-	-	1,696
Other receivables and prepayments	280	-	-	280
	<u>40,218</u>	<u>-</u>	<u>-</u>	<u>40,218</u>

	Stage 1	Stage 2	Stage 3	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>As at October 31, 2020</b>				
Cash and cash equivalents	32,343	-	-	32,343
Securities	12,571	-	-	12,571
Accounts receivables	3,684	-	-	3,684
Other receivables and prepayments	292	-	-	292
	<u>48,890</u>	<u>-</u>	<u>-</u>	<u>48,890</u>

# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

### 19. Fair value

#### 19.1 Disclosures of fair value for financial instruments that are carried at amortized cost

The following fair value hierarchy table presents fair values of financial assets and liabilities that are carried at amortized cost, and therefore excludes financial instruments that are measured and disclosed at fair value on a recurring basis.

#### Financial assets and liabilities for which fair values are disclosed

As at October 31, 2021							
	Fair value always approximates carrying value	Fair value may not approximate carrying value	Total fair value	Fair value hierarchy			
				Level 1	Level 2	Level 3	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Other assets	1,976	-	1,976	-	-	-	-
Other liabilities	8,476	-	8,476	-	-	-	-

As at October 31, 2020							
	Fair value always approximates carrying value	Fair value may not approximate carrying value	Total Fair Value	Fair value hierarchy			
				Level 1	Level 2	Level 3	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Other assets	3,976	-	3,976	-	-	-	-
Other liabilities	11,194	-	11,194	-	-	-	-

Carrying amounts of certain financial instruments approximate their fair values due to short-term nature and generally insignificant credit risk of the instruments for certain receivables and payables in other assets and other liabilities.



# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

### 19 Fair value (continued)

#### 19.2 Valuation techniques and assumptions applied for the purpose of measuring fair value

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

#### 19.3 Fair value measurement recognized in the statement of financial position

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); and
- 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).

	Level 1 (\$'000)	Level 2 (\$'000)	Level 3 (\$'000)	Total (\$'000)
<b>As at October 31, 2021</b>				
<b>Securities</b>				
Money market instruments	2,058	-	-	2,058
Treasury bills	-	20,189	-	20,189
Equity securities	-	-	6,624	6,624
<b>Total</b>	<b>2,058</b>	<b>20,189</b>	<b>6,624</b>	<b>28,871</b>

# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

### 19 Fair value (continued)

#### 19.3 Fair value measurement recognized in the statement of financial position (continued)

#### Reconciliation of Level 3 fair value measurements of financial assets for year ended October 31, 2021

	Securities (\$'000)
Balance at start of year	10,488
Loss from change in fair value	(3,864)
Balance at end of year	6,624

	Level 1 (\$'000)	Level 2 (\$'000)	Level 3 (\$'000)	Total (\$'000)
<b>As at October 31, 2020</b>				
<b>Securities</b>				
Money market instruments	2,083	-	-	2,083
Treasury bills	-	15,581	-	15,581
Equity securities	-	-	10,488	10,488
Total	2,083	15,581	10,488	28,152

#### Reconciliation of Level 3 fair value measurements of financial assets for year ended October 31, 2020

	Securities (\$'000)
Balance at start of year	8,390
Gain from change in fair value	2,098
Balance at end of year	10,488

There were no transfers in or out of Level 3 in the period.

# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

### 19 Fair value (continued)

#### 19.4 Positive and negative fair value movement of Level 3 financial instruments from using reasonably possible alternative assumptions

A financial instrument is classified as Level 3 in the fair value hierarchy if one or more of its unobservable inputs may significantly affect the measurement of its fair value. In preparing the financial statements, appropriate levels for these unobservable input parameters are chosen so that they are consistent with prevailing market evidence or management judgement. Due to the unobservable nature of the prices or rates, there may be uncertainty about valuation of these Level 3 financial instruments.

The following table summarises the impact to fair values of Level 3 financial instruments using reasonably possible alternative assumptions. This sensitivity disclosure is intended to illustrate the potential impact of the relative uncertainty in the fair value of Level 3 financial instruments. In reporting the sensitivities below, we have considered offsetting balances in instances when: (i) the move in valuation factor caused an offsetting positive and negative fair value movement, (ii) both offsetting instruments are in Level 3, and (iii) when exposures are managed and reported on a net basis. With respect to overall sensitivity, it is unlikely in practice that all reasonably possible alternative assumptions would be simultaneously realised.

	Level 3 Fair value	Positive fair value movement from using reasonably possible alternatives	Negative fair value movement from using reasonably possible alternatives
	(\$'000)	(\$'000)	(\$'000)
<b>As at October 31, 2021</b>			
Securities at FVOCI	6,624	2,747	1,980
Total	6,624	2,747	1,980

	Level 3 Fair value	Positive fair value movement from using reasonably possible alternatives	Negative fair value movement from using reasonably possible alternatives
	(\$'000)	(\$'000)	(\$'000)
<b>As at October 31, 2020</b>			
Securities at FVOCI	10,488	4,349	3,134
Total	10,488	4,349	3,134



# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

October 31, 2021

Expressed in Trinidad and Tobago dollars

### 19 Fair value (continued)

#### 19.4 Positive and negative fair value movement of Level 3 financial instruments from using reasonably possible alternative assumptions (continued)

##### Sensitivity results

As at October 31, 2021 the effects of applying other reasonably possibly alternative assumptions to the Level 3 asset positions would be an increase of \$2.7 million (2020: \$4.3 million) and a reduction of \$1.9 million (2020: \$3.1 million) in fair value, of which \$0.8 million (2020: \$1.3 million) would be recorded in other components of equity.

##### Level 3 valuation inputs and approaches to developing reasonably possible alternative assumptions.

The following is a summary of the unobservable inputs of the Level 3 instruments and our approaches to develop reasonably possible alternative assumptions used to determine sensitivity.

Financial assets or liabilities	
Equity securities – TTSE shares	The TTSE shares are valued by the Valuations Department at the Royal Bank of Canada using various price multiples models.
Equity securities – Roytrin	The Roytrin funds are independently verified to a NAV price. As there is no other reasonable alternative assumption, zero sensitivity is assigned.

### 20 Contingent Liabilities

#### Customers' liability under letters of credit

These represent the Company's potential liability, for which there are equal and offsetting claims against its customers in the event of a call on these commitments. The Company's line of credit is secured by 87,500 Roytrin mutual fund units held with RBC Royal Bank (Trinidad and Tobago) Limited.

	2021 (\$'000)	2020 (\$'000)
Letter of credit	<u>3,500</u>	<u>7,500</u>

These amounts are not reflected in the Statement of Financial Position.

# West Indies Stockbrokers Limited

## Notes to the Financial Statements (continued)

**October 31, 2021**

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### **21 Administered funds**

The Company acts as an investment manager and in that capacity places assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets and income arising thereon are excluded from these financial statements, as they are not assets of the Company. Assets under management as at October 31, 2021 totalled \$14 billion (October 31, 2020 \$12 billion).

These amounts are not reflected in the Statement of Financial Position.