Annual Report
2007

CARIBBEAN COURT OF JUSTICE TRUST FUND

The Samaan tree epitomises
Growth, Stability, Protection and Longevity.

"…funding the Caribbean Court of Justice in perpetuity…"

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Deputy Chairman and
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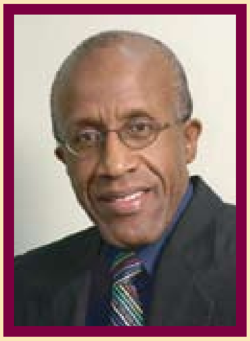

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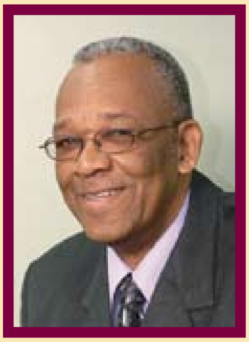

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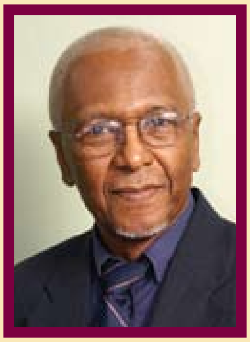
Dr. Anthony Bowrin
Trustee



Prof. Harold Lutchman
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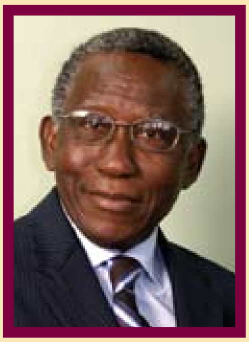
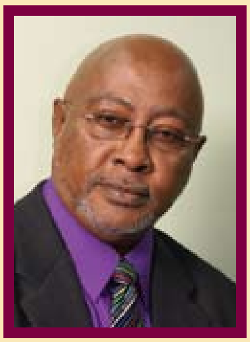


Chief Justice
Abdulai Conteh
Trustee



Michael Archibald
Trustee

Wilfred Abrahams
Trustee

REPORT OF THE BOARD OF TRUSTEES

On behalf of the Board of Trustees, it gives me great pleasure to report on the progress of the Caribbean Court of Justice Trust Fund during the year ended December 31, 2007.

In order to fulfill its responsibility to finance the Caribbean Court of Justice in perpetuity, the Trustees have continued to manage the resources of the Trust Fund in accordance with the following philosophy:

"The fund will be invested prudently with a long-term investment horizon in a wide range of tax-efficient international instruments so as to produce an optimal gross rate of return with reasonable security of its capital."

Accordingly, during the course of the year, the full Board met 7 times, the Finance & Investment Committee 3 times, and the Audit and Compensation Committees twice each.

Overview of 2007 Performance

The balance of the Trust Fund as at December 31, 2006 was US$110,201,958, of which investments and operating accounts ("the total earning assets") totalled US$110,062,858. During 2007, a third party capital contribution of US$1,017,778 was received from the Government of The Bahamas. Disbursements to the Court amounted to US$4,912,235. The balance of the Trust Fund as at December 31, 2007 was US$115,010,247 of which the total earning assets amounted to US$114,882,826.

International Markets

US equity markets experienced great volatility during 2007. The predominantly bull market experienced in the last 3 years hit its first major stumbling block in August as the US sub-prime mortgage sector showed obvious signs of a melt-down. The ripples of concern crossed to Europe and Asia as the international financial sector struggled to put numbers on the extent of losses in a sector where risk had been diversified into myriad financial instruments. The resulting strain on the financial sector, the publicised write-downs and requirements for capital injections into some of the largest international financial institutions impacted negatively on the equity markets with the S&P 500 and DJIA ending the year relatively flat in comparison to the intra-year highs, with returns of +3.5% and +6.4% respectively in 2007. The international equity markets bore some of the pressure, but still outpaced the US equity markets with the MSCI EAFE posting a +8.62% return for 2007.

The year also saw the materialization of the emerging market economies as global economic growth drivers, with China, Russia and India making significant contributions to the global growth rate, which is estimated at 5.2% for 2007. Commodity prices displayed an upward trend, with the price of crude oil edging toward US$100 per barrel rising to a high of US$99.29 per barrel at the end of November 2007. High oil prices, coupled with rising global food prices display a trend toward continuing inflationary pressures on net oil importers, such as the US. The continued pressure impacted negatively on the US dollar during the year. The US Fed reduced interest rates by a cumulative 100 bps through 3 consecutive reductions from August 2007 to end the year at 4.25%.

The US Fixed Income market continued to reflect low yields as investors displayed risk-averse behaviour in a difficult credit environment. The yield on the 10-year US Treasury Bond fell below 4% in November 2007 in comparison to a start of year yield of 4.66%. The benchmark Bloomberg 5 to 7 yr Treasury Bond index presented a solid +10.62% return for the year.

Regional Markets

Regionally, the equity markets recorded different degrees of positive movement for the year 2007, with losses made in the first half of the year reversed by positive returns in the second half.

- The TTSE Composite Index recorded a marginal +1.33% return for 2007.
- The JSE Market Index posted an annual return of +7.24%.

Regional Markets (continued)

- The BSE Market Index outperformed the other two regional indices with an impressive +12.61% return for 2007.

Expectations are for continued trading activity as the market is boosted by positive returns after a prolonged downward period, as well as speculative trading arising from the ongoing acquisition offers in 2008.

Investment Portfolio

The total earning assets of the Trust Fund produced an audited total return for the year of 9.2% net of investment management fees. This was broadly in line with the Board's target of 9.5%, and in excess of the blended benchmark return of 5.1% for a hypothetical portfolio carrying the same target asset allocation.

Table 1: Audited Fund Returns

April 7, 2005	–	December 31, 2005	5.7%
January 1, 2006	–	December 31, 2006	10.4% p.a.
January 1, 2007	–	December 31, 2007	9.2% p.a.
April 7, 2005	–	December 31,2007	9.3% p.a.

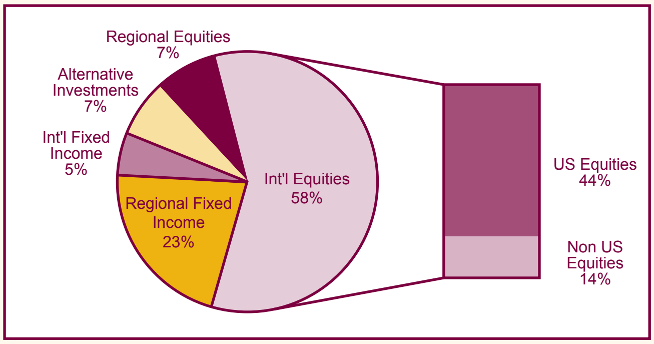
The audited total rates of return net of investment management fees show that the total earning assets of the Trust Fund returned 9.3% p.a. since receipt of funds in April 2005.

The investment allocation of the portfolio as at December 31, 2007 and the returns posted by each asset class for the year are shown in Table 2.

Table 2: Allocation of the Portfolio and Returns by Asset Class

Asset Class	Market Value @ Dec 31 2007 (US$ Millions)	Allocation(%)	Time Weighted Total Return (%)
Int'l Equities	66.2	58%	11.3%
Int'l Fixed Income	6.2	5%	3.7%
Regional Equities	8.2	7%	7.7%
Regional Fixed Income	26.1	23%	6.8%
Alternative Investments	8.2	7%	7.4%
TOTAL	114.9	100%	9.2%

Table 2: Allocation of the Portfolio and Returns by Asset Class (Continued)



Equity was the top performing broad asset class for the year, with the International Equities asset class solidifying its position as the best performing asset class for fiscal year 2007. The asset class experienced reversal of intra-year gains toward the end of 2007 as negative credit news and continuing fall-out from the sub-prime mortgage sector, coupled with rumblings of a slowing global economy and high oil prices had an adverse impact on equity markets. The allocation to that asset class stood at 58% as at year-end with a +11.3% return versus a target of +11.5%.

The allocation to Regional Equities stood at 7% as at year end. The asset class contributed a return of 7.7% to the portfolio versus a target return of 6.2%. The positive return was concentrated to the end of the year when the regional markets experienced some increase in investor activity.

International Fixed Income returns improved in the latter part of the year as investors sought investment grade fixed income holdings in a worsening credit environment. The sector returned 3.7% in comparison to a target return of 4.8%.

Regional Fixed Income continues to perform to expected standards with an actual annual return of 6.8% broadly in line with the target of 7.0% for the period. The asset class comprises of funds held mainly in shorter-term instruments with yields within a range of 5.0% to 7.5% depending on currency and tenor. There is an allocation to longer-term debt instruments with an average annualized yield of 8.1%.

Progress of the Fund

The fund grew from US$110,201,958 at the start of the year to end the period at US$115,010,247 of which US$114,882,826 represented total earning assets.

Table 3: Statement of Movement in Fund Balance – 2006 and 2007

	2007 US$	2006 US$
Fund at Start	**110,201,958**	**99,758,227**
Capital Contributions	1,017,778	4,979,296
	111,219,736	**104,737,523**
Interest and Dividends	2,964,435	2,776,167
Realised Gains	3,337,375	2,636,079
Unrealised Gains	3,668,436	4,724,707
Total Income	9,970,246	10,136,953
Investment Fees	(567,934)	(565,346)
Net Total Income	**9,402,312**	**9,571,607**
Trust Fund Expenses	(699,566)	(570,418)
Disbursements to CCJ	(4,912,235)	(3,536,754)
	3,790,511	**5,464,435**
Fund at End	**115,010,247**	**110,201,958**

During the year, a third party capital contribution of US$1,017,778 was received. Income earned from interest, dividends and realised capital gains totaled US$6,301,810, whilst unrealised capital gains amounted to US$3,668,436. Disbursements to fund the expenses of the Court and Commission were US$4,912,235.

Investment Management fees for the period amounted to US$567,934, whilst expenses of the Trust Fund totaled US$699,566. Before charges for depreciation and year-end currency translation differences, the ratio of investment management fees and administrative expenses of the Trust Fund expressed as a percentage of the average fund balance was 1.0%.

Outlook for 2008

The year ahead promises to be an extremely challenging one for the global investment community. With a slowdown in the US economy universally expected in 2008, mixed views on a US recession, and possible contagion in Western Europe as housing markets slow in the UK for the first time in five years, Asia is predicted to be the engine of growth for the future. However, global growth is expected to slow to between 4.6% and 4.8% in the next year.

Interest rates in the US are expected to fall in 2008 as the monetary authority struggles with a floundering economy and rising inflationary pressures. The global investor market experienced a flight to quality with investors fleeing the equity market and flocking to investment grade fixed income assets. While this was positive for fixed income returns in late 2007, expectations are not as rosy in 2008 as falling interest rates and deteriorating corporate credit fundamentals place pressure on the sector.

While some investment commentators opine that there are no cheap assets, there are opportunities existing in the beleaguered equity markets. However, these opportunities are likely to be accompanied by continued volatility as weakening economic conditions and corporate earnings impact on the market. Large cap companies with global exposure are expected to fare better than small cap stocks in tight credit conditions. The global equity managers may be able to benefit from interim US dollar weakness.

Commodity markets are expected to remain strong in 2008, though there may be some short-term correction in prices. The demand for oil will continue to be high, maintaining its pressure on the price. However, there may be some pressure on this price as major economies, who are net oil importers, rebel against the US$100 price of crude and place political pressure on oil exporting nations. Agricultural commodities are expected to perform well in the face of rising global food inflation, while views on the performance of metals are mixed.

Regionally, the modest gains in the equity markets are expected to continue into 2008. Two acquisition offers announced in 2007 are anticipated to come to fruition by mid-2008. The resulting speculative trading is likely to impact favourably on the regional equity markets. Capital markets saw some increased activity in the latter half of the year, with regional corporate debt coming to market. The introduction of the secondary bond market trading platform in Trinidad and Tobago is expected to generate

Outlook for 2008 (Continued)

trading in local-currency denominated debt. Rate expectations are mixed with the regional governments seeking to balance the high local liquidity conditions prevailing in buoyant regional economies, with the increased interest rate spread relative to the US.

The themes emerging for 2008 are a strong strategic allocation across a wise range of diversified asset classes. The volatility experienced in the year that has passed is expected to continue in the future, and an investment portfolio will only provide a consistent return and preserve existing capital through a widening of its asset classes to carefully position itself in uncorrelated assets. This is the driving factor for the Trust Fund's strategic reallocation for 2008.

Appreciation

The Trust Fund has made good progress in recording a net rate of return of 9.2% for the current year and 9.3% annualized net return since inception. CARICOM Governments have contributed a total of US$106.9M since inception and after total disbursements of US$13.8 M to the Court, the audited fund balance as at December 31, 2007 is US$115.0M. For this satisfactory state of affairs, I would like to thank the current Board of Trustees and those Trustees who have served in the past. In particular, I would like to record appreciation for the contribution of Mr. Patrick Patterson, who was appointed a Trustee in April 2004 and retired from the Board in November 2007. The Board also extends gratitude to Oppenheimer Inc., our Investment Adviser and the Management Team for their professional support.

Dr. R. Bertrand,
Chairman,
Board of Trustees
March 17, 2008

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF CARIBBEAN COURT OF JUSTICE TRUST FUND

We have audited the accompanying financial statements of Caribbean Court of Justice Trust Fund, which comprise the balance sheet as at 31st December, 2007 and the revenue and expenditure account, statement of changes in fund balance and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Trust Fund as of 31st December, 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young

Port of Spain,
TRINIDAD:
17th March, 2008

BALANCE SHEET AS AT 31ST DECEMBER, 2007

	Notes	2007 US$	2006 US$
Assets			
Cash and cash equivalents	5	14,193,212	10,528,842
Accounts receivable		7,077	6,431
Available-for-sale investments	6	100,332,837	99,430,342
Interest receivable		311,093	71,244
Dividends receivable		45,684	32,429
Other assets		50,822	52,318
Fixed assets	7	94,733	125,772
Total assets		115,035,458	110,247,378
Liabilities			
Accounts payable and accrued expenses		25,211	45,420
Total liabilities		25,211	45,420
Total net assets		**115,010,247**	**110,201,958**
Fund balance			
Capital contributions	8	106,943,216	105,925,438
Revaluation reserve		11,737,996	8,069,560
Retained deficit		(3,670,965)	(3,793,040)
Total fund balance		**115,010,247**	**110,201,958**

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

These financial statements were approved by the Board of Trustees and authorised for issue on 17th March, 2008 and are signed on their behalf by:

Trustee:

Trustee:

REVENUE AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER, 2007

	Note	2007 US$	2006 US$
Revenue			
Interest income		1,779,734	1,594,896
Dividends		1,184,701	1,177,645
Realized gains on investments	3 (e)	3,337,375	2,636,079
		6,301,810	5,408,620
Investment management fees		(567,934)	(565,346)
Net investment income		5,733,876	4,843,274
Other income		-	3,626
		5,733,876	**4,846,900**
Expenditure			
Legal and professional fees		48,707	67,025
Staff costs		316,340	261,050
Board expenses	10	100,537	59,638
Depreciation		31,700	36,766
Property related expenses		68,633	61,623
General administrative expenses		58,866	52,241
Net gain/ (loss) on foreign exchange		74,783	32,075
		699,566	570,418
Net income for the year		**5,034,310**	**4,276,482**
Transfers to the Court	3(j))	(4,912,235)	(3,536,754)
		122,075	**739,728**

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

STATEMENT OF CHANGES IN FUND BALANCE FOR THE YEAR ENDED 31ST DECEMBER, 2007

	Capital contributions US$	Revaluation reserve US$	Retained deficit US$	Fund balance US$
Balance at 31st December, 2005	**100,946,142**	**3,344,853**	**(4,532,768)**	**(99,758,227)**
Available-for-sale investments				
- Realized gains transferred to net income	–	(2,932,942)	–	(2,932,942)
- Revaluation of investments	–	7,657,649	–	7,657,649
Income for the year recognized directly in fund balance	–	4,724,707	–	4,724,707
Members' contributions (note 8)	3,961,518	–	–	3,961,518
Third party contributions (note 8)	1,017,778	–	–	1,017,778
Current year income	–	–	4,276,482	4,276,482
Transfers to the Court (note 3(j))	–	–	(3,536,754)	(3,536,754)
	4,979,296	4,724,707	739,728	10,443,731
Balance at 31st December, 2006	**105,925,438**	**8,069,560**	**(3,793,040)**	**110,201,958**
Available-for-sale investments				
- Realized gains transferred to net income	–	(3,611,022)		(3,611,022)
- Revaluation of investments	–	7,279,458	–	7,279,458
Income for the year recognized directly in fund balance	–	3,668,436	–	3,668,436
Members' contributions (note 8)	–	–	–	–
Third party contributions (note 8)	1,017,778	–	–	1,017,778
Current year income	–	–	5,034,310	5,034,310
Transfers to the Court (note 3(j))	–	–	(4,912,235)	(4,912,235)
	1,017,778	3,668,436	122,075	4,808,289
Balance at 31st December, 2007	**106,943,216**	**11,737,996**	**(3,670,965)**	**115,010,247**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER, 2007

	Notes	2007 US$	2006 US$
Operating activities			
Net income for the year		5,034,310	4,276,482
Adjustments for:			
Depreciation		31,515	36,766
Operating income before working capital changes		5,065,825	4,313,248
(Increase)/decrease in interest receivable		(239,849)	23,827
(Increase)/decrease in accounts receivable, dividends receivable and other assets		(12,405)	36,404
(Decrease)/increase in accounts payable, accrued expenses and other liabilities		(20,209)	15,532
Net cash generated from operating activities		**4,793,362**	**4,389,011**
Investing activities			
Purchase of fixed assets		(476)	(2,847)
Purchase of regional equity investments		(527,977)	(1,037,184)
Purchase of regional fixed income instruments		(3,715,664)	(3,998,117)
Net movement in non-regional investments		7,009,583	(3,615,781)
Net cash provided by/(used in) investing activities		**2,765,465**	**(8,653,929)**
Financing activities			
Members' contributions		–	3,961,518
Third party contributions		1,017,778	1,017,778
Transfers to Court		(4,912,235)	(3,536,754)
Net cash (used in)/generated from financing activities		**(3,894,457)**	**1,442,542**
Net increase/(decrease) in cash and cash equivalents		**3,664,370**	**(2,822,376)**
Cash and cash equivalents at beginning of the year		**10,528,842**	**13,351,218**
Cash and cash equivalents at end of the year		**14,193,212**	**10,528,842**
Supplemental information:			
Interest received during the year		1,468,640	1,574,276
Dividends received during the year		1,363,782	1,145,216

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2007

1. Formation and principal activities

The Caribbean Court of Justice Trust Fund (the Trust Fund) was established in accordance with the "Revised Agreement establishing the Caribbean Court of Justice Trust Fund" (the Agreement) effective January 27, 2004. The Trust Fund's Board of Trustees was inaugurated on August 22, 2003, with the Trust Fund commencing operations on May 1, 2004. The Board of Trustees at its meeting of May 2004 passed a resolution authorising all actions and ratifying all decisions taken by it between August 22, 2003 and January 27, 2004.

The Trust Fund was established by the CARICOM Heads of Government (the Members) to provide the resources necessary to finance the capital and operating budget of the Caribbean Court of Justice (the Court) and the Regional Judicial and Legal Services Commission (the Commission) in perpetuity.

The investment objective of the Trust Fund is to seek medium to long-term capital growth through investment in a diversified portfolio of tax-efficient international instruments, including fixed income and equity securities, in order to produce an optimal gross rate of return with reasonable security of capital.

The Trust Fund currently employs six full-time members of staff. It has entered into an Investment Management Agreement, approved by the Board of Trustees, with Oppenheimer Asset Management Inc. to act as the Program Manager of the Trust Fund's non-regional assets (assets originating in geographical areas external to CARICOM territories).

Under this program the Trust Fund in consultation with the Program Manager has engaged the services of multiple portfolio managers under individual investment sub-advisory agreements to render investment advisory services and to invest the assets on a discretionary basis. Each portfolio manager invests and reinvests the securities, cash and/or other investments held in the Account in accordance with the Trust Fund's investment objectives. Investments may be made in, but are not limited to, securities of any kind, including stocks, warrants, options, rights, corporate or government bonds or notes issued by U.S. or foreign issuers and shares of money market mutual funds.

The Trust Fund operates as an international legal entity, which is not amenable to the municipal jurisdiction of any one sovereign state. The Trust Fund is domiciled in the Republic of Trinidad and Tobago and its registered office is at 22 Cornelio Street, Woodbrook, Port of Spain, Trinidad and Tobago, West Indies.

2. Privileges and immunities

The "Revised Agreement establishing the Caribbean Court of Justice Trust Fund" establishes certain privileges and immunities to enable the Trust Fund and its Officers to discharge its duties and responsibilities. In accordance with Article XII of the Agreement the Trust Fund, its assets, property, income and its operations and transactions are exempt from all taxation, all customs duties on goods imported for its official use and all other imports. Furthermore the Trustees, Officers and employees are exempt from direct taxation of salaries, remuneration and allowances paid to them by the Trust Fund.

The Trust Fund on 29th June 2007 finalized its Headquarters Agreement with the Government of Trinidad and Tobago, which encompasses such privileges and immunities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2007 (continued)

3. Significant accounting policies

The principal significant accounting policies applied in the preparation of these financial statements are set out below.

a) Basis of preparation

These financial statements are expressed in United States dollars and are prepared in accordance with International Financial Reporting Standards (IFRS) on the historic cost basis, except for available-for-sale investments which are carried at fair value.

b) Adoption of IFRS during the year

The accounting policies used are consistent with those of the previous financial years. The Trust Fund has applied the IFRS 7: Financial Instruments: Disclosures and IAS 1 – Amendment – Capital Disclosures, which became effective for reporting periods commencing on or after January 1, 2007. (Refer to Notes 14 and 15)

The Trust Fund has not applied certain IFRSs and IFRIC interpretations that have been issued but are not yet effective. The Trust Fund has evaluated the effect of these and determined that they do not apply to the activities of the Trust Fund. The following standards/interpretations have become effective for reporting periods commencing on or after 31st March, 2007:

- IAS 23: Borrowing Costs
- IFRS 8: Operating Segments
- IFRIC 11: IFRS 2 – Group and Treasury Share Transactions
- IFRIC 12: Service Concession Arrangements
- IFRIC 13: Customer Loyalty Programmes
- IFRIC 14/ IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

c) Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less and are carried at cost, which approximates market value.

d) Financial instruments

Financial assets and liabilities are recognized in the balance sheet when the Trust Fund becomes party to the contractual obligation of the instrument. Regular purchase and sales of investments are recognized on the trade date – the date on which the Trust Fund commits to purchase or sell the asset.

A financial asset is derecognized when the rights to receive the cash flows from the asset have expired or where all the risks and rewards of ownership of the asset have been transferred. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

e) Available-for-sale investments

The Trust Fund classifies its investments as available-for-sale. Investments are comprised of regional and non-regional equities and fixed income securities. Available-for-sale investments are securities which are intended to be held for an indefinite period of time but which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

All investments are initially recognized at cost, being the fair value of the consideration given including transaction costs associated with the investment. After initial recognition, available-for-sale investments are measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2007 (continued)

e) Available-for-sale investments (continued)

Unrealized gains or losses arising from changes in the fair value are recognized directly as a separate component of the fund balance until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously included in the fund balance is recognized in the revenue and expenditure account as realized gains or losses on investments.

f) Determination of fair value

The fair value for financial instruments traded in organized financial markets is based on their quoted market prices at the balance sheet date without any deduction for transaction costs.

g) Fixed assets

Fixed assets are stated at cost net of accumulated depreciation. Depreciation is provided for at rates expected to write off the cost of the assets over their estimated useful lives. Leasehold improvements are depreciated over the period of the lease. Depreciation on all classes of fixed assets is computed as follows:

	Rate	Basis
Motor vehicles	25%	Reducing balance
Equipment, furniture and fittings	12%–33%	Straight line
Leasehold improvements	33%	Straight line

Gains and losses on disposal of fixed assets are determined by reference to their carrying amounts and are taken into account in determining net income. Costs of repairs are charged to the revenue and expenditure account when the expenditure is incurred.

h) Operating lease

Operating leases are leases that do not transfer substantially all the risks and rewards of ownership to the lessee. The Trust Fund has entered into a three year operating lease for the occupation of its registered office with the option to renew the lease at the end of the period for two further periods of three years each at terms agreed with the Lessor. Either party has the option to determine the agreement by serving notice in writing. Lease payments are recognized as an expense in the revenue and expenditure account on a straight-line basis over the period of the lease.

i) Members' contributions

Members' contributions are accounted for on a receipts basis.

j) Transfers to the Court

The Court submits biennial budgets in relation to the cash flow requirements of the Court and the Commission. These projections are considered by the Board of Trustees and after consultation, the necessary financing is remitted to the Court. These amounts are treated as distributions out of the fund balance and are accounted for when disbursed.

k) Revenue and expenditure

Income and expenditure are accounted for on the accruals basis. Interest income includes coupons earned on fixed income investments as well as accrued discounts on treasury bills and other discounted investments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2007 (continued)

l) Foreign currency translation

The functional and presentation currency of the Trust Fund is the United States dollar (US$). Transactions in foreign currencies are translated at exchange rates at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rate at balance sheet date and any gains or losses arising are taken to the revenue and expenditure account. Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated at the exchange rates at the date the fair value was determined. Foreign exchange gains or losses thus arising are recognised consistently with the fair value gains or losses, directly in the fund balance or the revenue and expenditure account as appropriate.

m) Comparative figures

Certain changes in presentation have been made in these financial statements. These changes have no effect on the operating results of the Fund for the current and previous year.

4. Significant accounting judgements and estimates

Management has made the following judgements in the application of accounting policies which may have the most significant effect on the amounts recognized in the financial statements:

Determining fair value

The Trust Fund has applied IAS 39 in its classification of investment securities which requires measurement of securities at fair value. For financial instruments that trade infrequently and have little price transparency, fair value requires varying degrees of judgement depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Impairment of financial assets

Management makes judgments at each balance sheet date to determine whether financial assets are impaired. The determination of what is significant or prolonged requires judgement including factors such as share price volatility and market factors.

5. Cash and cash equivalents	**2007 US$**	**2006 US$**
Cash at bank	199,006	108,263
Money market accounts	5,314,175	3,505,279
Investment notes	-	3,034,783
Treasury bills	2,105,876	2,841,091
Short term deposits	5,208,908	-
Other	1,365,247	1,039,426
	14,193,212	**10,528,842**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2007 (continued)

6. Available-for-sale investments

	2007 US$	2006 US$
Debt securities	11,122,459	13,507,527
Bond mutual funds	–	4,500,687
Equities	71,237,973	68,237,188
Private investment funds	8,166,037	5,535,577
Repurchase agreements	3,000,000	3,283,175
Deposits	3,000,000	–
Money market funds	3,701,613	4,211,582
Other	104,755	154,606
	100,332,837	**99,430,342**

7. Fixed assets

	Motor vehicles US$	Equipment & furniture US$	Leasehold improvements US$	Total US$
Cost				
At beginning of year	110,922	76,273	12,572	199,767
Reallocations at cost		(2,338)		(2,338)
Additions at cost	–	3,313	–	3,313
Exchange Adjustments		(499)		(499)
Disposals	–	–	–	–
At end of year	**110,922**	**76,749**	**12,572**	**200,243**
Accumulated depreciation				
At beginning of year	(44,327)	(21,598)	(8,070)	(73,995)
Charge for the year	(16,562)	(12,030)	(3,108)	(31,700)
Exchange adjustments	–	185	–	185
Disposals	–	–	–	–
At end of year	**(60,889)**	**(33,443)**	**(11,178)**	**(105,510)**
Net book value at beginning of year	**66,595**	**54,675**	**4,502**	**125,772**
Net book value at end of year	**50,033**	**43,306**	**1,394**	**94,733**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2007 (continued)

8. Capital contributions

	2007 US$	2006 US$
At beginning of year	105,925,438	100,946,142
Members' contributions	-	3,961,518
Third party contributions	1,017,778	1,017,778
At end of year	**106,943,216**	**105,925,438**

Members' contributions and escrow interest

The initial capital totalling US$99,500,000 was raised by the Caribbean Development Bank (CDB) on behalf of the Members on July 16, 2004 and remitted to the Trust Fund on April 7, 2005 along with escrow interest earned of US$1,446,142. Additional contributions amounting to US$3,961,518 were received in 2006.

Third party contributions

The Members have accepted a third party contribution of US$9,160,000 from the Government of the Commonwealth of the Bahamas, payable over a period of nine years in the sum of US$1,017,778 per annum commencing July 2006. This contribution is premised on the key condition that any such amounts paid shall be converted into membership contributions should the Government of the Bahamas become a Member of the Court.

9. Financial instruments - fair value

The Trust Fund determines the fair value of all financial instruments at the balance sheet date and separately discloses this information where these fair values are different from carrying amounts. At the balance sheet date the carrying amount of all financial instruments approximate their fair value.

For financial assets that are liquid or have a short term maturity (less than three months), the carrying value is assumed to approximate their fair values. These include cash and cash equivalents, interest receivable and other assets.

The Trust Fund's regional equities and non-regional investments are traded in organized financial markets. Regional equities are valued based upon the market price at the last trade date prior to the financial year end. Non-regional equities and fixed income investments are traded in non-regional financial markets and are valued based upon the market values at year end or on the last trade date prior to year end as quoted on major exchanges. Transactions are recorded on a trade date basis with dividends and interest recognized when earned.

10. Related parties

Parties are considered to be related if (a) one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions or (b) the party is a member of key management personnel. No commercial transactions are entered into by the Trust Fund with related parties in the normal course of business.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the organization or have the power to participate in the financial and operating policy decisions of the Trust Fund. Short term benefits for key management total US$228,988 (2006: US$215,555). Honoraria payments to Trustees total US$16,200 for the year. Payments in respect of 2005 and 2006 totalling US$22,400 were made during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2007 (continued)

11. Capital commitments

Capital commitments in respect of information technology projects, amount to US$32,000.

12. Capital management

The primary objective of the Trust Fund's capital management is to achieve capital growth in order to provide the resources necessary to finance the capital and operating budget of the Court and the Commission in perpetuity.

The capital structure of the Trust Fund consists of capital contributions from Members and approved third parties, revaluation reserves and retained earnings/(deficit) after distributions to the Court. These resources are invested in a diversified portfolio of tax-efficient regional and international instruments, including fixed income and equity securities in order to produce an optimal gross rate of return with reasonable security of capital. Assets are invested and managed by considering the purpose, terms, distribution requirements and other circumstances of the Trust Fund. Investment and management decisions in respect of individual assets are evaluated in the context of the portfolio as a whole and as a part of an overall investment strategy, reflecting risk and return objectives reasonably suited to the Trust Fund.

Management reviews the adequacy of its capital available to fulfil its objective on an ongoing basis. A formal assessment is conducted biennially and the Board submits a Report on the adequacy of the resources to the Members for consideration. No externally imposed capital requirements apply to the Trust Fund.

13. Financial risk management

The Trust Fund's objective is to achieve capital growth through investment in a selection of regional and non-regional debt and equity instruments. The Trust Fund is exposed to a variety of financial risks including the effects of changes in debt and equity market prices, credit risk, currency risk, interest rate risk and liquidity risk arising from the instruments it holds.

Risks inherent in the Trust Fund's investment activities are managed through a process of ongoing identification, measurement and monitoring within the framework of investment limits and other controls. The Board is responsible for the overall risk management approach and for approving the investment principles and strategies as detailed in the Investment Guidelines. The Board through the Finance and Investment Committee is responsible for the development of the risk strategy, as well as the approval and monitoring of the relevant risk decisions.

The Trust Fund manages risk primarily by investing in a diversified portfolio of assets and by selection of high credit quality investments amongst other strategies. The Fund is long term in its objective and investments are made in accordance with strategic exposure limits encompassed in the Board approved Investment Guidelines.

The Trust Fund's investments are diversified across a wide range of asset classes, and allocations to each asset class are determined after strategic analysis of the fundamentals and prospects for each. An optimum allocation is maintained between regional and non-regional assets to match known liabilities on the basis of currency and tenor. Maximum exposure limits are determined on the basis of asset class allocation, specific sectors within these asset classes,

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2007 (continued)

13. Financial risk management (continued)

investment category and entity. Management regularly reviews the portfolio distribution to ensure that asset class, geographical and individual company exposures are within the prescribed limits.

14. Liquidity risk

Liquidity risk arises from fluctuations in cash flows. Liquidity risk management ensures that the Trust Fund is able to honour all of its financial commitments as they fall due.

The Trust Fund manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities, as well as ensuring that sufficient cash and marketable instruments such as treasury bills are available to meet short term requirements.

The Trust Fund maintains a portfolio of marketable assets that can be liquidated in the event of an unforeseen interruption of cash flow. All investments are held as available-for-sale and can be disposed of during the course of any financial year. At the start of each year the Trust Fund sets aside in liquid assets the amount required to meet the annual financial requirements of the Court, Commission and the Trust Fund. The rest of the portfolio is invested widely in regional and non-regional marketable assets which are traded in active and liquid markets.

15. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge a contractual obligation.

The Board of Trustees has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults and has established guidelines for investment in institutions which meet certain minimum criteria.

All cash and cash equivalents are placed with financial institutions which have a minimum investment rating or financial profile as established by the Board. The credit risk on non regional liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

All transactions in listed securities are paid for or settled after trade, using portfolio managers or brokers approved by the Board of Trustees. The risk of default is considered minimal as payment is made on a purchase once the securities have been received by the portfolio manager or broker. Delivery of securities sold is only made once the portfolio manager or broker has received payment.

In the non-regional portfolio, selected portfolio managers approved by the Board are authorized to purchase suitable securities on a discretionary basis based on an analysis by the portfolio manager of the companies' prospectuses and due diligence procedures. Portfolio managers who participate in the fixed income space are limited to investment grade securities. With respect to investments selected for the regional portfolio, the Trustees consider analyses presented by Management to ensure that the securities satisfy standards established by the Board.

The Fund does not hold any unlisted securities in its portfolio. Investments in private investment funds are effected through portfolio managers who themselves invest in a diversified range of funds that select the underlying investments. At each

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2007 (continued)

15. Credit risk (continued)

stage of the process, due diligence is conducted to identify appropriate and suitable investments. The purpose of investing in these investment funds is for increased diversification and reduction of volatility in portfolio returns.

The carrying amount of financial assets recorded in the financial statements represents the Trust Fund's maximum exposure to credit risk.

The Trust Fund's available for sale investments are analyzed by the following asset classes and geographical regions:

	Regional US$	Non-Regional US$	Total US$
2007			
Debt securities			
Government bonds	3,488,479	897,404	4,385,883
Government agency bonds	–	2,681,204	2,681,204
Corporate bonds	2,076,820	1,178,552	3,255,372
Municipal bonds	–	800,000	800,000
	5,565,299	5,557,160	11,122,459
Bond mutual funds	–	–	–
Equities	8,029,047	63,208,926	71,237,973
Private investment funds	–	8,166,037	8,166,037
Repurchase agreements	3,000,000	–	3,000,000
Deposits	3,000,000	–	3,000,000
Money market funds	165,801	3,535,812	3,701,613
Other	40,845	63,910	104,755
	19,800,992	**80,531,845**	**100,332,837**
2006			
Debt securities			
Government bonds	2,658,620	2,497,482	5,156,102
Government agency bonds	–	3,559,497	3,559,497
Corporate bonds	2,074,340	2,717,588	4,791,928
	4,732,960	8,774,567	13,507,527
Bond mutual funds	–	4,500,687	4,500,687
Equities	7,396,364	60,840,824	68,237,188
Private investment funds	–	5,535,577	5,535,577
Repurchase agreements	3,283,175	–	3,283,175
Money market funds	–	4,211,582	4,211,582
Other	–	154,607	154,607
	15,412,499	**84,017,844**	**99,430,343**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2007 (continued)

15. Credit risk (continued)

The Trust Fund's credit risk exposure on available for sale debt securities are analyzed by the following credit risk ratings:

S&P Rating	Regional US$	Non-Regional US$	Total US$
2007			
AAA		3,704,409	3,704,409
A-to AA+	3,488,479	1,800,477	5,288,956
BBB to BBB+	1,058,020	52,274	1,110,294
B- to BBB-	1,018,800	–	1,018,800
	5,565,299	**5,557,160**	**11,122,459**
2006			
AAA		6,277,038	6,277,038
A-to AA+	2,658,620	2,323,198	4,981,818
BBB to BBB+	1,009,340	174,331	1,183,671
B- to BBB-	1,065,000	–	1,065,000
	4,732,960	**8,774,567**	**13,507,527**

16. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

The Trust Fund's investments are susceptible to market price risk arising from fluctuations in market prices. Management, in conjunction with the Trust Fund's Programme Manager, closely monitors the exposure of the Trust Fund's investment portfolio to changes in market prices and is therefore able to minimise the risk resulting from such fluctuations.

a) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The Trust Fund is exposed to risks associated with the effects of fluctuations in prevailing market interest rates on the market value of its fixed rate available-for-sale financial assets and the impact on the fund balance. In a falling interest rate environment market values of equities and fixed income investments may rise while returns on cash decrease. Conversely, in a rising interest rate environment market values of equities and fixed income investments are likely to be negatively affected while returns on cash increase.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2007 (continued)

16. Market risk (continued)

a) Interest rate risk (continued)

The Trust Fund's management of interest rate risk includes maintaining a diversified portfolio of cash, equities and bonds and adjusting the average duration of fixed income securities as interest rates change.

Interest rate sensitivity

The sensitivity of the Trust Fund's fund balance is analyzed by maturity of the asset and is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates.

The following table demonstrates management's best estimate of the sensitivity to reasonable possible changes in interest rates, with all other variables held constant, and the impact on market value and net assets/fund balance based on the exposure at the balance sheet date:

	Increase/ (decrease) in basis points	Up to 5 years US$	Over 5 years US$	Total US$
2007				
Regional bonds				
	+50	(29,850)	(88,160)	(118,010)
	-50	30,612	108,419	139,031
	+100	(58,956)	(181,532)	(240,488)
	-100	62,016	211,873	273,889
	+150	(149,414)	(271,798)	(421,212)
	-150	94,237	318,961	413,198
Non-regional bonds				
	+50	(45,225)	-	(45,225)
	-50	45,423	-	45,423
	+100	(89,879)	-	(89,879)
	-100	91,194	-	91,194
	+150	(133,590)	-	(133,590)
	-150	137,288	-	137,288

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2007 (continued)

16. Market risk (continued)

a) Interest rate risk (continued)

Interest rate sensitivity (continued)

	Increase/ (decrease) in basis points	Up to 5 years US$	Over 5 years US$	Total US$
2006				
Regional bonds				
	+50	(35,331)	(99,034)	(134,365)
	-50	36,369	120,055	156,424
	+100	(69,665)	(202,559)	(272,224)
	-100	73,807	235,977	309,784
	+150	(103,035)	(302,294)	(405,329)
	-150	112,352	356,405	468,757
Non-regional bonds				
	+50	(182,178)	-	(182,178)
	-50	182,984	-	182,984
	+100	(363,227)	-	(363,227)
	-100	366,493	-	366,493
	+150	(543,855)	-	(543,855)
	-150	551,192	-	551,192

b) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Trust Fund has no significant foreign exchange exposure since liabilities are funded by assets in the same currency. The Trust Fund's liability to meet the expenses of the Court and Commission in perpetuity arises in Trinidad and Tobago dollars (TT$), the currency of the host country, as well as in United States dollars (US$). The Trust Fund matches the liability by investing in TT$ and also in US$ which is regarded as a stronger currency.

Although the Trust Fund also holds some assets in other international currencies, the exposure to currency risk is minimal given the size of these holdings. The Board of Trustees does not consider it necessary to protect this exposure through currency hedging.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2007 (continued)

16. Market risk (continued)

c) Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks.

The Trust Fund invests in equities both regionally and internationally. Equity investments are held for strategic purposes rather than trading purposes. The Trust Fund does not actively trade these investments. The Trust Fund's investments are susceptible to equity price risk arising from fluctuations in equity indices. Management, in conjunction with the Trust Fund's Programme Manager, closely monitors the exposure of the Trust Fund's investment portfolio to changes in equity indices and is therefore able to minimise the risk resulting from such fluctuations.

The table below indicates management's best estimate of reasonable possible changes in the fair value of equity instruments held as available for sale, with all other variables held constant, and the effect on net assets/fund balance as at 31st December:

	Change in equity price 2007 +/-%	Effect on net assets and fund balance 2007 US$	Change in equity price 2006 +/-%	Effect net assets and fund balance 2006 US$
Regional equities				
TTSE	5	410,452	5	369,818
	10	802,905	10	739,636
	15	1,204,357	15	1,109,455
Non-regional equities				
S&P500	5	2,409,281	5	2,441,646
	10	4,818,562	10	4,883,293
	15	7,227,843	15	7,324,939
	20	9,637,124	20	9,766,585
MSCI EAFE	5	751,165	5	600,395
	10	1,502,330	10	1,200,790
	15	2,253,496	15	1,801,185
	20	3,004,661	20	2,401,580

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