2011

Annual Report

CARIBBEAN COURT OF JUSTICE TRUST FUND

CARIBBEAN COURT OF JUSTICE TRUST FUND
ANNUAL REPORT 2011

Growth, Stability, Protection and Longevity

TABLE OF CONTENTS

THE BOARD OF TRUSTEES

The Board of Trustees is comprised of nominees from the following institutions as defined in the "Revised Agreement Establishing the Caribbean Court of Justice Trust Fund". The composition is as follows:

INSTITUTION	REPRESENTATIVE TRUSTEE	BOARD AND COMMITTEE POSITION
Caribbean Association of Industry and Commerce	Dr. Rollin Bertrand	Chairman
Insurance Association of the Caribbean	Mr. Gerry Brooks	Vice-Chairman; Chairman, Finance & Investment Committee
Organisation of Commonwealth Caribbean Bar Associations	Mr. Wilfred Abrahams	
Conference of Heads of the Judiciary of Member States of the Caribbean Community	Chief Justice Ivor Archie	
CARICOM Secretariat	Mr. Oswald Barnes	Member, Audit Committee
Caribbean Association of Banks Inc.	Mrs. Carole Eleuthere-Jn Marie	Member, Finance & Investment Committee
Caribbean Congress of Labour	Dr. Linton Lewis	Member, Audit Committee
Institute of Chartered Accountants of the Caribbean	Mr. Harryram Parmesar	Chairman, Audit Committee
The University of the West Indies	Mrs. Christine Sahadeo	Member, Finance & Investment Committee

THE BOARD OF TRUSTEES

Dr. Rollin Bertrand
Chairman

Mr. Gerry Brooks
Vice-Chairman;
Chairman, Finance & Investment Committee

Mr. Wilfred Abrahams

Chief Justice Ivor Archie

Mr. Oswald Barnes
Audit Committee

Mrs. Carole Eleuthere-Jn Marie
Finance & Investment Committee

Dr. Linton Lewis
Audit Committee

Mr. Harryram Parmesar
Chairman,
Audit Committee

Mrs. Christine Sahadeo
Finance & Investment Committee

REPORT OF THE BOARD OF TRUSTEES

The calendar year 2011 presented investors with a continuation of the volatility that prevailed in the financial markets in the preceding year. Despite these challenges, I am pleased to report, on behalf of the Board of Trustees, on the performance of the Caribbean Court of Justice Trust Fund for the year ended December 31, 2011.

Background

The Caribbean Court of Justice Trust Fund ("the Trust Fund") was endowed with its initial capital in April 2005 with the mandate to provide the financial resources necessary to maintain the Caribbean Court of Justice ("the Court") and the Regional Judicial Legal Services Commission ("the Commission") in perpetuity. The Board of Trustees manages 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, the Board has developed Investment Guidelines for the Fund, which were approved by the CARICOM Heads of Government. In order to have a reasonable likelihood of satisfying the funding requirements, these approved Guidelines permit a significant exposure to growth assets, such as equities, within a diversified portfolio completed by allocations to risk-reducing and inflation protection assets.

The Board of Trustees continues to uphold its fiduciary responsibility to manage the assets of the Trust Fund prudently to fulfill its long-term objective. During the course of the year, the Board met four times, the Finance & Investment Committee three times, and the Audit Committee twice.

At the start of the financial year under review, the Trust Fund had produced annual rates of return, net of disbursements, contributions, administrative expenses and investment management expenses, of +10.4%, +9.2%, -19.5%, +15.9% and +10.3% for the complete calendar years 2006 to 2010 respectively.

Overview of Performance

The balance of the Fund as at December 31, 2010 was US$97,993,654 after all disbursements and expenses.

In my statement last year, I noted that the Trustees expected that investors would continue to be faced with uncertainty and that the investment climate would remain challenging in the near term. One possible response to these anticipated conditions would have been to exit investment markets entirely to seek to protect the capital of the Fund by holding all assets in cash, despite the low interest rate environment. However, to have done so would have denied the Fund the opportunity to benefit from the potential of markets to rebound, a common feature of volatile investment environments. The Board instead maintained its commitment to the diversified long-term strategic asset allocation, which was deliberately designed to weather the vagaries of the market, but implemented various tactical changes to reposition the portfolio appropriately.

The balance of the Fund decreased to US$90,839,149 after disbursements, contributions, fees and expenses as at the end of the financial year. This decrease in market value reflected a net annual return of -1.8% for 2011, bringing the annualised and cumulative net returns since inception (April 2005) to +3.7% p.a. and +26.7% respectively. The Trust Fund's portfolio placed in the top half of the universe of US endowment funds of similar size and philosophy as measured by the National Council on Community Foundations database.

REPORT OF THE BOARD OF TRUSTEES

During the financial year to December 31, 2011, the Trust Fund disbursed US$5,716,864 to cover the funding requests of the Court and the Commission, and received a third party contribution of US$1,017,778 from the Government of the Commonwealth of the Bahamas.

The Markets in 2011

Investor sentiment was almost unanimously positive at the beginning of 2011, despite the unknown impact of the European debt crisis carrying over from the prior year. The year got off to a healthy start with global equity markets posting strong gains for the first quarter, despite the effects of a catastrophic earthquake in Japan in March. Returns for the second quarter were subdued because of concerns over a possible US credit default as policy makers and politicians were divided on the issue of the federal debt ceiling. However, the year was largely defined by the events of the third quarter, as the downgrading of the US Government's debt credit rating in early August 2011 and the intensification of the European debt crisis erased gains recorded in the first half of 2011. Markets experienced less volatility in the last quarter, even though European policy makers struggled to agree on plans to alleviate the threat of debt default by multiple countries, and financial markets managed to regain some lost ground by the close of the year. Table 1 below highlights the quarterly and annual returns on major indices for 2011.

US equity indices ended the year in positive territory, as shown in Table 1, with the DJ US Total Stock Market Index and the S&P 500 posting gains of +1.1% and +2.1% respectively. The recovery in the fourth quarter was not enough to turn around non-US developed market and emerging market equities and the benchmark indices of the MSCI EAFE and MSCI Emerging Markets ended the year with losses of -12.1% and -18.4% respectively. After two years of significant positive returns as measured by the S&P Natural Resources index (+37.5% in 2009 and +21.9% in 2010), natural resources struggled and ultimately ended the year down with a -7.3% return. Global fixed income, as measured by the Barclays Aggregate index, continued its upward trend with a +7.8% return for 2011, as compared to a +5.9% return in 2009 and +6.5% in 2010.

Table 1: Major Indices - Quarterly and Annual Returns 2011

Index	Q1 2011	Q2 2011	Q3 2011	Q4 2011	2011
DJ US Total	**+6.4%**	**0.0%**	**-15.2%**	**+12.1%**	**+1.1%**
S&P 500	**+5.9%**	**+0.1%**	**-13.9%**	**+11.8%**	**+2.1%**
MSCI EAFE	**+3.4%**	**+1.6%**	**-19.0%**	**+3.3%**	**-12.1%**
MSCI Emerging Markets	**+2.0%**	**-1.1%**	**-22.6%**	**+4.4%**	**-18.4%**
S&P Natural Resources	**+12.8%**	**-6.3%**	**-23.2%**	**+14.3%**	**-7.3%**
Barclays Aggregate	**+0.4%**	**+2.3%**	**+3.8%**	**+1.1%**	**+7.8%**

REPORT OF THE BOARD OF TRUSTEES

Management of the Portfolio

The Trust Fund is an institutional endowment fund and, with the aid of its investment advisor, Mercer Investment Consulting (formerly called Hammond Associates Institutional Fund Consultants), manages the portfolio with the long-term focus necessary to achieve the mandate of funding the Court and the Commission in perpetuity. The portfolio has been structured to attain its required rate of return over the long-term, within acceptable risk parameters, and is diversified across a selection of growth, risk-reducing and inflation-protection asset classes.

The benefits of maintaining a diversified strategic long-term asset allocation have been proven through the recent periods of market uncertainty which prevailed in 2008 to 2010. The continuing commitment to the long-term allocation has rewarded the Trust Fund with two significant positive years (2009 and 2010) following the negative year of 2008. A similar anticipated rebound did not occur by the end of 2011 since only a few asset classes performed relatively well in the year (US equities and fixed income), whilst many others significantly underperformed (non-US and emerging market equities, and natural resources), as highlighted in the index returns provided in Table 1 above.

The total rates of return (net of disbursements contributions, administrative expenses, and investment management expenses) earned by the portfolio are shown in Table 2.

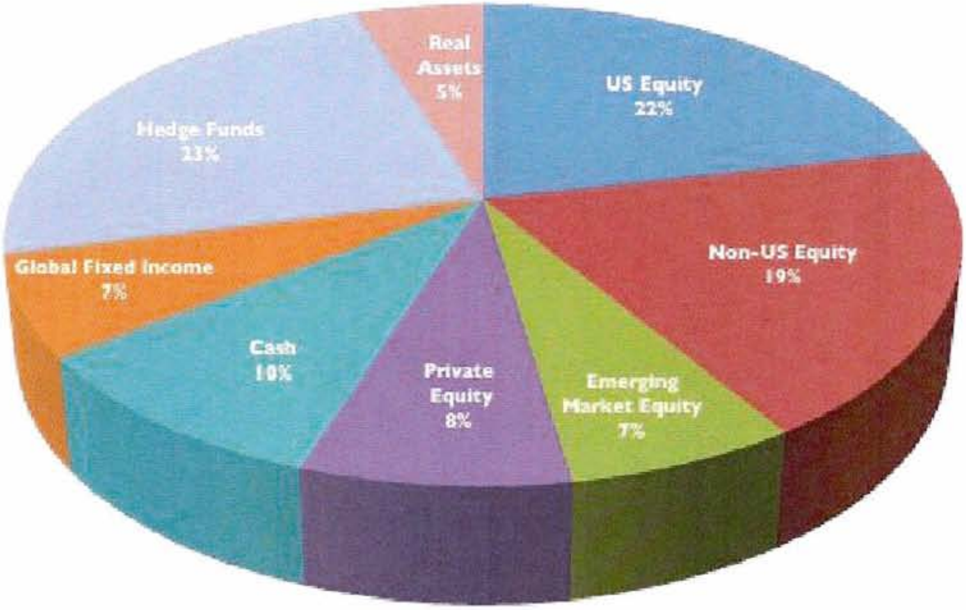
Table 2: Fund Returns

	Period Return	Annualised Rate from Inception
January 1, 2006 to December 31, 2006	+10.4%	+9.3%
January 1, 2007 to December 31, 2007	+9.2%	+9.3%
January 1, 2008 to December 31, 2008	-19.5%	+0.7%
January 1, 2009 to December 31, 2009	+15.9%	+3.5%
January 1, 2010 to December 31, 2010	+10.3%	+4.7%
January 1, 2011 to December 31, 2011	-1.8%	+3.7%

REPORT OF THE BOARD OF TRUSTEES

The portfolio allocation as at December 31, 2011 is provided in Chart 1.

Chart 1: Portfolio Asset Composition as at December 31, 2011 (%)



The Trust Fund remained mindful of the mixed outlook for financial markets at the start of 2011, as well as the need to maintain the long-term focus of the Fund. Accordingly, while the overall exposure to US and non-US equities was retained, consistent with the long-term strategic asset allocation of the portfolio, equity holdings were rebalanced during the first half of the year. This disciplined approach to reducing holdings to their target weights was applied to the portfolio where applicable, and crystallised mark to market gains prior to the events of the third quarter of the year, thus preserving gains made up to that time.

The decision taken in 2010 to increase the actively managed portion of the portfolio in order to enhance the probability of excess return over an index contributed positively to the performance of the Fund in 2011 as the majority of our active managers outperformed their respective benchmarks. The Trustees will seek to further increase this active management stance in early 2012.

The phased investment in private equity continued into 2011 as capital calls from existing fund of funds managers increased over the year. This sector also contributed positively to the return on the portfolio.

In 2010, the Trust Fund increased its holdings in hedge fund of funds, an asset class that offers the potential twin benefits of reducing volatility on the portfolio, whilst maintaining return potential similar to that of equities. With the increased market volatility of 2010 persisting into the current year and expected to continue into the near future, this tactical stance was maintained throughout 2011.

The Trustees' actions as a whole are expected to continue to contribute positively to the overall return on the Fund in the long-term.

REPORT OF THE BOARD OF TRUSTEES

Movement in Fund Balance

The Fund experienced a decrease in market value from US$97,993,654 at the start of the year to end 2011 at US$90,839,149.

Table 3: Statement of Movement in Fund Balance – 2011, 2010 and From Inception (April 2005)

	2011	2010	April 2005 to December 2011
Opening Fund Balance	**97,993,654**	**94,109,341**	**100,946,142**
Additional Contributions	1,017,778	1,017,778	10,068,186
	99,011,432	95,127,119	111,014,328
Interest & Dividends[1]	1,317,338	1,386,655	14,618,831
Realised Gains/(Losses)	2,619,446	(860,881)	13,305,939
	3,936,784	525,774	27,924,770
Investment Management Expenses	(287,837)	(232,218)	(2,576,374)
Net Investment Income	3,648,947	293,556	25,348,396
Trust Fund Administrative Expenses (including Depreciation)	(608,333)	(655,369)	(4,405,035)
Net Income	3,040,614	(361,813)	20,943,361
Disbursements to Court & Commission	(5,716,864)	(5,328,762)	(35,073,028)
Net Income After Disbursements	(2,676,250)	(5,690,575)	(14,129,667)
Unrealised Gains/ (Losses)	(5,401,405)	8,727,519	5,151,055
Impairment on Financial Assets	(94,628)	(170,409)	(11,196,567)
Net Change in Fund Balance (excluding Contributions)	(8,172,283)	2,866,535	(20,175,179)
Closing Fund Balance @ December 31	**90,839,149**	**97,993,654**	**90,839,149**

[1]Net of Foreign Exchange Gains/(Losses)

During the financial year 2011, a third party capital contribution of US$1,017,778 was received from the Government of the Commonwealth of the Bahamas.

Increased Realised Gains were experienced within the financial year 2011 as compared to 2010 as the Fund executed its rebalancing strategy and crystallised mark to market gains on assets for which there had been a significant increase in market value.

REPORT OF THE BOARD OF TRUSTEES

Investment management expenses increased by approximately US$55,619 or 24%, as a result of the shift from passive to active management strategies. The Trust Fund continued its trend of prudent management of administrative expenses showing a significant decrease of US$47,036 (7.2%) in expenditure in the current financial year. The average ratio of investment management expenses plus administrative expenses of the Trust Fund, expressed as a percentage of the average fund balance, was reduced to 0.9%, in line with the average of 1.0% maintained in the previous years since inception of the portfolio in 2005.

Disbursements to fund the expenses of the Court and the Commission amounted to US$5,716,864 in the financial year ended December 31, 2011, bringing cumulative disbursements since inception to US$35,073,028. While more than 60% of these disbursements have been funded from Net Income accumulated since inception, the diversified strategic allocation adopted in 2008 brought a shift away from dividend and interest earning assets to assets from which greater capital appreciation is earned. Accordingly, Net Income After Disbursements continues to be a negative figure.

The events of 2011 brought about a negative effect on the market value of investments held, resulting in net unrealised losses of US$5,401,405 for the year. This reduced the overall net unrealised gains since inception on the portfolio from US$10,552,460 at the start of the year to US$5,151,055 at the end of the year.

The fund balance, after disbursements to the Court and the Commission of US$5,716,864 and total expenses of the Trust Fund of US$896,170 in 2011, amounted to US$90,839,149 at the end of the financial year.

Outlook for 2012

Continued volatility is one of the main themes emerging at the start of 2012. Policy discord may continue to dominate in the Eurozone, and there is a strong possibility of recession in the region. The impact of austere fiscal measures taken to combat growing sovereign debt issues in the developed markets remains a significant threat to global economic growth. While the global economy is likely to be supported by emerging market growth, and there would be less chance of a global recession as a result, financial markets may well react negatively in the short term to news coming out of the Eurozone.

US, non-US developed market and emerging market equities were all subject to pressures in 2011, with the latter two sectors ending the year with negative returns. However, despite the expected volatility in 2012, the outlook for global equities is positive since valuations have fallen and offer an attractive risk premium in most cases. Within the US, robust corporate earnings figures were reported throughout 2011, and there remains a cautiously positive outlook on the basis of strong economic and fundamental valuation data.

Natural resources tumbled in the third quarter of 2011 as fears of a global recession dominated the markets, but recovered in the last quarter. Emerging market economic growth is expected to continue in 2012, mitigating the effects of a global downturn. Higher expectations for GDP growth in developing economies, particularly those which generate demand for commodities could be beneficial to the natural resources asset class in 2012.

The outlook for fixed income investments remains difficult to predict as interest rates are at all-time lows.

Despite the bullish market sentiment, double digit returns may be difficult to generate. 2012 will not be without its challenges as investors continue to be faced with uncertainty arising from, among other factors:

REPORT OF THE BOARD OF TRUSTEES

- Political risks; e.g. potential changes in leadership in several countries including the US
- Uncertainty over the resolution of the European debt crisis and the continuity of the European Union
- Interest rate uncertainty – the current low interest rate environment, and the eventual timing and direction of interest rate movements
- Evolving fiscal and monetary policies as policy makers grapple with sovereign debt issues and inflation across different regions

Active management may play an increased role in generating return in 2012 because of opportunities that arise from the volatility expected in the financial markets. A consistently employed rebalancing strategy would assist in maintaining discipline around a carefully chosen asset allocation strategy in a continued uncertain environment.

The Trust Fund's portfolio is managed prudently with a long-term focus, with a strategic asset allocation designed to weather normal market cycles whilst seeking to protect existing capital. Despite this strategic positioning, the benefits of which have been proven in periods of market uncertainty, the portfolio is not immune to the impact of short-term market conditions, and negative fluctuations in value and return may occur.

Summary

The Trustees continue to manage the assets of the Trust Fund in keeping with its stated investment philosophy and the long-term objective of funding the Court and the Commission in perpetuity. In 2011, the Trustees made several pro-active investment decisions, rebalancing and repositioning the portfolio to adapt to the prevailing market conditions whilst remaining cognizant of the long-term goal.

Contributions received from the CARICOM Governments and third party governments have amounted to US$111,014,328 since inception. After total disbursements to the Court and Commission of US$35,073,028 and total expenses of the Trust Fund of US$6,981,409 since inception, the balance of the Fund as at December 31, 2011 was US$90,839,149.
The Trust Fund recorded a return of -1.8% (net of disbursements, contributions, administrative expenses and investment management expenses) for 2011, which brought the annualised and cumulative net returns since inception (April 2005) to +3.7% p.a. and +26.7% respectively.

The importance of a diversified strategic asset allocation is underscored in the face of continued market uncertainty. The Trust Fund's portfolio is appropriately spread across different asset classes, and the resultant diversification effect reduces the inherent risk of the portfolio. The Board of Trustees remains confident that the strategic asset allocation of the portfolio will enable the achievement of the Trust Fund's long-term objectives, despite potential variability in annual returns.

Appreciation

I would like to thank the Board of Trustees, and its various Committees, for its continued prudent and proactive approach in guiding the Trust Fund along its path of fulfilling its long-term objective. I would like to thank Mr. Robert Le Hunte, who left the Board at the end of the year, and welcome Mrs. Carole Eleuthere-Jn Marie who joined in early 2012 as the new representative for the Caribbean Association of Banks Inc. The Board would like to record appreciation for the continued contribution of our independent investment adviser, Mercer Investment Consulting. The Board would also like to extend appreciation to the Management Team for their continued diligence and professional commitment throughout the year.

Dr. Rollin Bertrand
Chairman

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 (the "Trust Fund") which comprise the statement of financial position as at 31 December 2011, and the related statements of comprehensive income, changes in fund balance and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Trust Fund as at 31 December 2011 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:
27 July 2012

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Notes	2011 US$	2010 US$
Assets			
Cash and cash equivalents	4	2,561,558	2,580,326
Accounts receivable		11,929	37,236
Available-for-sale investments	5	88,152,679	95,172,093
Interest receivable		66,307	132,463
Dividends receivable		–	6,553
Other assets		17,000	28,309
Fixed assets	6	112,453	144,328
Total assets		90,921,926	98,101,308
Liabilities			
Accounts payable, accrued expenses and provisions		82,777	107,654
Total liabilities		82,777	107,654
Total net assets		90,839,149	97,993,654
Fund balance			
Capital contributions	7	111,014,328	109,996,550
Revaluation reserve		5,151,055	10,552,460
Retained deficit		(25,326,234)	(22,555,356)
Total fund balance		90,839,149	97,993,654

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 27 July 2012 and are signed on their behalf by:

: Trustee

: Trustee

STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 31 DECEMBER 2011

	Notes	2011 US$	2010 US$
Income			
Interest income		495,371	860,033
Dividends		857,205	730,914
Realized gains/(losses) on investments	2.e	2,619,626	(869,572)
(Loss)/gain on disposal of fixed assets		(180)	8,691
		3,972,022	730,066
Expenditure			
Investment management expenses		287,837	232,218
Audit fees		16,643	16,766
Legal and professional fees		7,953	44,535
Staff costs	8	327,787	332,576
Board expenses	8	36,346	51,742
Property related expenses		82,721	83,156
General administrative expenses		75,732	75,743
Other expenses		15,001	–
Depreciation		46,150	50,851
		896,170	887,587
Net operating income/(loss)		3,075,852	(157,521)
Net foreign exchange loss		(35,238)	(204,292)
Impairment losses on investments	2.g	(94,628)	(170,409)
Net income/(loss) for the year		2,945,986	(532,222)
Other comprehensive (loss)/income			
Revaluation of available-for-sale investments		(2,876,264)	7,688,090
Impairment losses transferred from revaluation reserve to net income		94,628	170,409
Realized (gains)/losses on investments, transferred to net income		(2,619,769)	869,020
		(5,401,405)	8,727,519
Total comprehensive (loss)/income for the year		(2,455,419)	8,195,297

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

STATEMENT OF CHANGES IN FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2011

	Capital contributions US$	Revaluation Reserve/ (deficit) US$	Retained deficit US$	Fund balance US$
Balance at 31 December 2009	108,978,772	1,824,941	(16,694,372)	94,109,341
Members' contributions (Note 7)	–	–	–	–
Third party contributions (Note 7)	1,017,778	–	–	1,017,778
Net loss for the year	–	–	(532,222)	(532,222)
Other comprehensive income	–	8,727,519	–	8,727,519
Transfers to the Court (Note 2.k)	–	–	(5,328,762)	(5,328,762)
	1,017,778	8,727,519	(5,860,984)	3,884,313
Balance at 31 December 2010	109,996,550	10,552,460	(22,555,356)	97,993,654
Members' contributions (Note 7)	–	–	–	–
Third party contributions (Note 7)	1,017,778	–	–	1,017,778
Net income for the year	–	–	2,945,986	2,945,986
Other comprehensive loss	–	(5,401,405)	–	(5,401,405)
Transfers to the Court (Note 2.k)	–	–	(5,716,864)	(5,716,864)
	1,101,778	(5,401,405)	(2,770,878)	(7,154,505)
Balance at 31 December 2011	111,014,328	5,151,055	(25,326,234)	90,839,149

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 US$	2010 US$
Operating activities		
Net income/(loss) for the year	2,945,986	(532,222)
Adjustments for:		
Depreciation	46,150	50,851
Loss/(gain) on disposal of fixed assets	180	(8,691)
Translation difference	1,061	3,472
Operating income/(loss) before working capital changes	2,993,377	(486,590)
Decrease in interest receivable	66,156	65,991
Decrease in accounts receivable, dividends receivable and other assets	43,169	622,778
(Decrease)/increase in accounts payable, accrued expenses and provisions	(24,877)	76,716
Net cash generated from operating activities	3,077,825	278,895
Investing activities		
Purchase of fixed assets	(15,516)	(97,976)
Net movement in regional equity investments	285,559	1,327,968
Net movement in regional fixed income instruments	2,023,623	1,181,937
Net movement in non-regional investments	(691,173)	(8,147,981)
Proceeds from disposal of fixed assets	–	54,639
Net cash provided by/(used in) investing activities	1,602,493	(5,681,413)
Financing activities		
Third party contributions	1,017,778	1,017,778
Transfers to Court	(5,716,864)	(5,328,762)
Net cash used in financing activities	(4,699,086)	(4,310,984)
Net decrease in cash and cash equivalents	(18,768)	(9,713,502)
Cash and cash equivalents at beginning of the year	2,580,326	12,293,828
Cash and cash equivalents at end of the year	2,561,558	2,580,326
Supplemental information:		
Interest received during the year	561,529	926,024
Dividends received during the year	863,757	760,112

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1. General information and principal activities

The Caribbean Court of Justice Trust Fund (the Trust Fund) was established by the CARICOM Heads of Government (the Members) in accordance with the "Revised Agreement establishing the Caribbean Court of Justice Trust Fund" (the Agreement) effective 27 January 2004. The Board of Trustees was inaugurated at its first Meeting on 22 August 2003, and operations commenced on 1 May 2004.

The Trust Fund operates as an international legal entity which is not subject to the jurisdiction of any one sovereign state and is domiciled in the Republic of Trinidad and Tobago. Its registered office is at 22 Cornelio Street, Woodbrook, Port of Spain, Trinidad and Tobago. The Trust Fund currently employs six (6) members of staff.

The Agreement establishes certain privileges and immunities to enable the Trust Fund and its Officers to discharge their 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, in its country of domicile, from all taxation, all customs duties on goods imported for its official use, and all other imposts. The privileges and immunities are set out in the Headquarters Agreement established with the Government of the Republic of Trinidad and Tobago.

The purpose of the Trust Fund is 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. Its principal activity is the management of an endowment fund invested in a range of globally diversified assets. The investment objective is to seek medium to long-term capital growth through investment in a diversified portfolio of tax-efficient instruments, including debt and equity securities, in order to produce an optimal long-term rate of return with reasonable security of capital.

The Trust Fund has engaged Mercer Investment Consulting Inc. (formerly called Hammond Associates Institutional Fund Consultants Inc.) as its independent Investment Adviser, and State Street Bank and Trust Company as its Custodian.

The Trust Fund enters into direct agreements with asset managers and also makes direct purchases of appropriate mutual funds and other approved financial instruments. Investments may be made in, but are not limited to stocks, warrants, options, rights, corporate or government bonds or notes issued by United States (US) or foreign issuers, and shares of money market mutual funds.

2. Significant accounting policies

a) Basis of preparation

These financial statements are presented in US dollars (US$), the Trust Fund's functional and presentation currency, and have been prepared in accordance with International Financial Reporting Standards (IFRS) on a historical cost basis, except for available-for-sale investments which have been measured at fair value.

b) Changes in accounting policies

The accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

i) New accounting policies adopted

The following amendments to published standards are mandatory for the Trust Fund's accounting periods beginning on or after 1 January 2011:

IAS 24: Related Party Disclosures - Effective 1 January 2011.

The amended standard clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements in respect of transactions with government, and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The amendment has no effect on the financial position or performance of the Trust Fund.

Improvements to IFRSs

In May 2010 the International Accounting Standards Board (the IASB) issued its third omnibus of amendments to its standards. The adoption of the following amendments did not have any impact on the accounting policies, financial position or performance of the Trust Fund:

IFRS 7: Financial Instruments - Disclosures.

This amendment emphasizes the interaction between quantitative and qualitative disclosures, and the nature and extent of risks associated with financial instruments, and requires for all financial assets, disclosures of the financial effect of collateral held as security and other credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

2. **Significant accounting policies** (continued)

b) **Changes in accounting policies** (continued)

i) **New accounting policies adopted** (continued)

Improvements to IFRSs (continued)

IAS 1: Presentation of Financial Statements.

This amendment clarifies that an entity may present an analysis of each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

ii) **New accounting policies not adopted**

The Trust Fund has not adopted the following new and revised IFRSs and IFRIC Interpretations that have been issued, as these standards/ interpretations do not apply to its activities:

IFRS 3:	*Business Combinations – Contingent consideration arising from business combinations prior to adoption of IFRS 3 (as revised in 2008).*
IFRS 3:	*Business Combinations - Un-replaced and voluntarily replaced share-based payment awards.*
IFRS 10:	*Consolidated Financial Statements.*
IFRS 11:	*Joint Arrangements.*
IAS 27:	*Consolidated and Separate Financial Statements.*
IAS 28:	*Investments in Associates and Joint Ventures (revised in 2011).*
IAS 32:	*Financial Instruments: Presentation (Amendment) - Classification of Rights Issues.*
IAS 34:	*Interim Financial Reporting.*
IFRIC 13:	*Customer Loyalty Programmes.*
IFRIC 14:	*Prepayments of a Minimum Funding Requirement (Amendment).*
IFRIC 19:	*Extinguishing Financial Liabilities with Equity Instruments.*

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

2. Significant accounting policies (continued)

b) Changes in accounting policies (continued)

iii) Standards issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the Trust Fund's financial statements are listed below. The Trust Fund is currently assessing the impact of these standards and interpretations.

Standards which have a significant and material impact on the Trust Fund:

IFRS 9: Financial Instruments - Classification and Measurement

IFRS 9 is being released by the IASB in three phases. IFRS 9, as currently issued, reflects the first phase of the IASB's work on the replacement of IAS 39, and applies to the classification and measurement of financial assets and financial liabilities as defined in IAS 39. In the subsequent phases, the IASB will address the requirements for "Hedge Accounting", and "Amortised cost and impairment of financial assets". The completion of this project is expected during 2012.

The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Trust Fund's financial assets, but will likely have no impact on the classification and measurement of financial liabilities. The Trust Fund will quantify the effect of the first phase of this standard along with the other phases, to determine the impact on its financial statements.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier adoption permitted. The Trust Fund proposes to adopt IFRS 9 in its financial statements for the annual period beginning 1 January 2012.

IAS 12:	*Income Taxes - Recovery of underlying Assets* – Effective for annual periods beginning on or after 1 January 2012.
IAS 19:	*Employee Benefits (Amendment)* - Effective for annual periods beginning on or after 1 January 2012.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

2. Significant accounting policies (continued)

b) Changes in accounting policies (continued)

iii) Standards issued but not yet effective (continued)

Standards which do not have a significant and material impact on the Trust Fund:

IAS 1:	*Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income* - Effective for annual periods beginning on or after 1 July 2012.
IFRS 12:	*Disclosure of Interests in Other Entities* - Effective for annual periods beginning on or after 1 January 2013.
IFRS 13:	*Fair Value Measurement* - Effective for annual periods beginning on or after 1 January 2013.

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 statement of financial position when the Trust Fund becomes party to the contractual obligation of the instrument. Regular purchases 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

2. Significant accounting policies (continued)

e) Available-for-sale investments

The Trust Fund classifies its investments as available-for-sale. Investments include equities, equity-related securities and debt 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.

Unrealized gains or losses arising from changes in the fair value are recognized directly in revaluation reserves 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 statement of comprehensive income as realized gains or losses on investments.

f) Fair value

Fair value is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

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

Where the instrument is not actively traded or quoted on recognized exchanges, fair value is determined using discounted cash flow analysis or industry accepted valuation models. Where discounted cash flow techniques are used, future cash flows are based on best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

2. Significant accounting policies (continued)

g) Impairment of financial instruments

The Trust Fund invests its endowment assets with a view to generating a consistent long-term return to meet its long-term mandate. Given this perspective, investments are envisaged to be held for a medium to long-term period. The Trust Fund assesses at the end of each reporting period, whether there is objective evidence that any of its financial assets or group of assets is impaired. As far as possible, the assessment is done on an individual security basis.

Equities and equity-related securities are considered to be impaired if there is objective evidence that the cost of the investment may not be recovered. Objective evidence of impairment of an equity instrument includes observable data that comes to the attention of the Trust Fund about loss events, or information about significant changes with an adverse effect that have taken place in the business environment in which the issuer operates, and which indicate that the cost of the investment may not be recovered.

A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment. A significant decline is deemed to be one in which the fair value of an investment in an equity instrument falls below its weighted-average cost by more than 30%, and a prolonged decline is one in which the fair value remains below the weighted-average cost for more than one year.

Debt securities are considered to be impaired if there is objective evidence that a loss event has occurred which brings into doubt the willingness or ability of the issuer to meet its contractual payment obligations on the security. A decline in fair value of an investment in a debt security due to changes in the risk-free interest rate does not represent evidence of a loss event.

When a decline in the fair value of a financial asset has been recognized directly in revaluation reserves, and there is objective evidence that the financial asset is impaired, the cumulative loss previously recognized in revaluation reserves is reclassified from revaluation reserves to the statement of comprehensive income as an impairment loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

2. Significant accounting policies (continued)

g) Impairment of financial instruments (continued)

The amount of the cumulative loss that is reclassified is measured as the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of comprehensive income.

At subsequent reporting dates, any further declines in fair value are recognized as impairments. If the fair value of a debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment shall be reversed through the statement of comprehensive income. If the fair value of an equity instrument increases, impairment losses shall not be reversed through the statement of comprehensive income, even when the reasons for impairment no longer exist.

h) 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 ½% - 50%	Straight line
Leasehold improvements	33 ⅓%	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 statement of comprehensive income when the expenditure is incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

2. Significant accounting policies (continued)

i) Operating lease

Operating leases are leases that do not transfer substantially all the risks and rewards of ownership to the lessee. The Trust Fund in 2006 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 terminate the agreement by serving notice in writing. Lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the period of the lease.

j) Members' contributions

Members' contributions are accounted for on a receipt basis.

k) 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.

Pension payments due in respect of each Judge upon retirement are included in the biennial budgets of the Court. These amounts are treated as distributions out of the fund balance and are accounted for when disbursed.

l) Income and expenditure

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

m) Foreign currency translation

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 the reporting date, and any gains or losses arising are taken to the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

2. Significant accounting policies (continued)

m) Foreign currency translation (continued)

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 statement of comprehensive income as appropriate.

n) Taxation

The Trust Fund is exempt from all forms of taxation in Trinidad and Tobago, including taxes on interest income, dividends and capital gains, as well as withholding taxes.

Dividend income in some jurisdictions is subject to withholding taxes deducted at the source of the income. Dividend income is presented net of the withholding taxes where applicable.

3. Significant accounting judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make certain significant estimates and judgements that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

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

Determination of functional currency
Management has determined that the US$ best represents the economic effect of the Trust Fund's underlying transactions, events and conditions. The US$ is the currency in which the Trust Fund measures its performance and reports its results, as well as the currency in which it receives contributions from its Members and third parties.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

3. Significant accounting judgements and estimates (continued)

Valuation of investments

The Trust Fund has applied IAS 39 in its classification of its investment securities. IAS 39 requires measurement of securities at fair value. For financial instruments that trade infrequently, 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 instruments

Management makes judgments at each reporting date to determine whether any financial instruments are impaired. Financial instruments are impaired when the carrying value is greater than the recoverable amount, and there is objective evidence of impairment. The determination of what is significant or prolonged requires judgement including factors such as market volatility and economic indicators.

4. Cash and cash equivalents

	2011 US$	2010 US$
Cash at bank	1,188,161	630,588
Money market accounts	298,597	190,158
Income funds	1,074,800	1,759,580
	2,561,558	2,580,326

5. Available-for-sale investments

	2011 Carrying value US$	2011 Fair value US$	2010 Carrying value US$	2010 Fair value US$
Debt securities	4,408,550	4,408,550	7,244,492	7,244,492
Equities	47,847,645	47,847,645	57,788,089	57,788,089
Private equity fund of funds	6,976,875	6,976,875	5,540,340	5,540,340
Hedge fund of funds	21,202,675	21,202,675	22,254,315	22,254,315
Money market funds	6,065,692	6,065,692	694,266	694,266
Short-term instruments	1,651,242	1,651,242	1,650,591	1,650,591
	88,152,679	88,152,679	95,172,093	95,172,093

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

6. Fixed assets

	Motor vehicles US$	Equipment & furniture US$	Leasehold improvements US$	Total US$
Cost				
Balance at 31 December 2010	139,500	111,357	12,379	263,236
Additions at cost	–	15,516	–	15,516
Exchange adjustments	(1,027)	(818)	(91)	(1,936)
Disposals	–	(392)	–	(392)
Balance at 31 December 2011	138,473	125,663	12,288	276,424
Accumulated depreciation				
Balance at 31 December 2010	(33,858)	(72,671)	(12,379)	(118,908)
Charge for the year	(26,216)	(19,934)	–	(46,150)
Exchange adjustments	249	535	91	875
Disposals	–	212	–	212
Balance at 31 December 2011	(59,825)	(91,858)	(12,288)	(163,971)
Net book value at 31 December 2010	105,642	33,686	–	144,328
Net book value at 31 December 2011	78,648	33,805	–	112,453

7. Capital contributions

	2011 US$	2010 US$
At beginning of year	109,996,550	108,978,772
Third party contributions	1,017,778	1,017,778
At end of year	111,014,328	109,996,550
Represented by:		
Members contributions and escrow	104,907,660	104,907,660
Third party contributions	6,106,668	5,088,890
At end of year	111,014,328	109,996,550

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

7. Capital contributions (continued)

The initial capital totalling US$99,500,000 was raised by the Caribbean Development Bank (CDB) on behalf of the Members on 16 July 2004 and remitted to the Trust Fund on 7 April 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 Commonwealth of the Bahamas become a Member of the Court.

8. 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. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the Trust Fund or have the power to participate in its financial and operating policy decisions.

No commercial transactions are entered into by the Trust Fund with related parties in the normal course of business. Short-term benefits for key management total US$259,246 (2010: US$266,264). Honoraria payments to Trustees total US$14,800 for the year (2010: US$17,000).

9. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

9. Capital management (continued)

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 instruments, including debt and equity securities, in order to produce an optimal long-term rate of return with reasonable security of capital. Assets are invested and managed by considering the purpose, Investment Guidelines, distribution requirements and other circumstances of the Trust Fund. Investment 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 resources to the Members for consideration.

No externally imposed capital requirements apply to the Trust Fund.

10. Financial instruments - fair value

The Trust Fund determines the fair value of all financial instruments at the reporting date and separately discloses this information where these fair values are different from carrying amounts (Note 5).

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 investments are traded in organized financial markets. Equity securities are valued based upon market values at year-end or on the market price at the last trade date prior to year-end, as quoted on major exchanges.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

10. Financial instruments – fair value (continued)

Transactions are recorded on a trade date basis with dividends and interest recognized when earned. Private equity fund of funds and hedge fund of funds investments are valued at year- end based on audited net asset and fund values.

The following table provides an analysis of available-for-sale financial instruments recognized at fair value, grouped into Levels 1 to 3, based on the degree to which the fair value is observable.

- Level 1: derived from quoted prices in active markets for identical assets.
- Level 2: derived from inputs other than quoted prices, that are observable for the asset, either directly (i.e. as prices), or indirectly (i.e. derived from prices).
- Level 3: derived from valuation techniques that include inputs for the asset which are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
2011				
Debt securities	–	4,408,550	–	4,408,550
Equities	22,497,209	25,350,436	–	47,847,645
Private equity fund of funds	–	–	6,976,875	6,976,875
Hedge fund of funds	–	–	21,202,675	21,202,675
Money market funds	6,065,692	–	–	6,065,692
Short-term instruments	1,651,242	–	–	1,651,242
	30,214,143	29,758,986	28,179,550	88,152,679

	Level 1	Level 2	Level 3	Total
2010				
Debt securities	523,781	6,720,711	–	7,244,492
Equities	27,745,714	30,042,375	–	57,788,089
Private equity fund of funds	–	–	5,540,340	5,540,340
Hedge fund of funds	–	–	22,254,315	22,254,315
Money market funds	694,266	–	–	694,266
Short-term instruments	1,650,591	–	–	1,650,591
	30,614,352	36,763,086	27,794,655	95,172,093

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

10. Financial instruments – fair value (continued)

Where fair values of listed equities and debt securities at the reporting date are based on quoted market prices or binding dealer price quotations, without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy. For all other financial instruments, fair value is determined by individual asset managers using valuation techniques and relevant valuation models. Instruments included in Level 3 include those for which there is currently no active market and for which valuation models are used which are generally accepted in the industry.

Transfers between Level 1 and Level 2

There were no transfers between Levels 1 and 2 during the reporting period.

Financial instruments are transferred from Level 1 to Level 2 if they cease to be traded in an active market during the year. Fair values at the reporting date are obtained using valuation techniques based on observable data.

Financial instruments are transferred from Level 2 to Level 1 where certain equities and funds are listed on a stock exchange during the reporting period for the first time and are considered to be traded in an active market. Fair values for these financial instruments at the reporting date are based on quoted market prices or binding dealer price quotations.

Level 3 reconciliation

The following table shows a reconciliation of all movements in the fair value of financial instruments categorized within Level 3 between the beginning and end of the reporting period.

	2011 US$	2010 US$
Opening balance	27,794,655	20,398,804
Total realized gains/(losses)	740,229	(848,257)
Purchases	6,294,408	7,800,166
Sales	(6,610,821)	(2,508,922)
Transfers into or out of Level 3	–	–
Unrealized (losses)/gains included in comprehensive income	(38,921)	2,952,864
Closing balance	28,179,550	27,794,655

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

11. Financial risk

The Trust Fund is exposed to a variety of financial risks through the financial instruments it holds. Financial risk includes liquidity risk, credit risk and market risk. Market risk arises through the effects of changes in interest rates, foreign currencies and debt and equity prices.

The effects of these risks are disclosed in Notes 13 to 15 and enable users to evaluate the nature and extent of risks arising from the financial instruments. These disclosures have no quantitative impact on the financial statements.

12. Financial risk management

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 Trust Fund has a long-term objective and investments are made in accordance with strategic exposure limits as set out in the Board approved Investment Guidelines.

The Trust Fund's investments are diversified across a wide range of asset classes. Allocations to each asset class are determined after strategic analysis of the fundamentals and prospects for each. An optimum allocation is maintained in order 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, 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

13. 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 by ensuring that sufficient cash and marketable instruments are available to meet short-term requirements.

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, the Commission and the Trust Fund. Except for private equity fund of funds and hedge fund of funds holdings, the balance of the portfolio is invested widely in marketable assets which are traded in active and liquid markets, and can therefore 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.

Fund of funds assets exhibit unique liquidity characteristics, with the underlying assets typically being more illiquid in nature than direct equity holdings. These fund of funds may include an initial minimum holding (lock-up) period, contractual terms for redemption frequency, as well as the right of the fund of funds manager to suspend redemptions. Redemption suspensions may occur to protect the interests of redeeming and continuing investors when there is a significant decrease in liquidity.

The table below summarizes the financial instruments at their carrying amounts categorized by the earlier of contractual repricing or maturity dates.

	Up to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
2011					
Debt securities	–	2,645,370	1,763,180	–	4,408,550
Equities	–	–	–	47,847,645	47,847,645
Private equity fund of funds	–	–	–	6,976,875	6,976,875
Hedge fund of funds	–	–	–	21,202,675	21,202,675
Money market funds	6,065,692	–	–	–	6,065,692
Short-term instruments	1,651,242	–	–	–	1,651,242
	7,716,934	2,645,370	1,763,180	76,027,195	88,152,679

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

13. Liquidity risk (continued)

	Up to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
2010					
Debt securities	–	4,421,748	2,822,744	–	7,244,492
Equities	–	–	–	57,788,089	57,788,089
Private equity fund of funds	–	–	–	5,540,340	5,540,340
Hedge fund of funds	–	–	–	22,254,315	22,254,315
Money market funds	694,266	–	–	–	694,266
Short-term instruments	1,650,591	–	–	–	1,650,591
	2,344,857	4,421,748	2,822,744	85,582,744	95,172,093

14. 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 dealing only 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 equivalent instruments are placed with financial institutions which have a minimum credit rating, and/or maximum placements limits, as established by the Board. The credit risk is limited because the counterparties are Board-approved financial institutions with high credit ratings.

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

Approved asset managers are authorised to purchase, on a discretionary basis, suitable securities based on proprietary analyses which may include companies' fundamentals and governance procedures, as well as market indicators and economic conditions. With respect to regional investments, the Trustees consider analyses presented by management to ensure that the attendant credit risks satisfy standards established by the Board.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

14. Credit risk (continued)

Investments in private equity fund of funds and hedge fund of funds are effected through asset managers who themselves invest in a diversified range of funds that select the underlying investments. At each stage of the process, due diligence is conducted to identify appropriate and suitable investments. The purpose of investing in a fund of funds is for increased diversification and reduction of volatility in portfolio returns.

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

Credit quality of financial instruments

The Trust Fund's credit risk exposure on available-for-sale debt securities is analyzed by the following S&P credit risk ratings:

	Regional US$	Non-regional US$	Total US$
2011			
A- to AA+	2,139,088	–	2,139,088
BBB to BBB+	2,269,462	–	2,269,462
B- to BBB-	–	–	–
Not rated *	–	–	–
	4,408,550	–	4,408,550
2010			
A- to AA+	2,300,087	–	2,300,087
BBB to BBB+	1,108,150	–	1,108,150
B- to BBB-	1,671,444	–	1,671,444
Not rated *	2,164,811	–	2,164,811
	7,244,492	–	7,244,492

* This is a single holding and represents a bond issued by the Trinidad and Tobago Subsidiary of an AA+ rated Canadian Bank.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

14. Credit risk (continued)

Risk concentrations of financial instruments by geographical distribution

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$
2011			
Debt securities			
Government bonds	1,143,824	–	1,143,824
Government agency bonds	995,264	–	995,264
Corporate bonds	2,269,462	–	2,269,462
	4,408,550	–	4,408,550
Equities	1,450,846	46,396,799	47,847,645
Private equity fund of funds	–	6,976,875	6,976,875
Hedge fund of funds	–	21,202,675	21,202,675
Money market funds	–	6,065,692	6,065,692
Short-term instruments	–	1,651,242	1,651,242
	5,859,396	82,293,283	88,152,679
2010			
Debt securities			
Government bonds	1,153,891	–	1,153,891
Government agency bonds	1,146,197	–	1,146,197
Corporate bonds	4,944,404	–	4,944,404
	7,244,492	–	7,244,492
Equities	1,742,477	56,045,612	57,788,089
Private equity fund of funds	–	5,540,340	5,540,340
Hedge fund of funds	–	22,254,315	22,254,315
Money market funds	–	694,266	694,266
Short-term instruments	–	1,650,591	1,650,591
	8,986,969	86,185,124	95,172,093

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

15. 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. Market risk comprises three types of risk - foreign currency risk, interest rate risk and equity price risk.

Management, in conjunction with the Investment Adviser, closely monitors the exposure of the Trust Fund's investment portfolio to market risk and seeks to manage this exposure in line with the portfolio's long term objectives.

a) 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 the 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$ assets.

b) 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 interest rates on the market value of its fixed rate financial instruments. Management of interest rate risk includes maintaining a diversified portfolio of cash, equities and bonds and adjusting the average duration of debt securities as interest rates change.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

15. **Market risk** (continued)

b) Interest rate risk (continued)

Interest rate sensitivity

The sensitivity of the fund balance is analyzed by maturity of the asset and is calculated by revaluing fixed rate financial instruments for the effects of assumed changes in interest rates.

The following table demonstrates management's best estimate of the sensitivity to reasonable possible changes in interest rates prevailing as at 31 December, with all other variables held constant, by estimating the impact on market value and net assets/fund balance based on the exposure at that date.

		Change in Fund balance		
	Increase/ (decrease) in basis points	Up to 5 years US$	Over 5 years US$	Total US$
2011				
Regional bonds	+50	(37,683)	(36,210)	(73,893)
	+100	(74,671)	(72,161)	(146,831)
	+150	(110,981)	(107,089)	(218,070)
	-50	38,391	38,899	77,290
	-100	77,507	78,131	155,638
	-150	117,363	118,533	235,896
2010				
Regional bonds				
	+50	(71,647)	(44,100)	(115,747)
	+100	(141,847)	(104,102)	(245,949)
	+150	(210,634)	(162,311)	(372,945)
	-50	73,128	81,550	154,678
	-100	147,774	147,335	295,109
	-150	223,973	215,192	439,165

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

15. Market risk (continued)

c) Equity price risk

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

The Trust Fund's investments in equity and equity related securities are intended to be held for the medium to long-term rather than for short-term trading purposes. Management, in conjunction with the Trust Fund's Investment Adviser, closely monitors the exposure of the Trust Fund's investment portfolio to equity price risk and seeks to manage this exposure in line with the portfolio's long term objectives.

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

	Change in equity price 2011 +/-%	Effect on net assets and fund balance 2011 US$	Change in equity price 2010 +/-%	Effect on net assets and fund balance 2010 US$
Regional equities	5	72,542	5	87,124
	10	145,085	10	174,248
	15	217,627	15	261,371
Non-regional U.S. equities	5	985,654	5	970,802
	10	1,971,308	10	1,941,603
	15	2,956,963	15	2,912,405
Non U.S. equities	5	870,900	5	1,083,184
	10	1,741,800	10	2,166,368
	15	2,612,700	15	3,249,551
Resources	5	235,173	5	520,958
	10	470,346	10	1,041,916
	15	705,519	15	1,562,874
Fund of Funds	5	1,060,134	5	1,112,716
	10	2,120,268	10	2,225,431
	15	3,180,401	15	3,338,147

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

16. Commitment and contingencies

Operating lease commitments

The Trust Fund has entered into an arrangement for the lease of property for a three (3) year period. Lease commitments are as follows:

	2011 US$	2010 US$
Within one year	23,887	57,331
Within two to five years	–	23,887
At end of year	23,887	81,218

Lease rental expense included in property related expenses amounted to US$57,331 (2010: US$55,644) for the year. The lease commitments presented above represents the commitments under the current lease period which ends in May 2012. The Trust Fund has the option to enter into a subsequent three (3) year term.

Contingencies

There are no contingencies at year end (2010:$Nil).

NOTES

NOTES

Growth, Stability, Protection and Longevity

REGISTERED OFFICE
22 Cornelio Street
Woodbrook
Port of Spain
Trinidad and Tobago

MANAGEMENT TEAM
Glenn Cheong, Executive Officer
Anne-Marie James, Senior Manager, Finance; Board Secretary
Tisha Teelucksingh, Portfolio Manager

AUDITORS
Ernst & Young
5 – 7 Sweet Briar Road
St. Clair
Port of Spain
Trinidad and Tobago

PRINCIPAL BANKERS
Republic Bank Limited
Republic House
11 – 17 Park Street
Port of Spain
Trinidad and Tobago