Annual Report 2012

Caribbean Court of Justice Trust Fund

2012

Annual Report

Caribbean Court of Justice Trust Fund

Growth, Stability, Protection and Longevity

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	[1] 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	[1] Mrs. Christine Sahadeo	Member, Finance & Investment Committee

[1] Dr. Linton Lewis and Mrs. Christine Sahadeo were elected Chairman and Vice-Chairman of the Board of Trustees, respectively, on July 22, 2013.

THE BOARD OF TRUSTEES

Top: **Dr. Rollin Bertrand** Chairman **Second Row (l-r):** **Mr. Gerry Brooks** Vice-Chairman; Chairman, Finance and Investment Committee, **Chief Justice Ivor Archie, Mrs. Carole Eleuthere-Jn Marie** Finance and Investment Committee, **Mr. Wilfred Abrahams.**
Bottom Row (l-r):[1] **Mrs. Christine Sahadeo** Finance and Investment Committee, [1] **Dr. Linton Lewis** Audit Committee, **Mr. Harryram Parmesar** Chairman, Audit Committee, **Mr. Oswald Barnes** Audit Committee.

[1] Dr. Linton Lewis and Mrs. Christine Sahadeo were elected Chairman and Vice-Chairman of the Board of Trustees, respectively, on July 22, 2013.

REPORT OF THE BOARD OF TRUSTEES

The Board of Trustees is pleased to report on the positive performance of the Caribbean Court of Justice Trust Fund for the year ended December 31, 2012. However, 2012 was not a year without further challenges for investors, due to the continuing Eurozone sovereign debt crisis, uncertainty over US elections, the US "fiscal cliff", and fears of slowing global economic growth.

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 fund 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 public and private equity, within a diversified portfolio complemented 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%, +10.3% and -1.8% for the complete calendar years 2006 to 2011 respectively.

Overview of Performance

The balance of the Fund as at December 31, 2011 was US$90,839,149 after all disbursements and expenses.

In light of the expectations for continued volatility and other challenges to investors, as noted in the Trustees' report of last year, the Board maintained its commitment to the diversified long-term strategic asset allocation, which has been deliberately designed to weather the vagaries of the market. Various tactical changes were implemented throughout the year to reposition the portfolio appropriately for market conditions, whilst staying true to the long-term objective. The Trust Fund was rewarded for its conviction and the portfolio exceeded its target rate of return in 2012.

The balance of the Fund increased to US$93,693,618 after disbursements, contributions, fees and expenses as at the end of the financial year. This increase in market value reflected a net annual return of +10.1% for 2012, bringing the annualised and cumulative net returns since inception (April 2005) to +4.5% p.a. and +39.5% respectively. During the financial year to December 31, 2012, the Trust Fund disbursed US$6,280,746 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.

REPORT OF THE BOARD OF TRUSTEES

The Markets in 2012

The first quarter of the year provided investors with healthy gains and relatively low volatility. US equity markets delivered a strong performance during the first quarter based on solid fundamentals and improving US economic statistics. The VIX, a measure of market volatility, ended March 2012 at 15.55, a historically low value, well below the historical average since inception of 20.55.

However, global equity markets posted negative returns in April, based on softer US economic data, as well as sovereign fiscal pressures and growing political opposition to austerity measures in Europe. The VIX peaked for the year on June 1, 2012 at 26.66, though it remained below 2010 and 2011 levels. The extension of the US Federal Reserve's Operation Twist programme and news of short-term measures to alleviate Europe's debt crisis provided some relief to markets in June 2012. Global equity markets ultimately posted negative second quarter returns, though not sufficient to erase the positive first quarter, thus ending the half year to June 2012 with modest gains.

Overall, global equity markets posted robust gains for the third quarter. Global equities surged upward in September as the European Central Bank (ECB) and the US Federal Reserve announced new rounds of quantitative stimulus programmes. A series of corporate earnings disappointments and the uncertainty of the outcome of the US presidential election put pressure on US equity markets in October. The last quarter of the year was dominated by concerns in the US over the so-called "fiscal cliff" (the threat of rising tax rates and simultaneous reduced government spending), as well as the national debt ceiling. Markets floundered in November and December, and the VIX rose in the last week of the year as the possibility of a bi-partisan agreement to address these issues in the US before year end seemed dim.

However, global equity markets ultimately posted positive fourth quarter returns, bolstering the gains from previous periods.

Investment markets ended the year with double digit positive returns in most instances, as shown in Table 1 (see page 6) which highlights the quarterly and annual returns on major indices for 2012. In US equity markets, the broad DJ US Total Stock Market Index and the S&P 500 posted gains of +16.4% and +16.0% respectively, whilst the Dow Jones Industrial Average, which measures the performance of 30 blue-chip stocks, posted a +10.3% return for 2012.

Similarly, non-US developed market and emerging market equities provided investors with double digit positive returns as the benchmark indices of the MSCI EAFE and MSCI Emerging Markets ended the year with returns of +17.3% and +18.2% respectively. Natural resources and global fixed income provided investors with more modest positive returns. The benchmark S&P Natural Resources index posted a gain of +2.2% in 2012, whilst global fixed income, as measured by the Citigroup World Government Bond index, provided investors with a +1.6% return.

REPORT OF THE BOARD OF TRUSTEES

Table 1: Major Indices - Quarterly and Annual Returns 2012

Index	Q1 2012	Q2 2012	Q3 2012	Q4 2012	2012
DJ US Total	+12.9%	-3.1%	+6.2%	+0.2%	+16.4%
S&P 500	+12.6%	-2.8%	+6.4%	-0.4%	+16.0%
DJIA	+8.8%	-1.9%	+5.0%	-1.7%	+10.3%
MSCI EAFE	+10.9%	-7.1%	+6.9%	+6.6%	+17.3%
MSCI Emerging Markets	+14.1%	-8.9%	+7.7%	+5.6%	+18.2%
S&P Natural Resources	+4.2%	-9.7%	+11.5%	-3.1%	+2.2%
Citigroup WGBI	-0.5%	+0.9%	+3.0%	-1.7%	+1.6%

Source: Mercer Hammond Investment Consulting Monthly Market Updates

Management of the Portfolio

The Trust Fund is an institutional endowment fund and, with the aid of its investment advisor, Mercer Hammond Investment Consulting, 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 target 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 throughout various periods of uncertainty and heightened market volatility which began in 2008.

The continuing commitment to its diversified long-term strategic asset allocation has rewarded the Trust Fund with a positive return in 2012, which exceeded the annualised long-term target rate of return.

The total rates of return (net of disbursements, contributions, administrative expenses, and investment management expenses) earned by the portfolio are shown in Table 2 (see page 7).

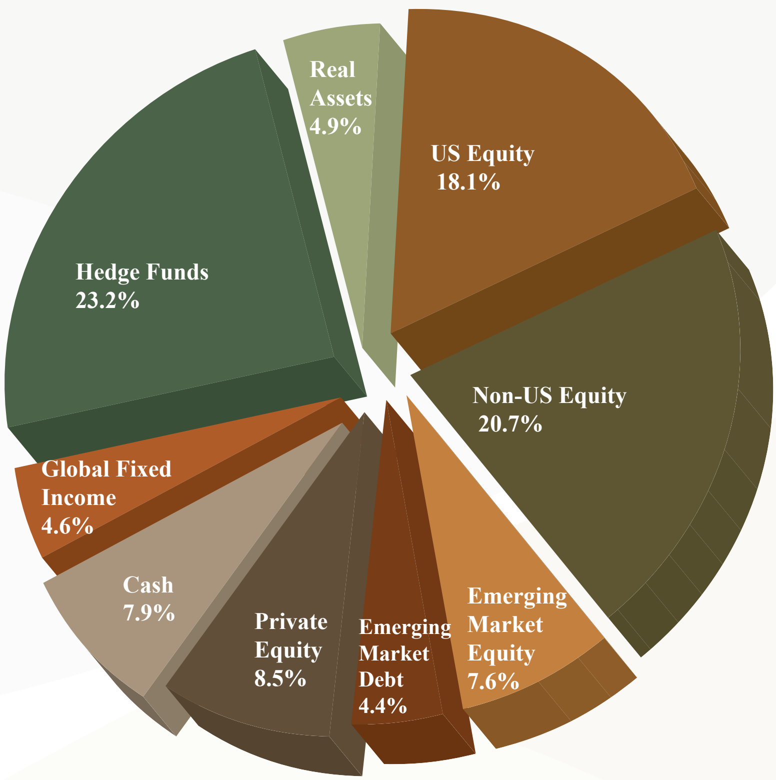
REPORT OF THE BOARD OF TRUSTEES

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%
January 1, 2012 to Decemver 31, 2012	+10.1%	+4.5%

The portfolio allocation as at December 31, 2012 is provided in Chart 1:

Chart 1: Portfolio Asset Composition as at December 31, 2012 (%)



REPORT OF THE BOARD OF TRUSTEES

The Trust Fund remained mindful of the uncertainty prevailing in the financial markets throughout 2012, 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, rebalancing actions taken in 2012 benefitted the portfolio significantly as profits were realised and reinvested. The Trust Fund has consistently adopted a disciplined approach to rebalancing the portfolio in scenarios of increasing asset prices. This disciplined approach will continue to enhance the Trust Fund's prospects for crystallising unrealised gains, whilst potentially reducing volatility in the Fund's returns. Correspondingly, by reinvesting proceeds in underperforming asset classes, the Trust Fund may be able to enhance its long-term return potential.

Equity markets have been subject to relatively high levels of uncertainty and volatility over the last three years. During that period, the Trust Fund elected to decrease the portion of the portfolio managed through passive index funds, and increase the percentage held in active manager strategies to create the potential for excess return over an index (manager alpha), whilst remaining conscious of the incremental effect on expenses and net returns. The resulting mix of active/passive management is considered appropriate at this time.

The phased investment in private equity continued into 2012. This sector is expected to continue to contribute positively to return, as a diversified portfolio of private equity fund of funds investments is built to its full allocation.

Hedge fund of funds investments are expected to continue to fulfill a vital role in risk reduction without significantly sacrificing return in the long run. The Trust Fund increased its holdings in hedge fund of funds in 2010, in preference to other risk-reducing assets (cash, fixed income) for which the return outlook remained low. Hedge funds can create value through active management across different sectors, and this tactical stance was maintained throughout 2012.

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

Movement in Fund Balance

The Fund experienced an increase in market value from US$90,839,149 at the start of the year to end 2012 at US$93,693,618 (see Table 3, Page 9).

REPORT OF THE BOARD OF TRUSTEES

Table 3: Statement of Movement in Fund Balance – 2012, 2011 and From Inception (April 2005)

	2012	2011	April 2005 to December 2012
Opening Fund Balance	**90,839,149**	**97,993,654**	**100,946,142**
Additional Contributions	1,017,778	1,017,778	11,085,964
	91,856,927	99,011,432	112,032,106
Interest & Dividends [2]	1,056,804	1,317,338	15,675,635
Realised Gains/ (Losses)	650,234	2,619,446	13,956,173
	1,707,038	3,936,784	29,631,808
Investment Management Expenses	(293,900)	(287,837)	(2,870,274)
Net Investment Income	1,413,138	3,648,947	26,761,534
Trust Fund Administrative Expenses (including Depreciation)	(646,158)	(608,333)	(5,051,193)
Net Income	766,980	3,040,614	21,710,341
Net Gain/ (Loss) in Fair Value on Investments	7,350,457	(5,496,033)	1,304,945
Net Gain/ (Loss) in Fund Before Disbursements	**8,117,437**	**(2,455,419)**	**23,015,286**
Disbursements to Court & Commission	(6,280,746)	(5,716,864)	(41,353,774)
Net Change in Fund Balance (excluding Contributions)	1,836,691	(8,172,283)	(18,338,488)
Closing Fund Balance @ December 31	**93,693,618**	**90,839,149**	**93,693,618**

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

During the financial year 2012, a third party capital contribution of US$1,017,778 was received from the Government of the Commonwealth of the Bahamas.

Realised Gains were recorded within the financial year 2012, as in the prior year, 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.

Investment management expenses increased by approximately US$6,064 or 2%, as a result of the increased asset values and a minor shift from passive to active management strategies. The Trust Fund continued its trend of prudent management of administrative expenses, showing a minor increase of US$37,825 (6%) 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 1.0%, in line with the average maintained in the previous years since inception of the portfolio in 2005.

REPORT OF THE BOARD OF TRUSTEES

The Fund experienced a Net Gain in Fair Value on investments of US$7,350,457 in 2012, bringing the cumulative Net Gain in the Fund Before Disbursements since inception to US$23,015,286. Disbursements to fund the expenses of the Court and the Commission amounted to US$6,280,746 in the financial year ended December 31, 2012, bringing cumulative disbursements since inception to US$41,353,774. The Fund experienced a positive net change in 2012, after disbursements and total expenses, of US$1,836,691.

The fund balance, after disbursements to the Court and the Commission of US$6,280,746 and total expenses of the Trust Fund of US$940,058 in 2012, amounted to US$93,693,618 at the end of the financial year.

Outlook for 2013

Investors will continue to face several sources of uncertainty in 2013, including the continuing Eurozone debt crisis, generally high debt levels in developed nations, and potentially faltering global macroeconomic growth.

The uncertainties around the Eurozone debt crisis may well take years to resolve, as there is a growing realisation that a lasting solution requires both greater fiscal, banking and political policy integration across culturally and economically diverse member countries, as well as severe structural economic reform in the larger under-performing economies within the EU. However, investors stand to benefit by staying invested in financial markets while the Eurozone works on the resolution. The ECB has demonstrated strong support for the Euro and the Eurozone, and politicians and policymakers appear to be making the right steps towards a long term resolution.

Within the US, robust corporate earnings figures were reported throughout 2012. The first half of the year will likely see an economy assessing the effects of spending cuts and tax increases, and a continuing debate over raising the US$16.4 trillion national debt ceiling when short-term measures expire. Nevertheless, the potential for upside remains, and there remains a cautiously positive outlook for US equities on the basis of strong corporate earnings expectations and improving economic data.

With the exception of the US, stocks remain relatively inexpensive in comparison to long term normalised fair valuations, even after rallying in 2012. The outlook for global equities remains positive overall, and therefore equities are likely to offer an attractive risk premium. Emerging market economies generally have a stronger structural base than developed economies with lower levels of public and private debt, current account surpluses as opposed to deficits, large currency reserves, declining inflation rates, improving governance and rising domestic consumption. China, India and Indonesia have intensified efforts to restructure their economies away from investment-led expansion to a more consumption-driven growth model. These efforts may help alleviate the near-term fears of asset bubbles in the region and a hard landing for the Chinese economy. Despite some near-term concerns over slowing growth, the structural advantages of China and other emerging economies over the developed world remain compelling. The macroeconomic growth outlook for emerging market economies remains relatively bright, though not fully decoupled from the developed world economies. There remains potential for upside surprises in returns from emerging market equities.

REPORT OF THE BOARD OF TRUSTEES

Higher expectations for GDP growth in developing economies, particularly the commodity-demand economies, are likely to be beneficial to the commodity markets. The consequent expected global demand for natural resources from growing emerging market economies is an indicator for potential positive performance in this asset class in 2013. Natural resources, which include commodities, are viewed as an inflation protection hedge. The actions of the ECB and the US Federal Reserve in 2012, through additional rounds of quantitative easing, and the expectation that this may be repeated if these economies continue to struggle, add fuel to investor concerns over higher inflation in the near to medium term.

Generally low interest rates, relatively reasonable equity valuations, and the consequent relative attractiveness of risky assets are not optimal conditions for outperformance in credit markets. The outlook remains difficult to predict under these conditions. Emerging market local currency debt is an exception within this broad class. The risk profile of emerging local currency debt more closely resembles that of emerging market equities, and the previously stated positive indicators for emerging market equities apply in this instance.

Double digit positive returns may be difficult to generate in 2013 despite the positive equity sentiment at the start of the year. 2013 will not be without its challenges as investors are faced with uncertainty arising from, among other factors:

- Continued uncertainty over the resolution of the European debt crisis;
- Ongoing fiscal concerns in the US;
- The effect of changing fiscal and monetary policies in emerging markets, from investment-led growth to consumption-driven economic growth.

Active management may continue to play an increased role in generating return in 2013 because of opportunities that arise from the volatility expected in the financial markets. A consistently employed rebalancing strategy will 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 2012, 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$112,032,106 since inception. After total disbursements to the Court and the Commission of US$41,353,774 and total expenses of the Trust Fund of US$7,921,467 since inception, the balance of the Fund as at December 31, 2012 was US$93,693,618.

REPORT OF THE BOARD OF TRUSTEES

The Trust Fund recorded a return of +10.1% (net of disbursements, contributions, administrative expenses and investment management expenses) for 2012, which brought the annualised and cumulative net returns since inception (April 2005) to +4.5% p.a. and +39.5% 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

The Board would like to extend appreciation to the Management Team for their continued diligence and professional commitment throughout the year. The Board would also like to record appreciation for the continuing contribution of our independent investment adviser, Mercer Hammond Investment Consulting.

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 2012, 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 2012 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:
22 July 2013

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	Notes	2012 US$	2011 US$
Assets			
Cash and cash equivalents	4	6,397,978	2,561,558
Accounts receivable		9,522	11,929
Investments at fair value through profit or loss	5	87,208,632	–
Available-for-sale investments	5	–	88,152,679
Interest receivable		69,029	66,307
Dividends receivable		–	–
Other assets		11,564	17,000
Fixed assets	6	104,380	112,453
Total assets		93,801,105	90,921,926
Liabilities			
Accounts payable, accrued expenses and provisions		107,487	82,777
Total liabilities		107,487	82,777
Total net assets		93,693,618	90,839,149
Fund balance			
Capital contributions	7	112,032,106	111,014,328
Revaluation reserve	10	–	5,151,055
Retained deficit		(18,338,488)	(25,326,234)
Total fund balance		93,693,618	90,839,149

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 22 July 2013 and are signed on their behalf by:

: Trustee

: Trustee

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 US$	2011 US$
Income			
Interest income		380,467	495,371
Dividends		648,762	857,205
Realized gains on investments		650,234	2,619,626
Net gain in fair value on investments at fair value through profit or loss	2.g	7,350,457	–
Loss on disposal of fixed assets		–	(180)
		9,029,920	3,972,022
Expenditure			
Investment management expenses		293,900	287,837
Professional fees		33,633	24,596
Staff costs	8	371,283	327,787
Board expenses	8	53,644	36,346
Property related expenses		84,067	82,721
General administrative expenses		71,351	75,732
Other expenses		–	15,001
Depreciation		32,180	46,150
		940,058	896,170
Net operating income		8,089,862	3,075,852
Net foreign exchange gain/(loss)		27,575	(35,238)
Impairment losses on investments	2.h	–	(94,628)
Net income for the year		8,117,437	2,945,986
Other comprehensive income			
Net losses on revaluation of available-for-sale investments		–	(2,876,264)
Impairment losses transferred from revaluation reserve to net income		–	94,628
Realized gains on investments, transferred to net income		–	(2,619,769)
		–	(5,401,405)
Total comprehensive income/(loss) for the year		8,117,437	(2,455,419)

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

STATEMENT OF CHANGES IN FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2012

	Capital contributions US$	Revaluation Reserve/ (deficit) US$	Retained deficit US$	Fund balance US$
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.l)	–	–	(5,716,864)	(5,716,864)
	1,017,778	(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
Impact of adopting IFRS 9 (Note 10)	–	(5,151,055)	5,151,055	–
Adjusted balance at 1 January 2012	111,014,328	–	(20,175,179)	90,839,149
Members' contributions (Note 7)	–	–	–	–
Third party contributions (Note 7)	1,017,778	–	–	1,017,778
Net income for the year	–	–	8,117,437	8,117,437
Transfers to the Court (Note 2.l)	–	–	6,280,746)	(6,280,746)
	1,017,778	–	1,836,691	2,854,469
Balance at 31 December 2012	112,032,106	–	(18,338,488)	93,693,618

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 US$	2011 US$
Operating activities		
Net income for the year	8,117,437	2,945,986
Adjustments for:		
Depreciation	32,180	46,150
Loss on disposal of fixed assets	–	180
Translation differences	8,254	1,061
Operating income before working capital changes	8,157,871	2,993,377
(Increase)/decrease in interest receivable	(2,723)	66,156
Decrease in accounts receivable, dividends receivable and other assets	7,843	43,169
Increase/(decrease) in accounts payable, accrued expenses and provisions	24,709	(24,877)
Net cash generated from operating activities	8,187,700	3,077,825
Investing activities		
Purchase of fixed assets	(38,985)	(15,516)
Net movement in regional equity investments	184,296	285,559
Net movement in regional fixed income instruments	1,450,846	2,023,623
Net movement in non-regional investments	(691,095)	(691,173)
Proceeds from disposal of fixed assets	6,626	–
Net cash provided by investing activities	911,688	1,602,493
Financing activities		
Third party contributions	1,017,778	1,017,778
Transfers to Court	(6,280,746)	(5,716,864)
Net cash used in financing activities	(5,262,968)	(4,699,086)
Net increase/(decrease) in cash and cash equivalents	3,836,420	(18,768)
Cash and cash equivalents at beginning of the year	2,561,558	2,580,326
Cash and cash equivalents at end of the year	6,397,978	2,561,558
Supplemental information:		
Interest received during the year	377,744	561,529
Dividends received during the year	648,762	863,757

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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 amenable to the municipal 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 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, in its country of domicile, from all taxation, all customs duties on goods imported for its official use and all other imports. The privileges and immunities are encompassed in the Headquarters Agreement established with the Government 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. The investment objective is to seek medium to long-term capital growth through investment in a diversified portfolio of tax-efficient international instruments, including fixed income, equity and equity-related securities, in order to produce an optimal net long-term rate of return with reasonable security of capital.

The Trust Fund has engaged Mercer Hammond Investment Consulting Inc. as independent Investment Adviser, and State Street Bank and Trust Company as Custodian to the Trust Fund.

The Trust Fund enters into direct agreements with asset managers and also makes direct purchases of appropriate mutual funds and other approved financial instruments. Each asset manager invests and reinvests the securities, cash and/or other investments held 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 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 financial assets measured at fair value through profit or loss (policy applicable from 1 January 2012), and available-for-sale financial assets (policy prior to 1 January 2012).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

2. Significant accounting policies (continued)

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 and revised standards adopted

IFRS 9: Financial Instruments: Classification and Measurement

The Trust Fund has elected to early adopt *IFRS 9: Financial Instruments: Classification and Measurement* (as issued in November 2009 and revised in October 2010) (IFRS 9) in advance of the mandatory effective date of 1 January 2015, and has chosen 1 January 2012 as its date of initial application.

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities, and replaces the parts of *IAS 39: Financial Instruments: Recognition and Measurement* (IAS 39) that relate to the classification and measurement of financial instruments.

IFRS 9 specifies how an entity should classify and measure its financial assets, and requires all financial assets to be classified on the basis of an entity's business model for managing its financial assets (see note 10), and the contractual cash flow characteristics of those assets.

IFRS 9 requires financial assets to be classified into two measurement categories: (i) those measured at amortised cost, and (ii) those measured at fair value.

An instrument is subsequently measured at amortised cost only if it is a debt instrument and it meets both of the following two criteria: (i) the asset is held within a business model whose objective is to hold assets in order to collect the contractual cash flows, and (ii) the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. If either of the two criteria is not met, the debt instrument must be measured at fair value. Debt instruments may also be measured at fair value to avoid a measurement mismatch.

All equity instruments are by default to be measured subsequently at fair value. Equity instruments that are held for trading must be measured at fair value through profit or loss. For all other equity investments, an irrevocable election, on an investment by investment basis, can be made to recognise realised and unrealised fair value gains and losses through other comprehensive income rather than profit or loss, and cannot subsequently be reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

2. Significant accounting policies (continued)

b) Changes in accounting policies (continued)

i) New and revised standards adopted (continued)

IFRS 9: Financial Instruments: Classification and Measurement (continued)

For financial liabilities IFRS 9 retains most of the IAS 39 requirements for classification and measurement. The major change relates to the accounting for changes in fair value of a financial liability designated at fair value through profit or loss, which are attributable to changes in the credit risk of that liability. In cases where the fair value option is taken, that part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in the income statement, unless this creates an accounting mismatch. This change in accounting policy has not affected the Trust Fund.

IFRS 9 requires entities with a date of initial application on or after 1 January 2012 and before 1 January 2013 to either provide certain additional transitional disclosures, or to restate prior periods. The Trust Fund has elected to adopt the exemption provided, with no restatement of the comparative information in the year of initial application.

ii) New and revised standards not adopted

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

IFRS 1: First-time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and removal of Fixed Dates for First time Adopters (Effective for annual periods beginning on or after 1 July 2011).

IAS 12: Income Taxes (Amendment) / Deferred Taxes-Recovery of Underlying Assets (Effective for annual periods beginning on or after 1 January 2012).

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.

- IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1 – Effective1 July 2012
- IAS 19 Employee Benefits (Revised) – Effective 1 January 2013
- IAS 27 Separate Financial Statements – Effective 1 January 2013
- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011) – Effective 1 January 2013

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

2. Significant accounting policies (continued)

b) Changes in accounting policies (continued)

iii) Standards issued but not yet effective (continued)

- IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 – Effective 1 January 2014
- IFRS 1 Government Loans – Amendments to IFRS 1 – Effective 1 January 2013
- IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 – Effective 1 January 2013
- IFRS 10 Consolidated Financial Statements – Effective 1 January 2013
- IFRS 11 Joint Arrangements – Effective 1 January 2013
- IFRS 12 Disclosure of Interests in Other Entities – Effective 1 January 2013
- IFRS 13 Fair Value Measurement – Effective 1 January 2013
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine – Effective 1 January 2013
- Investment Entities (Amendments to IFRS 10, 12 and IAS 27) – Effective 1 January 2014
- Annual Improvements to IFRSs 2009 - 2011 cycle - Effective 1 January 2013
    - IFRS 1 First-time Adoption of International Financial Reporting Standards - Repeated application of IFRS 1 and borrowing costs
    - IAS 1 Presentation of Financial Statements - Clarification of requirements for comparative information
    - IAS 16 Property Plant and Equipment - Classification of servicing equipment
    - IAS 32 Financial Instruments, Presentation - Tax effect of distributions to holders of equity instruments
    - IAS 34 Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities

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 assets and liabilities

Financial assets and liabilities are recognized in the statement of financial position at fair value 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. Financial liabilities include accrued expenses and accounts payable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

2. Significant accounting policies (continued)

d) Financial assets and liabilities (continued)

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.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities that are not at fair value through profit or loss are added to or deducted from the fair value of the financial assets or financial liabilities.

e) 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.

f) Financial assets (IAS 39) - Policy applicable prior to 1 January 2012

Initial recognition and subsequent measurement

In accordance with IAS 39, all financial assets are measured in accordance with the following IAS 39 categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale. Management determines the classification of its financial instruments at initial recognition.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

2. Significant accounting policies (continued)

f) Financial assets (IAS 39) - Policy applicable prior to 1 January 2012 (continued)

Initial recognition and subsequent measurement (continued)

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.

Impairment of financial assets

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, information about significant changes with an adverse effect that have taken place in the business environment in which the issuer operates, and indicates 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.

Fixed income 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 instrument 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. The amount

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

2. Significant accounting policies (continued)

f) Financial assets (IAS 39) - Policy applicable prior to 1 January 2012 (continued)

Impairment of financial assets (continued)

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 instrument 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.

g) Financial assets (IFRS 9) - Policy applicable from 1 January 2012

Initial recognition and subsequent measurement

IFRS 9 requires all financial assets, on initial recognition, to be classified as measured at either amortised cost or fair value, depending on the business model for managing the financial assets (see note 10), and the contractual cash flows. All recognised financial assets are subsequently measured at either amortised cost or fair value depending on their classification.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets classified at fair value through profit or loss are recognised immediately in profit or loss. If the asset is not subsequently measured at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the acquisition of the asset.

In accordance with its business model, the Trust Fund's previously classified available-for-sale investments have been designated and reclassified as at fair value through profit or loss on initial application of IFRS 9 (see note 10).

Financial assets at amortised cost

Only debt instruments are measured at amortised cost. Only debt instruments measured at amortised cost are tested for impairment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

2. Significant accounting policies (continued)

g) Financial assets (IFRS 9) - Policy applicable from 1 January 2012 (continued)

Financial assets at amortised cost (continued)

Debt instruments are measured at amortised cost less impairment loss if both of the following criteria are met: (i) the asset is held within a business model whose objective is to hold assets in order to collect the contractual cash flows; and (ii) the contractual terms of the instrument represent solely payments of principal and interest on the principal amount outstanding.

If either of the two amortised cost criteria is not met, debt instruments are to be classified as at fair value through profit or loss. All other financial assets are measured at fair value.

The Trust Fund may irrevocably elect at initial recognition to designate a debt instrument that meets the amortised cost criteria as at fair value through profit or loss, if doing so eliminates or significantly reduces an accounting mismatch, had the debt instrument been measured at amortised cost.

Subsequent to initial recognition, should the objective of the business model change such that the amortised cost criteria are no longer met, the Trust Fund is required to reclassify the debt instruments from amortised cost to fair value through profit or loss. Reclassification of debt instruments that are designated as at fair value through profit or loss on initial recognition is not allowed.

Interest is recognized on an effective interest basis for debt instruments measured at amortised cost. Interest income is recognized in profit or loss and is included in the line item captioned “Interest income”.

Financial assets at fair value through profit or loss

Financial assets other than those classified as financial assets at amortised cost are classified as at fair value through profit or loss (FVTPL), and subsequently measured at fair value, with any gains or losses arising on re-measurement of fair value recognised in profit or loss, and reflected in the line item captioned “Net gain/(loss) in fair value on investments at fair value through profit or loss”.

Debt instruments that do not meet the amortised cost criteria described above, or that meet the criteria but the Trust Fund has chosen to designate as at fair value through profit or loss at initial recognition, are measured at FVTPL. Interest income on debt instruments at fair value through profit or loss is recognised in profit or loss under the line item captioned “Interest income”.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

2. Significant accounting policies (continued)

g) Financial assets (IFRS 9) - Policy applicable from 1 January 2012 (continued)

Financial assets at fair value through profit or loss (continued)

Investments in equity instruments are mandatorily classified and measured at FVTPL. Equity investments that are held for trading must be measured at FVTPL. A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term, or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Trust fund manages together and has evidence of a recent actual pattern of short-term profit taking.

Dividend income on investments in equity instruments at FVTPL is recognised in profit or loss under the line item captioned “Dividends”.

For equity investments that are not held for trading, the Trust Fund may elect on initial recognition to designate those investments as at fair value through other comprehensive income and to present gains and losses on those instruments in other comprehensive income.

Financial assets at fair value through other comprehensive income

Designation as at fair value through other comprehensive income (FVTOCI) is not permitted if an equity instrument is held for trading.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently they are measured at fair value, with fair value unrealised and realised gains and losses recognised in other comprehensive income and accumulated in revaluation reserves.

For equity instruments that are not held for trading, the Trust Fund may make an irrevocable election at initial recognition, on an instrument-by-instrument basis, to designate them as at FVTOCI, with fair value unrealised and realised gains and losses presented through other comprehensive income.

Gains or losses on equity instruments measured at FVTOCI can never subsequently be reclassified to profit or loss, and no impairments are recognised in profit or loss. When the asset is disposed of, the cumulative gain or loss previously accumulated in revaluation reserves is reclassified to retained earnings, and not to profit or loss. Dividends earned for such investments are recognised in profit or loss and are included in the line item captioned “Dividends”.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

2. Significant accounting policies (continued)

h) Impairment of financial assets

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

Objective evidence of an impairment loss would include:

i. significant financial difficulty of the issuer or counterparty;
ii. a breach of contract, such as delinquency or default in interest or principal payments;
iii. probability that the borrower will enter bankruptcy or other financial re-organisation;
iv. the disappearance of an active market for that financial asset because of financial difficulties.

The amount of the impairment is the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss.

i) 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 1/2% - 50%	Straight line
Leasehold improvements	33 1/3%	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 comprehensiveincome when the expenditure is incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

2. Significant accounting policies (continued)

j) 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, 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.

k) Capital contributions

Members' contributions are accounted for on an accruals basis. Third party contributions are received from the Government of the Commonwealth of Bahamas which is not yet a participant in the Court. As described in Note 7, it was agreed amongst the Members that the Government of the Bahamas will contribute in accordance with Article IV of the Revised Agreement Establishing the Caribbean Court of Justice Trust Fund.

l) 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. An actuarial valuation is submitted by the Court at the end of each year in respect of the pension arrangements for its Judges. The pension payment due in respect of each Judge is remitted upon retirement. These amounts are treated as distributions out of the fund balance and are accounted for when disbursement amounts are approved by the Board of Trustees.

m) 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.

n) 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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

2. Significant accounting policies (continued)

n) Foreign currency translation (continued)

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.

o) 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 accounting policies which may have the most significant effect on the amounts reported in the financial statements.

Valuation of investments

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.

Classification of investments

Management evaluates at the time of acquisition of its securities whether these should be classified as at amortised cost, fair value through profit or loss or fair value through other comprehensive income. Management has considered the detailed criteria for determination of such classification, including its business model (see Note 10), and is satisfied that its investments in securities are properly classified.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

	2012 US$	2011 US$
4. Cash and cash equivalents		
Cash at bank	1,312,993	1,188,161
Money market accounts	163,706	298,597
Income funds	4,921,279	1,074,800
	6,397,978	2,561,558
5. Investments		
Investments at FVTPL (note 10)	87,208,632	–
Available-for-sale investments	–	88,152,679
	87,208,632	88,152,679
Investments at FVTPL		
Fixed income securities	4,224,254	–
Equities	48,127,007	–
Private equity fund of funds	7,946,483	–
Hedge fund of funds	21,663,228	–
Money market funds	1,162,846	–
Other mutual funds	4,084,814	–
	87,208,632	–
Available-for-sale investments		
Fixed income securities	–	4,408,550
Equities	–	47,847,645
Private equity fund of funds	–	6,976,875
Hedge fund of funds	–	21,202,675
Money market funds	–	6,065,692
Short-term instruments	–	1,651,242
	–	88,152,679

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

6. Fixed assets

	Motor vehicles US$	Equipment & furniture US$	Leasehold improvements US$	Total US$
Cost				
Balance at 31 December 2011	138,473	125,663	12,288	276,424
Additions at cost	29,571	9,414	–	38,985
Exchange adjustments	(230)	(209)	(21)	(460)
Disposals and other adjustments	(23,226)	(8,065)	–	(31,291)
Balance at 31 December 2012	144,588	126,803	12,267	283,658
Accumulated depreciation				
Balance at 31 December 2011	(59,825)	(91,858)	(12,288)	(163,971)
Charge for the year	(21,128)	(11,052)	–	(32,180)
Exchange adjustments	99	153	21	273
Disposals	16,600	–	–	16,600
Balance at 31 December 2012	(64,254)	(102,757)	(12,267)	(179,278)
Net book value at 31 December 2011	78,648	33,805	–	112,453
Net book value at 31 December 2012	80,334	24,046	–	104,380

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

7. Capital contributions

	2012 US$	2011 US$
At beginning of year	111,014,328	109,996,550
Third party contributions	1,017,778	1,017,778
At end of year	112,032,106	111,014,328
Represented by:		
Members' contributions and escrow	104,907,660	104,907,660
Third party contributions	7,124,446	6,106,668
At end of year	112,032,106	111,014,328

The initial capital totalling US$99,500,000 was raised by the Caribbean Development Bank 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 from Members in 2006.

Third party contributions

The Members 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.

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 organization or have the power to participate in the financial and operating policy decisions of the Trust Fund.

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$302,126 (2011: US$259,246). Honoraria payments to Trustees total US$14,500 for the year (2011: US$14,800).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

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.

The capital structure of the Trust Fund consists of capital contributions from Members and approved third parties, and retained deficits after distributions to the Court. These resources are invested in a diversified portfolio of tax-efficient instruments, including fixed income and equity securities, in order to produce an optimal net long-term 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.

10. Financial instruments

As at 1 January 2012, the Trust Fund has reviewed its existing financial assets and financial liabilities and has assessed the impact of the initial application of IFRS 9.

The major changes to the classification of the Trust Fund's financial assets under IFRS 9 are explained below.

Business model – applicable from 1 January 2012

The Trust Fund's business model has been determined based on the way in which the investment portfolio is managed, as well as the way in which the information is provided to the Board. Factors considered include the policies and objectives outlined in the Investment Guidelines and the application thereof, the basis for disposal of investments, the process utilized by Management in monitoring and assessing the performance of the portfolio, and the basis upon which the Board evaluates the performance of the portfolio.

The Trust Fund's financial instruments are not acquired with the explicit intention to hold over the long term to maturity or in perpetuity, although some assets may be held to maturity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

10. Financial instruments (continued)

Business model – applicable from 1 January 2012 (continued)

While the portfolio's focus and objective are long-term in nature, each asset is individually assessed on an ongoing basis and may be disposed of prior to maturity for the following reasons, among others: (i) to realise capital gains, (ii) if liquidity is required and (iii) desired changes to the asset allocation.

The Trust Fund has therefore designated all of its financial instruments as at FVTPL since those assets are managed, evaluated and reported internally on a fair value basis and are not expected to be held for the medium to long-term for strategic purposes.

Classification of financial assets on the date of initial application of IFRS 9

Debt securities were not considered to meet the criteria to be classified at amortised cost in accordance with IFRS 9, because it is not the objective of the Trust Fund's business model to hold these debt securities in order to collect their contractual cash flows. They have therefore been reclassified from available-for-sale financial assets under IAS 39, to financial assets at FVTPL under IFRS 9. As a result, the holdings in debt securities were unchanged, and net unrealised gains amounting to US$699,788 have been reclassified from revaluation reserve to opening retained deficit.

Investments in equity and equity-related instruments that were previously classified as available-for-sale under IAS 39 are now classified as financial assets at FVTPL under IFRS 9 because it is not the Trust Fund's objective to hold these securities for the medium to long term as strategic investments. Previous net unrealised gains of US$4,451,267 were reclassified from revaluation reserve to opening retained deficit.

No measurement adjustment arose upon initial application of IFRS 9 as the carrying amounts at the end of the previous reporting period and the carrying amounts at the beginning of the current reporting period remain unchanged. Therefore no reclassification measurement adjustment has been recognized in opening retained deficit.

The change in accounting policy has had no impact on the earnings for the current year.

The following table summarizes the transitional classification and measurement changes to the Trust Fund's financial assets as at January 1, 2012, the date of initial application of IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

10. Financial instruments (continued)

Classification of financial assets on the date of initial application of IFRS 9 (continued)

	Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
2012				
Fixed income securities	AFS	FVTPL	–	4,424,254
Equities	AFS	FVTPL	–	48,127,007
Private equity fund of funds	AFS	FVTPL	–	7,946,483
Hedge fund of funds	AFS	FVTPL	–	21,663,228
Money market funds	AFS	FVTPL	–	1,162,846
Other mutual funds	AFS	FVTPL	–	4,084,814
			–	87,208,632
2011				
Fixed income securities	AFS	FVTPL	4,408,550	4,408,550
Equities	AFS	FVTPL	47,847,645	47,847,645
Private equity fund of funds	AFS	FVTPL	6,976,875	6,976,875
Hedge fund of funds	AFS	FVTPL	21,202,675	21,202,675
Money market funds	AFS	FVTPL	6,065,692	6,065,692
Short-term instruments	AFS	FVTPL	1,651,242	1,651,242
			88,152,679	88,152,679

11. 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. The carrying value reflected in the financial statements equates the 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 financial instruments are traded in organized financial markets. Non-regional equities 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

11. 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 the Trust Fund's 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 US$	Level 2 US$	Level 3 US$	Total US$
2012				
Fixed income securities	–	4,224,254	–	4,224,254
Equities	19,356,820	28,770,187	–	48,127,007
Private equity fund of funds	–	–	7,946,483	7,946,483
Hedge fund of funds	–	–	21,663,228	21,663,228
Money market funds	1,162,846	–	–	1,162,846
Other mutual funds	–	4,084,814	–	4,084,814
	20,519,666	37,079,255	29,609,711	87,208,632
2011				
Fixed income 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

Where fair values of listed equities, equity-related securities and fixed income 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

11. Financial instruments - fair value (continued)

The Trust Fund invests in managed funds which are not quoted in active markets and which may be subject to restrictions on redemptions such as lock up periods, redemption gates and side pockets. Investments in those funds are valued based on the Net Asset Value (NAV) per unit published by the administrator of those funds. Such a NAV is adjusted when necessary to reflect liquidity risk, limitations on redemptions, and other factors. Depending on the fair value level of an underlying fund's assets and liabilities, and on the adjustments needed to the NAV per unit published by the fund, the Trust Fund classifies the fair value of that investment as either Level 2 or Level 3. Instruments included in Level 3 include those for which there is currently no active market and for which valuation models are used which are 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.

	2012 US$	2011 US$
Opening balance	28,179,550	27,794,655
Total realized gains	222,564	740,229
Purchases	3,969,578	6,294,408
Sales	(4,327,232)	(6,610,821)
Unrealized gains/(losses)	1,565,251	(38,921)
Closing balance	29,609,711	28,179,550

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

12. Financial risk management

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 currency 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.

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 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. 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, 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.

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, 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 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 can be disposed of during the course of any financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

13. Liquidity risk (continued)

Fund of Funds assets exhibit unique liquidity characteristics, with the actual 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 US$	1 to 5 years US$	Over 5 years US$	Non-interest bearing US$	Total US$
2012					
Fixed income securities	–	2,505,229	1,719,025	–	4,224,254
Equities	–	–	–	48,127,007	48,127,007
Private equity fund of funds	–	–	–	7,946,483	7,946,483
Hedge fund of funds	–	–	–	21,663,228	21,663,228
Money market funds	962,846	–	–	200,000	1,162,846
Other mutual funds	–	–	–	4,084,814	4,084,814
	962,846	2,505,229	1,719,025	82,021,532	87,208,632

	Up to 1 year US$	1 to 5 years US$	Over 5 years US$	Non-interest bearing US$	Total US$
2011					
Fixed income 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 2012 (continued)

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 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 equivalent instruments 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 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.

In the non-regional portfolio, selected approved asset managers are authorized to purchase suitable securities on a discretionary basis based on an analysis by the asset manager of the companies' prospectuses and due diligence procedures. Asset 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.

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 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 fixed income securities is analyzed by the following S&P credit risk ratings:

	2012 US$	2011 US$
A-to AA+	1,940,513	2,139,088
BBB to BBB+	2,283,741	2,269,462
	4,224,254	4,408,550

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

14. Credit risk (continued)

Credit quality of financial instruments (continued)

Risk concentrations of financial instruments by geographical distribution

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

	Regional US$	Non-regional US$	Total US$
2012			
Fixed income securities	–	–	–
Government bonds	1,103,834	–	1,103,834
Government agency bonds	836,679	–	836,679
Corporate bonds	2,283,741	–	2,283,741
	4,224,254	–	4,224,254
Equities	–	48,127,007	48,127,007
Private equity fund of funds	–	7,946,483	7,946,483
Hedge fund of funds	–	21,663,228	21,663,228
Money market funds	–	1,162,846	1,162,846
Other mutual funds	–	4,084,814	4,084,814
	4,224,254	82,984,378	87,208,632
2011			
Fixed income 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (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.

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 Investment Adviser, 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) 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 US$. The Trust Fund's administrative expenses arise in US$ as well as Trinidad and Tobago dollars (TT$). The Trust Fund matches its liabilities by investing in US$ and TT$.

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 market interest rates on the market value of its fixed rate financial instruments and the impact on the fund balance. 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 fund balance is analyzed by maturity of the asset and is calculated by revaluing fixed rate financial instruments 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 prevailing as at 31 December (with all other variables held constant), and the impact on market value and net assets/ fund balance based on the exposure at that date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

15. Market risk (continued)

b) Interest rate risk (continued)

Interest rate sensitivity (continued)

	Increase/ (decrease) in basis points	Change in fund balance Up to 5 years US$	Over 5 years US$	Total US$
2012				
Regional bonds	+50	(26,583)	(31,833)	(58,415)
	+100	(52,784)	(63,286)	(116,070)
	+150	(78,615)	(93,950)	(172,565)
	–50	26,968	67,793	94,761
	–100	54,329	102,256	156,684
	–150	75,598	137,616	213,214
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

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's equity and equity-related investments are susceptible to equity price risk arising from fluctuations in equity indices.

The Trust Fund's investments in equity and equity-related securities may be held for the medium to long term for strategic purposes, and are not held 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 changes in equity indices and is therefore able to minimise the risk resulting from such fluctuations.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

15. Market risk (continued)

c) Equity price risk (continued)

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 net assets/fund balance as at 31 December:

	Change in equity price 2012 +/-%	Effect on net assets and fund balance 2012 US$	Change in equity price 2011 +/-%	Effect on net assets and fund balance 2011 US$
Regional equities	5	–	5	72,542
	10	–	10	145,085
	15	–	15	217,627
U.S. equities	5	848,697	5	985,654
	10	1,697,393	10	1,971,308
	15	2,546,090	15	2,956,963
Non U.S. equities	5	969,265	5	870,900
	10	1,938,531	10	1,741,800
	15	2,907,796	15	2,612,700
Non U.S. local currency debt	5	204,241	5	–
	10	408,481	10	–
	15	612,722	15	–
Real assets	5	231,080	5	235,173
	10	462,161	10	470,346
	15	693,241	15	705,519
Fund of Funds	5	1,083,161	5	1,060,134
	10	2,166,323	10	2,120,268
	15	3,249,484	15	3,180,401

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (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:

	2012 US$	2011 US$
Within one year	69,037	23,887
Within two to five years	106,063	–
At end of year	175,100	23,887

Lease rental expense included in property related expenses amounted to US$58,631 (2011: US$57,331) for the year. The lease commitments presented above represents the commitments under the current lease period which ends in May 2015.

Contingencies

There are no contingencies at year end (2011:$Nil).

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