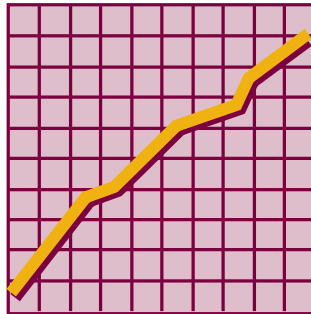




CARIBBEAN COURT OF JUSTICE TRUST FUND

Annual Report 2006



***“...funding the
Caribbean Court of Justice
in perpetuity...”***

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CARIBBEAN COURT OF JUSTICE TRUST FUND



REPORT OF THE BOARD OF TRUSTEES

The Trustees are pleased to report on the progress of the Caribbean Court of Justice Trust Fund, particularly on its first full and successful year of investment operations since receipt of funding in April 2005.

Structure and Governance

On April 16, 2005 the Caribbean Court of Justice (the Court) was inaugurated as the intended supreme judicial organ in the Caribbean Community. Effective January 27, 2004 the Heads of the Caribbean Community had established the Caribbean Court of Justice Trust Fund (the Trust Fund) to fund the Court in perpetuity. Upon the inauguration of the

Court, the Heads funded the Trust Fund with the balance of an initial endowment of US\$100,946,142, having advanced US\$200,000 in November 2004 to assist with establishment expenditure. The primary role of the Trust Fund is to invest these monies prudently to ensure the financial independence of the Court. Both the Court and the Trust Fund are headquartered in Port of Spain, Trinidad and Tobago.

The Board of Trustees of the Trust Fund comprises appointees from nine institutions representing civil society in the region. The composition of the Board during 2006 was as follows:

INSTITUTION	TRUSTEE	POSITION
Caribbean Association of Industry and Commerce	Dr. Rollin Bertrand	Chairman of the Board Chairman, Compensation Committee Member, Audit Committee
Insurance Association of the Caribbean	Mr. Gerry Brooks	Vice-Chairman of the Board Chairman, Finance & Investment Committee Member, Compensation Committee
Secretary General, Caribbean Community	Mr. Oswald Barnes	Member, Finance & Investment Committee
Conference of Heads of Judiciary of Member States of the Caribbean Community	Chief Justice Abdullai Conteh	
Organisation of Commonwealth Bar Associations	Mr. Patrick Patterson	
Caribbean Congress of Labour	Professor Harold Lutchman	Member, Audit Committee
Vice-Chancellor, University of the West Indies	Dr. Bhoendradatt Tewarie (to September 30, 2006)	
Association of Indigenous Banks	Mr. Michael Archibald	Member, Finance & Investment Committee
Institute of Chartered Accountants of the Caribbean	Mr. Elson Jordan (to March 30, 2006) Mr. Garth Kiddoe (from April 1, 2006)	Chairman, Audit Committee Chairman, Audit Committee Member, Compensation Committee

Trustees who have served previously are: Messrs Joel Edwards, Louis Greenidge, Hanzel Manners and Dr. Peter Maynard.

CARIBBEAN COURT OF JUSTICE TRUST FUND

Structure and Governance (continued)

Commencing in May 2004, the Trustees set about establishing this new and important regional institution by employing a small management team comprising Mr. Richard Kellman (Executive Officer), Ms. Anne Marie James (Senior Manager, Finance & Board Secretary) and Ms. Michelle Persad (Portfolio Manager). They subsequently put in place a strong governance structure consisting of the following:

- Financial Regulations, Investment Guidelines, an HR Manual and a Conflict of Interest Policy
- Appointment of Ernst & Young as External Auditors
- Appointment of Oppenheimer Inc. as Investment Adviser
- Appointment of 16 investment managers covering the range of appropriate asset classes available in international investment markets
- Establishment of Audit, Compensation and Finance & Investment Committees of the Board
- Establishment of a Protocol between the Trust Fund and the Court governing budgetary disbursements to the Court
- Approval of a Draft Protocol on Board Membership and Tenure that is under discussion with the various sponsoring institutions

The Trustees manage the resources of the Trust Fund in accordance with the following philosophy:

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

Typically, during the course of a year, the full Board would meet at least 4 times, the Finance & Investment Committee at least 3 times, and the Audit and Compensation Committees at least twice each.

Overview of 2006 Performance

The balance of the Trust Fund as at December 31, 2005 was US\$99,758,227, of which investments and operating accounts (the total earning assets) totalled US\$99,500,842. During 2006 additional capital contributions of US\$4,979,296 were received, comprising an amount of US\$3,961,518 from the Heads and a third party contribution of US\$1,017,778 from the Government of The Bahamas. Disbursements to the Court amounted to US\$3,536,754. The total earning assets of the Trust Fund as at December 31, 2006 amounted to US\$110,062,858 displaying a total return of 10.4% net of investment management fees, and taking account of timing of the various contributions and disbursements made during the year.

International Markets

The major global stock markets closed 2006 on a positive note despite some turbulence encountered during the year. Following consistent good performance during the early months, equity markets fell sharply in May-June as concerns arose over inflation and consequent rising interest rates in the US, escalating conflict in the Middle East and increasing energy costs. Concerns over a possible slowdown in the US economy due to the decline in the housing sector continued to dampen the performance of the equity markets into July. By August, once it became apparent that interest rate increases in the US had ceased, the markets began a rally that held until the end of the year. Equity markets in Europe performed better than in the US as more robust economic growth prevailed in the Euro zone with performance of these holdings also assisted by the appreciation of the euro against the dollar. In the Far East, China continued to enjoy a fast expanding economy despite Government attempts to temper growth. After considerable volatility in mid year, India closed 2006 with another year of record stock market growth as the high pace of foreign direct investment continued unabated.

The S&P, which is a representation of the broader US market, rose 13.6% for 2006 and the Dow, which is heavily influenced by blue chip stocks and by out-performance of the large cap space, closed the year up 16.3%. Reflecting the outstanding performance of non-US markets, the MSCI EAFE index rose 23.5%.

Regional Markets

The major economies of the region performed well supported by steady global economic growth. The Trinidad and Tobago economy is estimated to have expanded at a 12% pace for 2006, compared to a range of 6-7% over the previous few years. The sharp rise reflects a full year production at Atlantic LNG's Train 4 and at the Titan methanol plant. However, with the exception of construction and financial services, the performance of the non-energy sector was moderate.

The three major regional indices recovered from substantial loss positions, benefiting from a turnaround during the final months of the year. The TTSE recovered from a low of -19.1% to close at -9.2%, whilst the JSE recovered from a low of -23.1% to end the year at -3.7%. Activity in the Barbados market remained low and the BSE closed 2006 at -6.8%. The performance of the Trinidad and Tobago market was severely affected by a lack of demand as, having reached their statutory portfolio limits in 2005, some institutional investors were unable to increase holdings in equities whilst others were faced with paring their exposure, causing a substantial imbalance in supply and demand.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2006 (continued)

11. Financial instruments (continued)

Due to their short term maturity, the carrying value of certain financial instruments is assumed to approximate their fair values. These include cash and cash equivalents, interest receivable, regional fixed income instruments and other assets.

The Trust Fund's regional equities and non regional investments are traded in organised financial markets. Equity and fixed income investments are

valued based upon the final sales price as quoted on major exchanges. Regional equities are valued based upon the market price at the last trade date prior to the financial year end. Non regional equity and fixed income investments are traded in non regional financial markets and are valued based upon the market values at year end or on the last trade date prior to year end as quoted on major exchanges. Transactions are recorded on a trade date basis with dividends and interest recognised when earned.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2006 (continued)

10. Financial risk management (continued)

Interest rate risk (continued)

Equity instruments are non-interest bearing. The range of annual coupon rates for applicable assets is as follows:

	2006		2005	
	Minimum %	Maximum %	Minimum %	Maximum %
Cash and cash equivalents	2.25	7.00	2.00	6.60
Regional bonds	7.50	9.25	9.25	9.25
Non-regional bonds	2.25	7.37	1.62	7.37
Non-regional – money market	3.30	4.30	1.70	3.20

Liquidity risk

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

Credit risk

The Board of Trustees has established guidelines for investment in institutions which meet certain minimum criteria. The Trust Fund's investments are diversified along geographic and other concentration lines in accordance with its approved Investment Guidelines.

All cash and cash equivalents are placed with financial institutions which have a minimum

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

11. Financial instruments

In accordance with International Accounting Standard (IAS) No. 32, "Financial Instruments: Disclosure and Presentation", the Trust Fund determines the fair value of all financial instruments at the balance sheet date and separately discloses this information where these fair values are different from net book values. At the balance sheet date the carrying amount of all financial instruments approximate their fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2006 (continued)

10. Financial risk management (continued)

Interest rate risk

The Trust Fund is exposed to risks associated with the effects of fluctuations in the prevailing rates of market interest rates on its financial position and cash flows. In a falling interest rate market capital values of equities and fixed income investments may rise while returns on cash decrease. Conversely, in a rising interest rate

environment capital values of equities and fixed income investments are likely to be negatively affected while returns on cash increase. The Trust Fund's management of interest rate risk includes maintaining a diversified portfolio of cash, equities and bonds and adjusting the average duration of fixed income securities as interest rates change.

The table below summarises financial instruments at their carrying amounts categorised 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\$
2006					
Cash and cash equivalents	10,528,842	–	–	–	10,528,842
Available-for-sale investments:					
Regional investments	3,283,175	–	4,773,105	7,396,364	15,452,644
Non-regional bonds	382,697	3,768,580	4,623,290	4,500,687	13,275,254
Non-regional other	4,326,043	–	–	66,376,401	70,702,444
	18,520,757	3,768,580	9,396,395	78,273,452	109,959,184
2005					
Cash and cash equivalents	13,351,218	–	–	–	13,351,218
Available-for-sale investments:					
Regional investments	3,000,000	–	1,058,163	6,652,385	10,710,548
Non-regional bonds	659,914	5,370,621	6,933,614	6,641,739	19,605,888
Non-regional other	2,217,416	–	–	53,520,701	55,738,117
	19,228,548	5,370,621	7,991,777	66,814,825	99,405,771

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2006 (continued)

8. Capital contributions (continued)

Members' contributions and escrow interest

The initial capital totalling US\$99,500,000 was raised by the Caribbean Development Bank (CDB) on behalf of the Members on July 16, 2004 and remitted to the Trust Fund on April 7, 2005. Escrow interest earned of US\$1,446,142 was also remitted to the Trust Fund and capitalised. Additional members' contributions amounting to US\$3,961,518 were received during the year.

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\$1,017,777.78 per annum. 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. The first instalment was received by the Trust Fund in July 2006.

9. Related parties

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the organisation or the power to participate in the financial and operating policy decisions of the Trust Fund. Short term benefits for key management total US\$215,555 (2005: US\$211,142).

10. Financial risk management

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

Market 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 Programme Manager, closely monitors the exposure of the Trust Fund's investment portfolio to changes in market prices, and is therefore able to minimise the risk resulting from such fluctuations.

Currency risk

The Trust Fund's liability to meet the expenses of the Court and Commission in perpetuity arises in Trinidad and Tobago dollars (TT\$), the currency of the host country, as well as in United States dollars (US\$). The Trust Fund matches the liability by investing in TT\$ and also in US\$ which is regarded as a stronger currency. Although the Trust Fund also holds some assets in other international currencies, the exposure to currency risk is minimal given the size of these holdings. The Board of Trustees does not consider it necessary to protect this exposure through currency hedging.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2006 (continued)

7. Fixed assets

	Motor vehicles US\$	Equipment & furniture US\$	Leasehold improvements US\$	Total US\$
Cost				
At beginning of year	110,922	76,436	9,562	196,920
Additions at cost	–	1,403	3,010	4,413
Disposals	–	(1,566)	–	(1,566)
At end of year	110,922	76,273	12,572	199,767
Accumulated depreciation				
At beginning of year	(22,188)	(10,808)	(4,233)	(37,229)
Charge for the year	(22,139)	(10,790)	(3,837)	(36,766)
Exchange adjustments	–	261	–	261
Disposals	–	(261)	–	(261)
At end of year	(44,327)	(21,598)	(8,070)	(73,995)
Net book value at beginning of year	88,734	65,628	5,329	159,691
Net book value at end of year	66,595	54,675	4,502	125,772

8. Capital contributions

	2006 US\$	2005 US\$
At beginning of year	100,946,142	–
Members' contributions	3,961,518	99,500,000
Escrow interest	–	1,446,142
Third party contributions	1,017,778	–
At end of year	105,925,438	100,946,142

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2006 (continued)

6. Available-for-sale investments	2006 US\$	2005 US\$
Regional investments		
Government bonds	2,658,620	—
Corporate bonds	2,114,485	1,058,163
Equities	7,396,364	6,652,385
Repurchase agreements	3,283,175	3,000,000
	15,452,644	10,710,548
Non-regional investments		
Government bonds	2,497,482	3,598,616
Government agency bonds	3,559,497	5,260,983
Corporate bonds	2,717,588	4,104,550
Bond mutual funds	4,500,687	6,641,739
	13,275,254	19,605,888
Money market funds	4,211,582	2,051,061
Equities	60,840,824	50,009,860
Private investment funds	5,535,577	3,510,841
Other	114,461	166,355
	83,977,698	75,344,005
	99,430,342	86,054,553

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2006 (continued)

3. Significant accounting policies (continued)

transferred. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

f) Available-for-sale investments

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

All investments are initially recognised 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 based on quoted market prices.

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

g) Members' contributions

Members' contributions are accounted for on a receipts basis.

h) Transfers to the Court

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

i) Foreign currency translation

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2006 (continued)

2. Privileges and immunities (continued)

was passed in the Trinidad and Tobago Parliament during 2005. The purpose of this Order is to provide interim privileges and immunities for the Court, Commission and the Trust Fund, pending finalization of relevant Headquarters Agreements with the Government of Trinidad and Tobago.

In accordance with Article XII of the Agreement and as confirmed in the Privileges and Immunities Order 2004, the Trust Fund, its assets, property, income and its operations and transactions are exempt from all taxation, all customs duties on goods imported for its official use and all other imports. Furthermore the Trustees, Officer and employees are exempt from direct taxation of salaries, remuneration and allowances paid to them by the Trust Fund.

3. Significant accounting policies

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

a) Basis of preparation

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

b) Future changes in accounting policies

The Trust Fund has not applied certain IFRSs and IFRIC interpretations that have been issued but are not yet effective. The Trust Fund

has evaluated the effect of these and has determined that only IFRS 7 – “Financial Instruments: Disclosures” applies. This IFRS becomes effective for financial periods beginning on or after January 1, 2007. The Trust Fund expects that adoption of this standard will have no quantitative impact on its financial statements but will impact the disclosure requirements.

c) 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.

d) 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.

e) Financial instruments

Financial assets and liabilities are recognized in the balance sheet when the Trust Fund becomes party to the contractual obligation of the instrument. Regular purchase and sale of investments are recognized on the trade date – the date on which the Trust Fund commits to purchase or sell the asset. Transaction costs are expensed through the revenue and expenditure account.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2006

1. Formation and principal activities

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

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

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

The Trust Fund currently employs five full-time members of staff. It has entered into an Investment Management Agreement, approved by the Board of Trustees, with Oppenheimer Asset Management Inc. to act as the Programme Manager of the Trust Fund’s non-regional assets. Under this programme the Trust Fund in consultation with the Programme Manager has engaged the services of multiple portfolio managers under

individual investment sub-advisory agreements to render investment advisory services and to invest the assets on a discretionary basis.

Each portfolio manager invests and reinvests the securities, cash and/or other investments held in the Account in accordance with the Trust Fund’s investment objectives. Investments may be made in, but are not limited to, securities of any kind, including stocks, warrants, options, rights, corporate or government bonds or notes issued by U.S. or foreign issuers and shares of money market mutual funds.

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

2. Privileges and immunities

The Agreement establishes certain privileges and immunities to enable the Trust Fund and its Officers to discharge its duties and responsibilities. Under Article XI (3), the Trust Fund is required to conclude a Headquarters Agreement with the Government of Trinidad and Tobago, which would encompass such privileges and immunities. The Board of Trustees is in the process of finalising a Headquarters Agreement with the Government.

The “Privileges and Immunities [Caribbean Court of Justice (the Court), Regional Judicial and Legal Services Commission (RJLSC) and the Caribbean Court of Justice Trust Fund] Order, 2004” (the Privileges and Immunities Order 2004)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER, 2006

	Notes	2006 US\$	2005 US\$
Operating activities			
Net income for the year		4,276,482	1,073,905
Adjustments for:			
Depreciation		36,766	33,407
Operating income before working capital changes		4,313,248	1,107,312
Decrease/(increase) in interest receivable		23,827	(92,312)
Decrease/(increase) in accounts receivable, prepaid expenses, dividends receivable and other assets		36,404	(83,294)
Increase/(decrease) in accounts payable, accrued expenses and other liabilities		15,532	(47,163)
Decrease in funds held on behalf of Court		–	(795,077)
Net cash generated from operating activities		4,389,011	89,466
Investing activities			
Purchase of fixed assets		(2,847)	(90,822)
Purchase of regional equity investments		(1,037,184)	(7,810,453)
Purchase of regional fixed income instruments		(3,998,117)	(4,058,164)
Net movement in non-regional investments		(3,615,781)	(70,841,083)
Net cash used in investing activities		(8,653,929)	(82,800,522)
Financing activities			
Members' contributions and escrow interest		3,961,518	100,746,142
Third party contributions		1,017,778	–
Transfers to Court		(3,536,754)	(5,326,315)
Net cash generated from financing activities		1,442,542	95,419,827
Net (decrease)/increase in cash and cash equivalents		(2,822,376)	12,708,771
Cash and cash equivalents at beginning of the year		13,351,218	642,447
Cash and cash equivalents at end of the year		10,528,842	13,351,218
Supplemental information:			
Interest received during the year		1,574,276	1,058,381
Dividends received during the year		1,145,216	622,839

The notes on pages 11 to 20 form an integral part of these financial statements.

STATEMENT OF CHANGES IN FUND BALANCE FOR THE YEAR ENDED 31ST DECEMBER, 2006

	Capital Contributions US\$	Revaluation Reserve US\$	Retained Deficit US\$	Fund Balance US\$
Balance at 31st December, 2004	200,000	–	(280,358)	(80,358)
Revaluation of available-for-sale- investments	–	3,344,853	–	3,344,853
Income for the year recognised directly in fund balance	–	3,344,853	–	3,344,853
Members' contributions (note 8)	99,300,000	–	–	99,300,000
Members' contribution - Escrow interest (note 8)	1,446,142	–	–	1,446,142
Current year income	–	–	1,073,905	1,073,905
Accumulated transfers to the Court (note 3(h))	–	–	(5,326,315)	(5,326,315)
Balance at 31st December, 2005	100,946,142	3,344,853	(4,532,768)	99,758,227
Realized gains transferred to net income	–	(2,932,942)	–	(2,932,942)
Revaluation of available-for-sale investments	–	7,657,649	–	7,657,649
Income for the year recognised directly in fund balance	–	4,724,707	–	4,724,707
Members' contributions (note 8)	3,961,518	–	–	3,961,518
Third party contributions (note 8)	1,017,778	–	–	1,017,778
Current year income	–	–	4,276,482	4,276,482
Current year transfers to the Court (note 3(h))	–	–	(3,536,754)	(3,536,754)
Balance at 31st December, 2006	105,925,438	8,069,560	(3,793,040)	110,201,958

The notes on pages 11 to 20 form an integral part of these financial statements.

REVENUE AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2006

	Note	2006 US\$	2005 US\$
Revenue			
Interest income		1,594,896	1,150,663
Dividends		1,177,645	649,316
Realised gains on investments	3 (f)	2,636,079	105,421
		5,408,620	1,905,400
Investment management fees		(565,346)	(351,468)
Net investment income		4,843,274	1,553,932
Other income		3,626	—
		4,846,900	1,553,932
Expenditure			
Legal and professional fees		67,025	28,582
Staff costs		261,050	242,335
Board expenses		59,638	54,040
Depreciation		36,766	33,407
Property related expenses		61,623	57,003
General administrative expenses		6,104	8,992
Other expenses		46,137	41,208
Vat and income tax write back		—	(49,360)
Net loss on foreign exchange		32,075	63,820
		570,418	480,027
Net Income for the Year		4,276,482	1,073,905
Transfers to the Court (note 3(h))		(3,536,754)	(5,326,315)
		739,728	(4,252,410)

The notes on pages 11 to 20 form an integral part of these financial statements.

BALANCE SHEET AS AT 31ST DECEMBER, 2006

	Notes	2006 US\$	2005 US\$
Assets			
Cash and cash equivalents	5	10,528,842	13,351,218
Accounts receivable and prepaid expenses		38,860	33,240
Available-for-sale investments	6	99,430,342	86,054,553
Interest receivable		71,244	95,071
Dividends receivable		32,429	26,446
Other assets		19,889	67,896
Fixed assets	7	125,772	159,691
Total Assets		110,247,378	99,788,115
Liabilities			
Accounts payable and accrued expenses		45,420	29,888
Total Liabilities		45,420	29,888
Total Net Assets/(Liabilities)		110,201,958	99,758,227
Fund Balance			
Capital contributions	8	105,925,438	100,946,142
Revaluation reserve		8,069,560	3,344,853
Retained deficit		(3,793,040)	(4,532,768)
Total Fund Balance		110,201,958	99,758,227

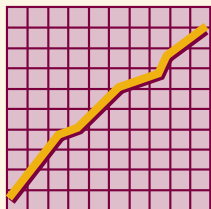
The notes on pages 11 to 20 form an integral part of these financial statements.

These financial statements were approved by the Board of Trustees and authorised for issue on 16th April, 2007 and are signed on their behalf by:

 : Trustee

 : Trustee

CARIBBEAN COURT OF JUSTICE TRUST FUND



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

We have audited the accompanying financial statements of Caribbean Court of Justice Trust Fund, which comprise the balance sheet as at 31st December, 2006 and the revenue and expenditure account, statement of changes in fund balance and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Trust Fund as of 31st December, 2006, 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
16th April, 2007

CARIBBEAN COURT OF JUSTICE TRUST FUND

The audited total rates of return net of investment management fees show that the total earning assets of the Trust Fund returned 10.4% p.a. during 2006 and 9.3% p.a. since receipt of funds in April 2005.

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

Progress of the Fund

The fund grew from US\$99,758,227 at the start of the year to end the period at US\$110,201,958, of which US\$110,062,858 represented total earning assets.

	2006 US\$	2005 US\$
Fund at Start	99,758,227	(80,358)
Capital Contributions	4,979,296	100,746,142
	104,737,523	100,665,784
Interest and Dividends	2,776,167	1,799,979
Realised Gains	2,636,079	105,421
Unrealised Gains	4,724,707	3,344,853
<i>Total Income</i>	10,136,953	5,250,253
Investment Fees	(565,346)	(351,468)
<i>Net Total Income</i>	9,571,607	4,898,785
Trust Fund Expenses	(570,418)	(480,027)
Disbursements to CCJ	(3,536,754)	(5,326,315)
	5,464,435	(907,557)
Fund at End	110,201,958	99,758,227

During the year, capital contributions of US\$4,979,296 were received. Income earned from interest, dividends and realised capital gains totaled US\$5,412,246, whilst unrealised capital gains amounted to US\$4,724,707. Disbursements to fund the expenses of the Court were US\$3,536,754.

Investment Management fees for the period amounted to US\$565,346, whilst expenses of the Trust Fund totaled US\$570,418. Before charges for depreciation and year-end currency translation differences, the ratio of investment management fees and administrative expenses of the

Trust Fund expressed as a percentage of the average fund balance was 1.0%.

Outlook for 2007

It is expected that there will be a relaxation of the statutory limits placed on institutional investment in the Trinidad and Tobago equity market. Hopefully, this will revive demand in this key market and produce equity prices that are reflective of the buoyant economy. The signs of recovery seen in the Jamaican market towards the end of 2006 are expected to continue into 2007. Returns on U.S. fixed income investments are not expected to exceed the levels of the past year. Key issues that may impact progress of the important U.S. equity market include correction after the continuous bull run during the second half of 2006, inflation risks, reduced expectations for corporate earnings, the state of the residential real estate market, a slowing economy, geopolitical risks and a surge in oil prices. The other major economies are projected to grow faster than the U.S. However, returns in these and emerging markets are unlikely to be as attractive as experienced in 2006. In summary, conditions during 2007 will be challenging. The Board of Trustees will pursue implementation of a strategy of diversification of investments across geographic and asset lines in order to achieve their targets.

Appreciation

The Trust Fund has been efficiently established with good governance systems, and investment management of the resources has produced excellent results both for the year 2006 and since inception. I would like to express my appreciation to the Members of the current Board of Trustees, in particular the Finance and Investment Committee, as well as the outgoing Trustees, Dr. B. Tewari and Mr. E. Jordan, for their contributions to this satisfactory state of affairs. On behalf of the Trustees, I also thank the Management Team for the effective support provided to the Board.

Dr. R. Bertrand,
Chairman,
Board of Trustees
April 16, 2007

CARIBBEAN COURT OF JUSTICE TRUST FUND

Portfolio

The total earning assets of the Trust Fund produced a total return for the year of 10.4% net of investment management fees. This exceeded the Board's target of 9.0%. In addition to this, the portfolio outperformed the market as evidenced by comparison to the blended benchmark return of 9.1% for a hypothetical portfolio carrying the same target asset allocation.

The investment allocation of the portfolio and the returns posted by each asset class as compared with the previous year 2005 are shown in Table 1.

The International Equities segment led performance as this category produced a return of 13.9%, which exceeded considerably the target of 11.0%, and also outperformed the benchmark index as the S&P produced an annual return of 13.6%.

The International Fixed Income category closed the year at 3.4%, below the target of 5.5%, as the US fixed income market suffered some declines due to steady interest rate increases by the Federal Reserve during the first half of the year. This asset class was reduced during the year from 21.5% of the portfolio to 14.9% and the difference was invested in International Equities. Upon further review later in the year, a second revision to the asset allocation was implemented and the International Fixed Income category ended the year at 12.5% of the portfolio. These changes positively affected the overall total return as a result of a larger allocation to the better performing International Equities class.

The Regional Fixed Income category produced a return of 6.4% which was broadly in line with the target return of 6.5%. Due to a market slump that prevailed for most of the year, the

performance of the Regional Equities portfolio was expected to be poor for 2006. However, with the unexpected rally from November to December in the Jamaica and the Trinidad and Tobago markets, this asset class closed the year almost breaking even, at -0.2%, after reaching a low of -19.1% in October.

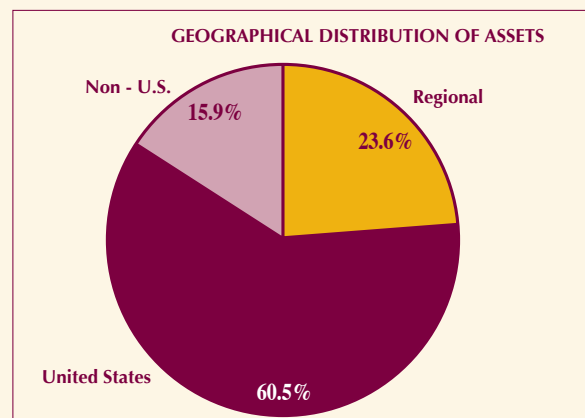
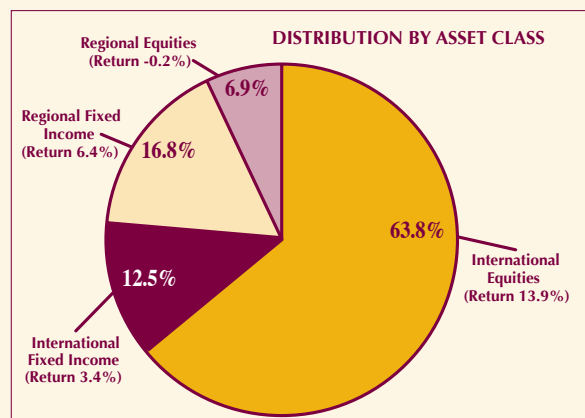


Table 1

Asset Class	Market Value @ Dec 31 2005 (US\$M)	2005 Total Return (%)	Market Value @ Dec 31 2006 (US\$M)	2006 Actual Allocation (%)	2006 Time Weighted Total Return (%)
Int'l Equities	55.2	10.2%	70.3	63.8%	13.9%
Int'l Fixed Income	20.1	1.0%	13.7	12.5%	3.4%
Regional Equities	6.7	(15.4)%	7.6	6.9%	(0.2)%
Regional Fixed Income	17.5	5.0%	18.5	16.8%	6.4%
TOTAL	99.5M	5.7%	110.1M	100.0%	10.4%