Caribbean Court of Justice Trust Fund

2010

Annual Report

TABLE OF CONTENTS

THE BOARD OF TRUSTEES

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

INSTITUTION	REPRESENTATIVE TRUSTEE	BOARD AND COMMITTEE POSITION
Caribbean Association of Industry and Commerce	Dr. Rollin Bertrand	Chairman of the Board
Insurance Association of the Caribbean	Mr. Gerry Brooks	Vice - Chairman of the Board 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
Association of Indigenous Banks of the Caribbean	Mr. Robert Le Hunte	Member, Finance & Investment Committee
Caribbean Congress of Labour	Dr. Linton Lewis	Member, Audit Committee
Institute of Chartered Accountants of the Caribbean	Mr. Harryram Parmesar	Chairman, Audit Committee
The University of the West Indies	Mrs. Christine Sahadeo	Member, Finance & Investment Committee

THE BOARD OF TRUSTEES

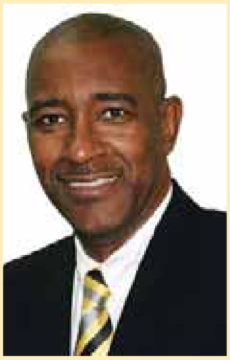
Dr. Rollin Bertrand
Chairman

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

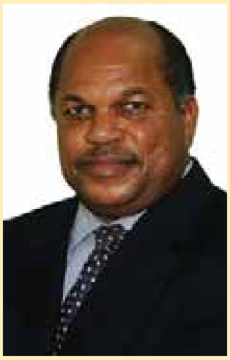
Mr. Wilfred Abrahams

Chief Justice Ivor Archie

Mr. Oswald Barnes
Audit Committee



Mr. Robert Le Hunte
Finance & Investment Committee



Dr. Linton Lewis
Audit Committee

Mr.Harryram Parmesar
Chairman, Audit Committee

Mrs. Christine Sahadeo
Finance & Investment Committee

REPORT OF THE BOARD OF TRUSTEES

The calendar year 2010 presented investors with continued volatile market conditions following the encouraging recovery in the preceding year. Despite these challenges, I am pleased to report, on behalf of the Board of Trustees, on the performance of the Caribbean Court of Justice Trust Fund for the year ended December 31, 2010.

Background

The Caribbean Court of Justice Trust Fund ("the Trust Fund") was endowed with its initial capital in April 2005 with the mandate to provide the financial resources necessary to maintain the Caribbean Court of Justice ("the Court") and the Regional Judicial and Legal Services Commission ("the Commission") in perpetuity. As such, the Board of Trustees has managed the resources of the Trust Fund in accordance with the following philosophy:

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

Accordingly, the Board has developed Investment Guidelines for the Fund, which were approved by the CARICOM Heads of Government. In order to have a reasonable likelihood of satisfying the funding requirements, these approved Guidelines permit a significant exposure to growth assets, such as equities, within a diversified portfolio completed by allocations to risk-reducing and inflation protection assets.

At the start of the current financial year under review, the Trust Fund had produced annual rates of return, net of disbursements and contributions, expenses and investment management fees, of +10.4%, +9.2%, -19.5% and +15.9% for the complete calendar years 2006 to 2009 respectively. The annualised net rate of return from inception in April 2005 to December 31, 2009 was +3.5% p.a., while the cumulative net rate of return for the same period was +16.9%.

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

As part of its customary governance procedures, during the previous financial year, the Trust Fund invited proposals for the provision of external audit services from suitable candidates, including the incumbent firm, Ernst & Young. Following a thorough review of the submissions, the Board of Trustees re-appointed the incumbent for a further three-year audit period (2010 to 2012), with an option to extend for an additional two years.

Overview of Performance

The balance of the Fund as at December 31 2009 was US$94,109,341 after all disbursements and expenses, of which investments ("total earning assets") amounted to US$93,955,155. During the financial year ended December 31 2010, the Trust Fund disbursed US$5,328,762 to cover the funding requests as per the biennial budget 2009/2010 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.

Despite the global economic and market events which shook investor confidence during the year, the CCJTF portfolio continued to perform positively and exceeded its long-term annualised target rate of return in 2010.

REPORT OF THE BOARD OF TRUSTEES

The balance of the Fund increased to US$97,993,654 at the end of financial year 2010, of which total earning assets amounted to US$97,891,435. This increase in market value, net of disbursements and contributions, investment management fees and expenses, reflected a net annual return of +10.3% for 2010, bringing the annualised and cumulative net returns since inception (April 2005) to +4.7% and +29.0% respectively.

The Markets in 2010

Investors continued to face challenges in 2010. The year got off to a modest start with most major equity indices recording gains in the first quarter of the year. The European debt crisis and the oil spill in the U.S. Gulf in the second quarter shook investor confidence, and the consequent pull-back in equities and widening of fixed income spreads retracted the gains of the first quarter and presented most investors with a negative second quarter return. The markets recovered in the latter half of the year, but were characterised by volatility arising from continued uncertainty in the Euro region and mixed economic signals on the potential for recovery in the U.S.

The U.S. stock market, as measured by the broad DJ U.S. Total Stock Market index, the S&P 500, and the DJIA 30 posted annual returns of +17.5%, +15.1% and +14.1% respectively in 2010. The non-US developed equities market index, the MSCI EAFE, and the emerging markets equity index, the MSCI EM, produced returns of +7.8% and +18.9% respectively for 2010. While these were comparatively modest returns compared to 2009, they nonetheless represented a continuation of the recovery in the equity markets compared to 2008. Natural Resources, as measured by the S&P Natural Resources index continued its upward trend with a +23.9% return for 2010 in comparison to a return of +37.5% in 2009. Global Fixed Income, as measured by the Barclays Aggregate index, increased in 2010 with a return of +6.5%, as compared to a +5.9% return in 2009.

The quarterly returns on these indices are provided in Table 1 and highlight the patterns and volatility experienced during the year:

Table 1: Major Indices - Quarterly and Annual Returns 2010

Index	Q1 2010	Q2 2010	Q3 2010	Q4 2010	2010
DJ US Total	6.2%	-11.1%	11.5%	11.7%	17.5%
S&P 500	5.4%	-11.4%	11.3%	10.8%	15.1%
DJIA	4.8%	-9.4%	11.1%	8.0%	14.1%
MSCI EAFE	0.9%	-14.0%	16.5%	6.6%	7.8%
MSCI EME	2.4%	-8.4%	18.0%	7.3%	18.9%
S&P Natural Resources	0.5%	-9.8%	12.6%	21.3%	23.9%
Barclays Aggregate	1.8%	3.5%	2.5%	-1.3%	6.5%

REPORT OF THE BOARD OF TRUSTEES

Regionally, the main equity markets continued to be challenged by comparatively low trading volumes and anaemic investor interest, but still registered gains on two of the three main indices. In USD terms, the TTSE Composite Index (Trinidad & Tobago) produced a positive return of +8.5% for the year ended December 31, 2010, whilst the JSE Market Index (Jamaica) posted a return of +6.8%. The BSE Composite Index (Barbados) produced a -14.1% return for the year, in USD terms.

Management of the Portfolio

The Trust Fund is an institutional endowment fund and, with the aid of its investment advisor, Hammond Associates Institutional Fund Consultants Inc., manages the portfolio with the long-term focus necessary to achieve the mandate of funding the Court and Commission in perpetuity. Accordingly, the portfolio has been structured to meet the need for a reasonable long-term rate of return within acceptable risk parameters, and is diversified across a selection of growth, risk-reducing and inflation-protection asset classes.

The benefits of maintaining a diversified strategic long-term asset allocation have been proven through the periods of market uncertainty which have prevailed in the last two years (2009 and 2010), following the unprecedented and turbulent events of 2008. Proactive tactical changes to the portfolio have resulted in a two-fold benefit to the Trust Fund: 1) the portfolio held a higher than normal allocation to Cash and Fixed Income through the global downturn which continued to allow the Fund to meet its liability funding requirements without having to sell assets under adverse market conditions; and 2) the portfolio was well-positioned to reap the rewards of the rebound in investment markets which began in 2009.

In 2008 when international equity markets provided investors with returns in the range of -38.5% (S&P 500) to -45.1% (MSCI EAFE), the Trust Fund produced a top quartile performance of -19.5% in that difficult year[1]. The portfolio return of +15.9% in 2009 represented a healthy recovery, and this upward momentum has continued via the +10.3% portfolio return for the financial year 2010. The total rates of return (net of disbursements and contributions, investment management fees, and expenses) earned by the total earning assets of the Trust Fund are shown in Table 2.

Table 2: Fund Returns

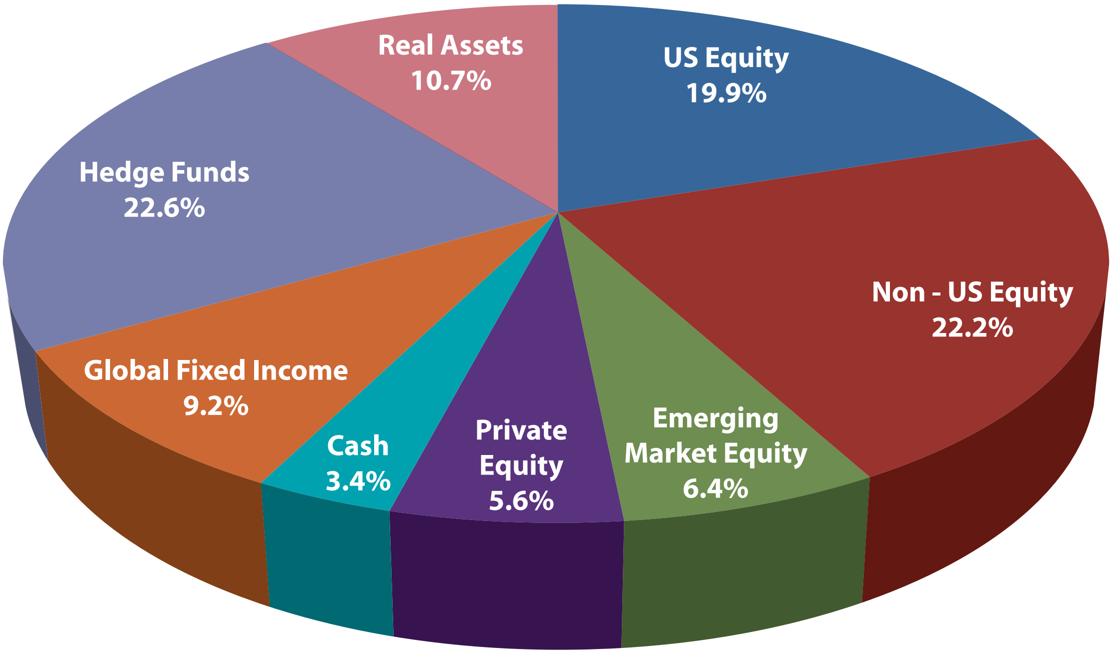
	Period Return	Annualised Rate from Inception
January 1, 2006 to December 31, 2006	+10.4%	+ 9.3%
January 1, 2007 to December 31, 2007	+9.2%	+ 9.3%
January 1, 2008 to December 31, 2008	-19.5%	+ 0.7%
January 1, 2009 to December 31, 2009	+15.9%	+ 3.5%
January 1, 2010 to December 31, 2010	+10.3%	+ 4.7%

[1] Based on comparison to annual performance (as at December 31, 2008) of 541 comparable sized funds within the Russell Mellon Universe of US Endowment Funds

REPORT OF THE BOARD OF TRUSTEES

The portfolio allocation as at December 31, 2010 is provided in Chart 1.

Chart 1: CCJTF Portfolio Asset Composition as at December 31, 2010 (%)



During the financial year, the Fund maintained its overall exposure to US and non-US equities, in line with the long-term strategic asset allocation. The Trustees were mindful, however, of the mixed outlook for international equities in 2010, and the composition of this exposure was shifted to a more active management stance versus passive index funds to enhance the probability of excess return over the index. Regional equities as an asset class continued to underperform emerging, non-US and US equities by a wide margin, and once again triggered impairment losses which the Fund had to record. The Trustees maintained one holding for which the outlook remained fair into 2011, but reduced the other regional equity holdings. These reductions were replaced with holdings in Emerging Market equity funds which were more representative of the broad Emerging Markets asset class in terms of liquidity, trading volume and geographical diversification. This action contributed positively to the overall return on the portfolio. The phased investment in Private Equity continued into 2010 with the addition of a secondary private equity fund of funds investment. Capital calls from fund of funds managers increased over the year and this sector also contributed positively to the return on the portfolio.

With the healthy performance of growth assets in the portfolio, the Trustees felt it prudent to tactically increase the allocation to risk-reducing assets. After careful consideration this was achieved through an increase in the holdings of Hedge Funds (through a fund of funds vehicle), a sector that offers the potential

REPORT OF THE BOARD OF TRUSTEES

twin benefits of reducing the volatility on the portfolio and maintaining returns commensurate with equities.

With the positive outlook for commodities in 2010, two holdings were added to the Real Assets sector in keeping with the strategic asset allocation to Inflation Protection assets.

These actions as a whole contributed positively to the overall return on the portfolio and this trend is expected to continue to benefit the Fund in the long-term.

Movement in Fund Balance

During financial year 2010, a third party capital contribution of US$1,017,778 was received from the Government of the Commonwealth of the Bahamas.

Realised Losses were experienced within the financial year 2010 as the Fund disposed of assets for which there was a poor performance outlook. The capital was reinvested in sectors for which there were positive expectations.

Table 3: Statement of Movement in Fund Balance – 2010, 2009 and From Inception (April 2005)

	2010	2009	April 2005 to December 2010
Opening Fund Balance	**94,109,341**	**85,968,133**	**100,946,142**
Additional Contributions	1,017,778	1,017,778	9,050,408
	95,127,119	86,985,911	109,996,550
Interest & Dividends[2]	1,386,655	1,189,462	13,472,171
Realised Gains/ (Losses)	(860,881)	(501,863)	10,686,493
	525,774	687,599	24,158,664
Investment Management Expenses	(232,218)	(186,808)	(2,288,537)
Net Investment Income	293,556	500,791	21,870,127
Trust Fund Administrative Expenses (including Depreciation)	(655,369)	(628,297)	(3,967,380)
Net Income	(361,813)	(127,506)	17,902,747
Disbursements to Court & Commission	(5,328,762)	(4,590,155)	(29,356,164)
Net Income After Disbursements	(5,690,575)	(4,717,661)	(11,453,417)
Unrealised Gains	8,727,519	14,918,159	10,552,460
Impairment on Financial Assets	(170,409)	(3,077,068)	(11,101,939)
Net Change in Fund Balance (excluding Contributions)	2,866,535	7,123,430	(12,002,896)
Closing Fund Balance @ December 31	**97,993,654**	**94,109,341**	**97,993,654**

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

REPORT OF THE BOARD OF TRUSTEES

Investment management expenses increased by approximately US$45,400 or 24.3%, as a result of increased asset values, as well as the shift from passive to active management strategies. The Trust Fund continued its trend of prudent management of administrative expenses with a minor increase of US$27,000 (4.3%) in expenditure in the current financial year. The ratio of investment management expenses plus administrative expenses of the Trust Fund, expressed as a percentage of the average fund balance, was maintained at 1.0%, consistent with previous years since inception of the portfolio in 2005.

Disbursements to fund the expenses of the Court and Commission amounted to US$5,328,762 in the financial year ended December 31, 2010, bringing cumulative disbursements to US$29,356,164. While more than half of these disbursements have been funded from Net Income accumulated since inception, the diversified strategic allocation adopted in 2008 brought about a shift away from dividend and income earning assets to assets from which greater capital appreciation is earned. Accordingly, Net Income After Disbursements for 2010 continues to be a negative figure despite the overall positive Net Change in Fund (excluding Contributions) of US$2,866,535 which takes into account the unrealised gains on the portfolio.

In summary, the Fund experienced a positive net change for 2010, resulting in a fund balance of US$97,993,654 (after disbursements to the Court and Commission of US$5,328,762 and total expenses of the Trust Fund of US$887,587) at the end of financial year 2010, from US$94,109,341 at the start of the year.

Outlook for 2011

Economists are once again forecasting subdued global economic growth, with varying growth expectations between developed market economies and emerging market economies. Commodity driven economies such as Qatar and Ghana (hydrocarbons) top the list for economic growth expectations in 2011 (Source: The Economist). Expectations in 2011 indicate that the business cycle may now be entering its expansionary phase, following the recovery which began in 2009.

Investor sentiment is currently bullish on equities, but caution should be exercised in chasing return in sectors that have outperformed in 2010 without reference to the underlying fundamental valuations. Despite the bullish equity sentiment, double digit returns for a third consecutive year may be difficult to generate solely from market momentum. Political uncertainty in the US markets also prevails as President Obama enters his third year in office. Active management may play an increased role in generating return in 2011.

Generally there is an expectation for higher interest rates and a steepening of the yield curve, but the timing of policy makers' intervention is uncertain. Forward curves are pricing in increased rates from mid-2011, but this was also the experience in 2010, where policy makers instead brought a second round of quantitative easing at the end of the year. This action was intended to lower rates, but ultimately had the converse effect as 10 year and 30 year US Treasuries rates increased in the last quarter of the year, after falling in the preceding quarters.

Higher expectations for GDP growth in developing economies, particularly the commodity-demand economies, are beneficial to the commodity markets.

REPORT OF THE BOARD OF TRUSTEES

In fact, with oil demand increasing at almost twice the pace of supply, forecasters are predicting record oil prices in 2011. While the outlook for commodities is once again fairly positive for 2011 based on current market expectations, caution must be exercised as inflationary pressures in developing economies and tightening monetary policy could temper demand which has driven the rally of the last two years.

2011 will not be without its challenges as investors continue to be faced with uncertainty arising from, among other factors:

- Political risks; e.g. the Middle East, Libya, Syria and the upcoming US election cycle
- Uncertainty on the strength of the European economies, the European Union and the Euro currency itself
- Interest rate uncertainty – the eventual timing and direction of interest rate movements
- Tightening fiscal and monetary policies in the Emerging Markets
- The impact of natural and man-made disasters; e.g. the earthquake in Japan, and resultant dangers from a potential nuclear plant meltdown.

Summary

The CCJTF portfolio enjoys the benefit of a long-term focus, and the Trustees have strategically positioned the portfolio to weather market cycles and generate returns whilst protecting existing capital. Despite this strategic positioning, the benefits of which have been proven throughout the periods of market uncertainty which prevailed in the last two years (2009 and 2010), the portfolio is not immune to the vagaries of market conditions in the short term, and negative fluctuations in value and return may occur.

While the portfolio is not fully insulated from the effects of short-term market volatility and depressed market conditions, the Board of Trustees remains confident that, despite potential variability in annual returns, the strategic asset allocation of the portfolio will enable the achievement of the Trust Fund's long-term objectives.

In 2010, the Trustees made several pro-active investment decisions, and continued to position the portfolio to benefit from rallies in the market when they occur.

Contributions received from the CARICOM Governments and third party governments amounted to US$ 109,996,550 since inception. After total disbursements to the Court and Commission of US$29,356,164 and total expenses of the Trust Fund of US$6,255,917 since inception, the audited balance of the Fund as at December 31, 2010 was US$97,993,654, of which US$97,891,435 represented Total Earning Assets.

The Trust Fund recorded a return of +10.3% (net of disbursements, contributions, investment management expenses and administrative expenses) for 2010, which brought the annualised and cumulative net returns since inception (April 2005) to +4.7% and +29.0% respectively.

REPORT OF THE BOARD OF TRUSTEES

Appreciation

I would like to thank the Board of Trustees, ably supported by its various Committees, for maintaining a prudent and proactive approach in guiding the Trust Fund along the path of fulfilling its long-term objective. The Board would especially like to record appreciation for the work of the Finance and Investment Committee working in conjunction with Management and our independent investment adviser, Hammond Associates Institutional Fund Consultants Inc., in producing another excellent return on the Fund in 2010. The Board would also like to extend gratitude to the Management Team for their professional support and continued diligence throughout the financial year.

Dr. Rollin Bertrand
Chairman
Board of Trustees

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

We have audited the accompanying financial statements of Caribbean Court of Justice Trust Fund, which comprise the statement of financial position as at 31 December 2010 and the statement of comprehensive income, statement of changes in fund balance and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, 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 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' judgment, 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 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 at 31 December 2010, 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:
25 July 2011

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Notes	2010 US$	2009 US$
Assets			
Cash and cash equivalents	5	2,580,326	12,293,828
Accounts receivable		37,236	6,364
Unsettled trade receivables		-	620,583
Available-for-sale investments	6	95,172,093	80,806,499
Interest receivable		132,463	198,454
Dividends receivable		6,553	35,751
Other assets		28,309	32,178
Fixed assets	7	144,328	146,622
Total assets		98,101,308	94,140,279
Liabilities			
Accounts payable and accrued expenses		107,654	30,938
Total liabilities		107,654	30,938
Total net assets		97,993,654	94,109,341
Fund balance			
Capital contributions	8	109,996,550	108,978,772
Revaluation reserve		10,552,460	1,824,941
Retained deficit		(22,555,356)	(16,694,372)
Total fund balance		97,993,654	94,109,341

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 25 July 2011 and are signed on their behalf by:

:Trustee

:Trustee

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 US$	2009 US$
Income			
Interest income		860,033	1,346,700
Dividends		730,914	542,613
Realized losses on investments	3.d	(869,572)	(501,863)
Other income		–	17,890
Gain on disposal of fixed assets		8,691	251
		730,066	1,405,591
Expenditure			
Investment management expenses		232,218	186,808
Audit Fees		16,766	22,519
Legal and professional fees		44,535	33,909
Staff costs		332,576	295,678
Board expenses	9	51,742	72,084
Depreciation		50,851	42,650
Property related expenses		83,156	83,786
General administrative expenses		75,743	77,671
		887,587	815,105
Net foreign exchange loss		(204,292)	(717,992)
Impairment losses on investments	3.f	(170,409)	(3,077,068)
Net loss for the year		(532,222)	(3,204,574)
Other comprehensive income			
Unrealized gains arising on revaluation of investments during the year		7,688,090	11,337,917
Impairment losses transferred from revaluation reserve to net income during the year		170,409	3,077,068
Net realized losses on investments disposed of in the year, transferred to net income		869,020	503,174
		8,727,519	14,918,159
Total comprehensive income for the year		(8,195,297)	(11,713,585)

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

STATEMENT OF CHANGES IN FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2010

	Capital contributions US$	Revaluation (deficit)/ reserve US$	Retained deficit US$	Fund balance US$
Balance at 31 December 2008	107,960,994	(13,093,218)	(8,899,643)	85,968,133
Members' contributions (Note 8)	–	–	–	–
Third party contributions (Note 8)	1,017,778	–	–	1,017,778
Net loss for the year	–	–	(3,204,574)	(3,204,574)
Other comprehensive income	–	14,918,159	–	14,918,159
Transfers to the Court (Note 3(j))	–	–	(4,590,155)	(4,590,155)
	1,017,778	14,918,159	(7,794,729)	8,141,208
Balance at 31 December 2009	108,978,772	1,824,941	(16,694,372)	94,109,341
Members' contributions (Note 8)	–	–	–	–
Third party contributions (Note 8)	1,017,778	–	–	1,017,778
Net loss for the year	–	–	(532,222)	(532,222)
Other comprehensive income	–	8,727,519	–	8,727,519
Transfers to the Court (Note 3(j))	–	–	(5,328,762)	(5,328,762)
	1,017,778	8,727,519	(5,860,984)	3,884,313
Balance at 31 December 2010	109,996,550	10,552,460	(22,555,356)	97,993,654

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 US$	2009 US$
Operating activities		
Net loss for the year	(532,222)	(3,204,574)
Adjustments for:		
Depreciation	50,851	42,651
Gain on disposal of fixed assets	(8,690)	(251)
Translation difference	3,472	631
Operating income/ (loss) before working capital changes	(486,589)	(3,161,543)
Decrease in interest receivable	65,991	6,402
Decrease/(increase) in accounts receivable, unsettled trade receivables, dividends receivable and other assets	622,777	(629,519)
Increase/ (decrease) in accounts payable and accrued expenses	76,716	(12,665)
Net cash generated from/(used in) operating activities	278,895	(3,797,325)
Investing activities		
Purchase of fixed assets	(97,976)	(99,955)
Net movement in regional equity investments	1,327,968	2,759,907
Net movement in regional fixed income instruments	1,181,937	1,071,615
Net movement in non-regional investments	(8,147,981)	2,768,791
Proceeds from disposal of fixed assets	54,639	20,963
Net cash (used in)/provided by investing activities	(5,681,413)	6,521,321
Financing activities		
Third party contributions	1,017,778	1,017,778
Transfers to Court	(5,328,762)	(4,590,155)
Net cash used in financing activities	(4,310,984)	(3,572,377)
Net decrease in cash and cash equivalents	(9,713,502)	(848,381)
Cash and cash equivalents at beginning of the year	(12,293,828)	(13,142,209)
Cash and cash equivalents at end of the year	(2,580,326)	(12,293,828)
Supplemental information:		
Interest received during the year	926,024	1,353,101
Dividends received during the year	760,112	528,469

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1. Formation 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 members of staff.

The purpose of the Trust Fund is to provide the resources necessary to finance the capital and operating budget of the Caribbean Court of Justice (the Court) and the Regional Judicial and Legal Services Commission (the Commission) in perpetuity. Its principal activity is the management of an endowment fund invested in a range of regional (originating CARICOM territories) and non-regional assets. 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 and equity securities, in order to produce an optimal gross rate of return with reasonable security of capital.

The Trust Fund in 2008 entered into an Investment Advisory Agreement with Hammond Associates Institutional Fund Consultants Inc. as independent Investment Adviser, and State Street Bank and Trust Company as Custodian to the Trust Fund.

Based on the advice of the Investment Adviser, 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 U.S. or foreign issuers and shares of money market mutual funds.

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. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

3. Significant accounting policies

a) Basis of preparation

i) New accounting policies adopted

The following amendments to published standards are mandatory for the Trust Fund's accounting periods beginning on 1 January 2010.

Improvements to IFRSs (issued 2009)

These amendments are part of the second omnibus of amendments and are effective for periods beginning on or after 1 January 2010. The adoption of these amendments did not have any impact on the financial position of the Trust Fund:

IFRS 8: *Operating Segments*

IAS 1: *Presentation of Financial Statements*

IAS 7: *Statement of Cash Flows*

IAS 17: *Leases*

IAS 36: *Impairment of Assets*

IAS 39: *Financial Instruments: Recognition and Measurement*
- Assessment of loan prepayment penalties as embedded derivatives.
- Scope exemption for business combination contract
- Cash flow hedge accounting

ii) New accounting policies not adopted

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

IFRS 1: *First-time Adoption of International Financial Reporting Standards — Additional Exemptions for First-time Adopters* (Amendments)

IFRS 2: *Group Cash-settled Share-based Payment Arrangements*

IFRS 3: *Business Combinations* (Revised)

IAS 27: *Consolidated and Separate Financial Statements* (Amendment)

IAS 39: *Financial Instruments: Recognition and Measurement - Eligible hedged items* (Amendments)

IFRIC 17: *Distributions of Non-cash Assets to Owners*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

3. Significant accounting policies (continued)

a) Basis of preparation (continued)

ii) New accounting policies not adopted (continued)

Improvements to IFRSs *(issued 2008)*

IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations*

Improvements to IFRSs *(issued 2009)*

IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations*

IAS 38: *Intangible Assets*

IFRIC 9: *Reassessment of Embedded Derivatives*

IFRIC 16: *Hedges of a Net Investment in a Foreign Operation*

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.

IFRS 1: *First-time Adoption of International Financial Reporting Standards (Amendment) – Limited Exemption from Comparative IFRS 7 Disclosures – Effective 1 July 2010*

IFRS 9: *Financial Instruments – Effective 1 January 2013*

IAS 24: *Related Party Disclosures (Revised) – Effective 1 January 2011*

IAS 32: *Financial Instruments: Presentation (Amendment) – Classification of Rights Issues – Effective 1 February 2010*

IFRIC 14: *Prepayments of a Minimum Funding Requirement (Amendment) – Effective 1 January 2011*

IFRIC 19: *Extinguishing Financial Liabilities with Equity Instruments - Effective 1 July 2010.*

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

3. Significant accounting policies (continued)

a) Basis of preparation (continued)

iii) Standards issued but not yet effective (continued)

Improvements to IFRSs *(issued in May 2010)*
The following improvements become effective for annual periods on or after either 1 July 2010 or 1 January 2011:

IFRS 1: *First-time Adoption of International Financial Reporting Standards*

IFRS 3: *Business Combinations*

IFRS 7: *Financial Instruments: Disclosures*

IAS 1: *Presentation of Financial Statements*

IAS 27: *Consolidated and Separate Financial Statements*

IAS 34: *Interim Financial Reporting*

IFRIC 13: *Customer Loyalty Programmes*

b) 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.

c) Financial instruments

Financial assets and liabilities are recognized in the statement of financial position when the Trust Fund becomes party to the contractual obligation of the instrument. Regular purchases and sales of investments are recognized on the trade date – the date on which the Trust Fund commits to purchase or sell the asset. A financial asset is derecognized when the rights to receive the cash flows from the asset have expired or where all the risks and rewards of ownership of the asset have been transferred. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

3. Significant accounting policies (continued)

d) Available-for-sale investments

The Trust Fund classifies its investments as available-for-sale. Investments are comprised of 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.

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.

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 statement of financial position 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 statement of financial position date for an instrument with similar terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

3. Significant accounting policies (continued)

f) Impairment of financial assets

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

Equities and equity-related securities are considered to be impaired if there is objective evidence that the cost of the investment may not be recovered. Objective evidence of impairment of an equity instrument includes observable data that comes to the attention of the Trust Fund about loss events, 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 that had been recognized in revaluation reserves is reclassified from the revaluation reserves to the statement of comprehensive income as an impairment loss. The amount of the cumulative loss that is reclassified is measured as the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

3. Significant accounting policies (continued)

f) Impairment of financial assets (continued)

At subsequent statement of financial position 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) 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 comprehensive income when the expenditure is incurred.

h) Operating lease

Operating leases are leases that do not transfer substantially all the risks and rewards of ownership to the lessee.

The Trust Fund has entered into a three year operating lease for the occupation of its registered office with the option to renew the lease at the end of the period for two further periods of three years, each at terms agreed with the Lessor. Either party has the option to 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

3. Significant accounting policies (continued)

i) Members' contributions

Members' contributions are accounted for on a receipt basis.

j) Transfers to the Court

The Court submits biennial budgets in relation to the cash flow requirements of the Court and the Commission. These projections are considered by the Board of Trustees and, after consultation, the necessary financing is remitted to the Court.

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 disbursed.

k) 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 the statement of financial position 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 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.

l) Revenue and expenditure

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

3. Significant accounting policies (continued)

m) 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.

n) Comparative figures

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

4. Significant accounting judgements and estimates

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

Determining fair value

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

Impairment of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

5. Cash and cash equivalents

	2010 US$	2009 US$
Cash at bank	630,588	1,465,433
Money market accounts	190,158	1,629,173
Income funds	1,759,580	9,199,222
	2,580,326	12,293,828

6. Available-for-sale investments

	2010 Carrying value US$	2010 Fair value US$	2009 Carrying value US$	2009 Fair value US$
Debt securities	7,244,492	7,244,492	10,171,963	10,171,963
Equities	57,788,089	57,788,089	41,806,755	41,806,755
Private equity fund of funds	5,540,340	5,540,340	2,939,531	2,939,531
Hedge fund of funds	22,254,315	22,254,315	17,459,273	17,459,273
Money market funds	694,266	694,266	6,326,393	6,326,393
Short-term instruments	1,650,591	1,650,591	2,102,584	2,102,584
	95,172,093	95,172,093	80,806,499	80,806,499

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

7. Fixed assets

	Motor vehicles US$	Equipment & furniture US$	Leasehold improvement US$	Total US$
Cost				
Balance at 31 December 2009	128 898,	109,323	12,474	250,695
Additions at cost	89,781	8,195	–	97,976
Exchange adjustments	(983)	(834)	(95)	(1,912)
Disposals	(78,196)	(5,327)	–	(83,523)
Balance at 31 December 2010	139,500	111,357	12,379	263,236
Accumulated depreciation				
Balance at 31 December 2009	(35,706)	(55,893)	(12,474)	(104,073)
Charge for the year	(29,907)	(20,944)	–	(50,851)
Exchange adjustments	272	426	95	793
Disposals	31,483	3,740	–	35,223
Balance at 31 December 2010	(33,858)	(72,671)	(12,379)	(118,908)
Net book value at 31 December 2009	93,192	53,430	–	146,622
Net book value at 31 December 2010	105,642	38,686	–	144,328

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

8. Capital contributions

	2010 US$	2009 US$
At beginning of year	108,978,772	107,960,994
Third party contributions	1,017,778	1,017,778
At end of year	109,996,550	108,978,772

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 16 July 2004 and remitted to the Trust Fund on 7 April 2005 along with escrow interest earned of US$1,446,142. Additional contributions amounting to US$3,961,518 were received in 2006.

Third party contributions

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

9. 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$266,204 (2009: US$235,672). Honoraria payments to Trustees total US$17,000 for the year (2009: US$17,000).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

10. Capital management

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

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

Management reviews the adequacy of its capital available to fulfil its objective on an ongoing basis. A formal assessment is conducted biennially and the Board submits a Report on the adequacy of the resources to the Members for consideration.

No externally imposed capital requirements apply to the Trust Fund.

11. Financial instruments - fair value

The Trust Fund determines the fair value of all financial instruments at the statement of financial position date and separately discloses this information where these fair values are different from carrying amounts (Note 6).

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

The Trust Fund's regional equities and non-regional investments are traded in organized financial markets. Regional equities are valued based upon the market price at the last trade date prior to the financial year end. Non-regional equities 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 2010 (continued)

11. Financial instruments - fair value (continued)

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

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

Level 1: derived from quoted prices in active markets for identical assets.

Level 2: derived from inputs other than quoted prices, that are observable for the asset, either directly (i.e. as prices), or indirectly (i.e. derived from prices).

Level 3: derived from valuation techniques that include inputs for the asset which are not based on observable market data (unobservable inputs).

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

2009	Level 1	Level 2	Level 3	Total
Debt securities	2,129,530	8,042,433	–	10,171,963
Equities	16,015,222	25,791,533	–	41,806,755
Private equity fund of funds	–	–	2,939,531	2,939,531
Hedge fund of funds	–	–	17,459,273	17,459,273
Money market funds	6,326,393	–	–	6,326,393
Short-term instruments	2,102,584	–	–	2,102,584
	26,573,729	33,833,966	20,398,804	80,806,499

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

11. Financial instruments - fair value (continued)

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

	2010 US$	2009 US$
Opening balance	20,398,804	17,855,257
Total realized gains (losses)	(848,257)	–
Purchases	7,800,166	4,250,000
Sales	(2,508,922)	(4,296,844)
Transfers into or out of Level 3	–	–
Unrealized gains/(losses) included in comprehensive income	2,952,864	2,590,391
Closing balance	27,794,655	20,398,804

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

12. Financial risk

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

13. Financial risk management

Risks inherent in the Trust Fund's investment activities are managed through a process of ongoing identification, measurement and monitoring within the framework of investment limits and other controls.

The Board is responsible for the overall risk management approach and for approving the investment principles and strategies as detailed in the Investment Guidelines. The Board, through the Finance and Investment Committee, is responsible for the development of the risk strategy, as well as the approval and monitoring of the relevant risk decisions.

The Trust Fund manages risk primarily by investing in a diversified portfolio of assets and by selection of high credit quality investments amongst other strategies. The Trust Fund 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

14. Liquidity risk

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

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

Except for Private Equity and Hedge fund of funds holdings, the balance of the portfolio is invested widely in regional and non-regional marketable assets which are traded in active and liquid markets, and can therefore be liquidated in the event of an unforeseen interruption of cash flow. All investments are held as available-for-sale and can be disposed of during the course of any financial year.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

14. Liquidity risk (continued)

	Up to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
2009					
Debt securities	–	3,282,921	6,889,042	–	10,171,963
Equities	–	–	–	41,806,755	41,806,755
Private equity funds	–	–	–	2,939,531	2,939,531
Hedge fund of funds	–	–	–	17,459,273	17,459,273
Money market funds	6,326,393	–	–	–	6,326,393
Short-term instruments	2,102,584	–	–	–	2,102,584
	8,428,977	3,282,921	6,889,042	62,205,559	80,806,499

15. Credit risk

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

15. Credit risk (continued)

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 these investment funds is for increased diversification and reduction of volatility in portfolio returns.

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

Credit quality of financial instruments

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

	Regional US$	Non-Regional US$	Total US$
2010			
A-to AA+	2,300,087	–	2,300,087
BBB to BBB+	1,108,150	–	1,108,150
B- to BBB-	1,671,444	–	1,671,444
Not rated *	2,164,811	–	2,164,811
	7,244,492	–	7,244,492
2009			
A-to AA+	3,546,068	–	3,546,068
BBB to BBB+	2,138,945	–	2,138,945
B- to BBB-	2,198,065	–	2,198,065
Not rated *	2,288,885	–	2,288,885
	10,171,963	–	10,171,963

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

15. Credit risk (continued)

Risk concentrations of financial instruments by geographical distribution

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

	Regional US$	Non-regional US$	Total US$
2010			
Debt securities			
Government bonds	1,153,891	–	1,153,891
Government agency bonds	1,146,197	–	1,146,197
Corporate bonds	4,944,404	–	4,944,404
	7,244,492	–	7,244,492
Equities	1,742,477	56,045,612	57,788,089
Private equity fund of funds	–	5,540,340	5,540,340
Hedge fund of funds	–	22,254,315	22,254,315
Money market funds	–	694,266	694,266
Short-term instruments	–	1,650,591	1,650,591
	8,986,969	86,185,124	95,172,093
2009			
Debt securities			
Government bonds	3,282,922	–	3,282,922
Government agency bonds	1,308,317	–	1,308,317
Corporate bonds	5,580,724	–	5,580,724
	10,171,963	–	10,171,963
Equities	3,058,527	38,748,228	41,806,755
Private equity fund of funds	–	2,939,531	2,939,531
Hedge fund of funds	–	17,459,273	17,459,273
Money market funds	–	6,326,393	6,326,393
Short-term instruments	–	2,102,584	2,102,584
	13,230,490	67,576,009	80,806,499

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

16. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables. 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 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.

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 available-for-sale financial assets 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

16. Market risk (continued)

b) Interest rate risk (continued)

Interest rate sensitivity

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

The following table demonstrates management's best estimate of the sensitivity to reasonable possible changes in interest rates 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.

Change in fund balance

	Increase/ (decrease) in basis points	Up to 5 years US$	Over 5 years US$	Total US$
2010				
Regional bonds				
	+50	(71,647)	(44,100)	(115,747)
	+100	(141,847)	(104,102)	(245,949)
	+150	(210,634)	(162,311)	(372,945)
	-50	73,128	81,550	154,678
	-100	147,774	147,335	295,109
	-150	223,973	215,192	439,165
2009				
Regional bonds				
	+50	(56 896)	(153,178)	(210,074)
	+100	(112,552)	(300,381)	(412,933)
	+150	(166,998)	(443,173)	(610,171)
	-50	58,170	155,109	213,279
	-100	117,645	316,537	434,182
	-150	178,462	483,061	661,523

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

16. Market risk (continued)

c) Equity price risk (continued)

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

The Trust Fund invests in equity instruments both regionally and non-regionally. These instruments are held for strategic purposes rather than trading purposes, and are not actively traded. The Trust Fund's equity investments are susceptible to equity price risk arising from fluctuations in equity indices. 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.

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

	Change in equity price 2010 +/-%	Effect on net assets and fund balance 2010 US$	Change in equity price 2009 +/-%	Effect on net assets and fund balance 2009 US$
Regional equities	5	87,124	5	152,926
	10	174,248	10	305,853
	15	261,371	15	458,779
Non-regional U.S. equiti es	5	970,802	5	930,040
	10	1,941,603	10	1,860,080
	15	2,912,405	15	2,790,120
Non U.S. equities	5	1,083,184	5	917,442
	10	2,166,368	10	1,834,883
	15	3,249,551	15	2,752,325
Resources	5	520,958	5	89,930
	10	1,041,916	10	179,860
	15	1,562,874	15	269,790
Fund of Funds	5	1,112,716	5	872,964
	10	2,225,431	10	1,745,927
	15	3,338,147	15	2,618,891

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

MANAGEMENT TEAM
Glenn Cheong, Executive Officer
Anne-Marie James, Senior Manager, Finance and 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