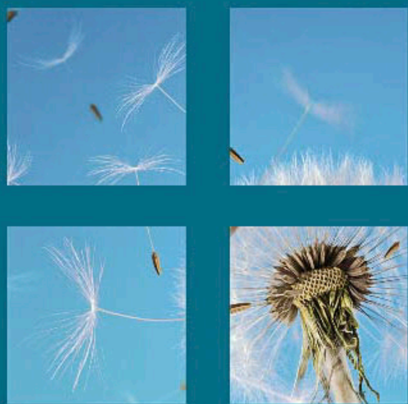

CARIBBEAN COURT OF JUSTICE TRUST FUND

2016

ANNUAL REPORT

GROWTH	STABILITY
PROTECTION	LONGEVITY

CONTENTS

REPORT OF THE BOARD OF TRUSTEES

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

INSTITUTION	REPRESENTATIVE TRUSTEE	BOARD AND COMMITTEE POSITION
Caribbean Congress of Labour	Dr. Linton Lewis	Chairman
University of the West Indies	Mrs. Christine Sahadeo	Vice-Chairman; Chairman - Finance & Investment Committee
Organisation of Commonwealth Caribbean Bar Associations	Mr. Wilfred Abrahams	Member - Audit Committee
Caribbean Association of Banks Inc.	Mr. Farid Antar	Member - Finance and Investment Committee
Conference of Heads of the Judiciary of Member States of the Caribbean Community	Chief Justice Ivor Archie	Trustee
CARICOM Secretariat	Mr. Oswald Barnes	Chairman - Audit Committee
Institute of Chartered Accountants of the Caribbean	Ms. Jasmine Davis	Member - Audit Committee
Caribbean Association of Industry and Commerce	Mr. Ramesh Dookhoo	Trustee
Insurance Association of the Caribbean	Mr. M. Musa Ibrahim	Member - Finance and Investment Committee

REPORT OF THE BOARD OF TRUSTEES

Top: **Dr. Linton Lewis;** Chairman.
Top Row (l-r): **Mrs. Christine Sahadeo**, Vice Chairman; Chairman - Finance and Investment Committee; **Mr. Wilfred Abrahams**, Member - Audit Committee; **Mr. Farid Antar**, Member - Finance and Investment Committee; **Chief Justice Ivor Archie**, Trustee.

Bottom Row (l-r): **Mr. Oswald Barnes**, Chairman - Audit Committee; **Ms. Jasmine Davis**, Member - Audit Committee; **Mr. Ramesh Dookhoo**, Trustee; **Mr. M. Musa Ibrahim**, Member - Finance and Investment Committee.

REPORT OF THE BOARD OF TRUSTEES

2016 was a lacklustre year for global economic growth as satisfactory performance in developed economies, despite political shocks, was offset by relatively weaker growth in emerging economies. The year began with lingering concern that China, the world's second largest economy and a primary driver of global growth, would suffer a hard landing, leading to a global recession. On June 23, 2016, the UK, the world's fifth largest economy, in an apparent wave of anti-immigrant sentiment, shocked investors by voting to leave the European Union, an outcome largely unexpected by market participants and polls. Similarly, the victory of Donald Trump in the US Presidential elections in November 2016, a candidate defined in the global arena during his campaign by anti-immigrant and trade protectionist policies, was largely unanticipated by global market participants. Despite the global political tumult that prevailed in 2016, 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, 2016.

Background

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

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

Accordingly, the Board has developed Investment Guidelines for the Trust Fund, which were approved by the CARICOM Heads of Government. In order to have a reasonable likelihood of satisfying the funding requirements of the Court and the Commission over the long term, these approved Guidelines permit a significant exposure to growth assets, such as public and private equity, within a diversified portfolio complemented by allocations to risk-reducing and inflation protection assets.

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

Since inception the Trust Fund has produced annual rates of return of +10.4%, +9.2%, -19.5%, +15.9%, +10.3%, -1.8%, +10.1%, +12.2%, +1.6% and -3.4% for the complete calendar years 2006 to 2015 respectively. All returns in this report are stated net of investment management expenses, consistent with industry standards.

Overview of Performance

The balance of the Fund as at December 31, 2015 was US$87,767,220. During the financial year to December 31, 2016, the Trust Fund disbursed US$6,552,377 to cover the funding requests of the Court and the Commission, and received net remittances pertaining to pensions of US$244,757 from the Court. The balance of the fund at the end of the financial year 2016 was US$84,585,416, after disbursements to and from the Court and the Commission. This net movement in market value reflected an annual return of +5.0% for 2016, bringing the annualised and cumulative net returns since inception (April 2005) to +4.2% p.a. and +62.0% respectively. The net balance of the fund at the end of the financial year 2016, excluding amounts due to the Court with respect to non-judicial staff pensions, was US$82,323,416.

The Markets in 2016

The first quarter of 2016 was dominated by volatile financial markets, as global investor confidence was shaken by the uncertain response by policymakers to capital outflows from China. Market volatility, as measured by the VIX[1] ,

[1] Chicago Board Options Exchange Volatility Index

reached an annual peak at 28.14 in mid-February, from an opening value of 18.21, before ending the quarter with a value of 13.95. The unexpected vote by Britain to leave the European Union toward the end of the second quarter brought a second spike in volatility. Financial markets surprisingly took these events in stride, settling quickly after an initial flight to quality, though returns on non-US developed market equities, which are dominated by UK and Eurozone equities, remained negative in the second quarter of the year.

Global equity markets fared well in the third quarter despite the fact that investors were still faced with uncertainty around a number of issues, including the outcome of the US Presidential election in early November, the potential effects of Brexit, and possible policy shifts at the central banks of major economies. Emerging market equities posted the largest gain in the third quarter, casting aside renewed concerns about asset and credit growth bubbles in China. In the last quarter of 2016, the US equity market soared and the US dollar strengthened following the victory of Donald Trump in November's election, partially on hopes of corporate tax reform, deregulation of certain sectors and increased government spending on infrastructure. US monetary policy makers displayed similar confidence in the theme of national economic recovery by increasing the benchmark US Fed rate in the final month of the year. Oil prices rose in the fourth quarter, reaching a year-to-date high in December, following an agreement among the OPEC nations to reduce the supply of oil in order to stabilise prices. Financial markets settled as 2016 drew to a close and market volatility, as measured by the VIX, reached an annual low of 11.27 in late December, before ending the year at 14.04. Overall, the global economy recorded another year of modest growth, despite tumultuous events during the period.

Globally, equity markets ended the year with positive returns. Table 1 below highlights the quarterly and annual returns on major indices for 2016. In US equity markets, the broad DJ US Total Stock Market Index and the S&P 500 posted double-digit gains of +12.6% and +12.0% respectively for the year 2016. Emerging market equities posted similarly strong gains for the year with the benchmark MSCI Emerging Markets Index posting a return of +11.2%. Non-US developed market equities suffered in 2016, posting negative returns in three out of four quarters but ultimately ended the year in positive territory with a return of +1.0% on the benchmark MSCI EAFE Index. Natural resources was the best performing asset class for the year as the benchmark S&P Natural Resources index posted a gain of +30.9% in 2016, despite the headwinds of continued US dollar strength. Global fixed income, as measured by the Citi WGBI, came under pressure in the second half of the year. Double digit returns made in the first half were reduced by losses in the last quarter, ultimately ending the year with an annual return of +1.6% on the index.

Table 1: Major Indices - Quarterly and Annual Returns 2016

Index	Q1 2016	Q2 2016	Q3 2016	Q4 2016	2016
MSCI ACWI	+ 0.2%	+ 1.0%	+ 5.3%	+ 1.2%	+ 7.9%
DJ US Total	+ 0.9%	+ 2.6%	+ 4.4%	+ 4.1%	+ 12.6%
S&P 500	+ 1.3%	+ 2.5%	+ 3.9%	+ 3.8%	+ 12.0%
MSCI EAFE	- 3.0%	- 1.5%	+ 6.4%	- 0.7%	+ 1.0%
MSCI Emerging Markets	+ 5.7%	+ 0.7%	+ 9.0%	- 4.1%	+11.2%
Citi WGBI	+ 7.1%	+ 3.4%	+ 0.3%	- 8.5%	+ 1.6%
S&P Natural Resources	+ 6.3%	+ 12.5%	+ 4.2%	+ 5.0%	+ 30.9%

Source: Mercer Monthly Market Summaries and Quarterly Reports 2016

Management of the Portfolio

The Trust Fund is an institutional endowment fund that manages the portfolio, assisted through the services provided by its investment advisor, Mercer Investment Consulting, with the long-term focus necessary to achieve the mandate of funding the Court and the Commission in perpetuity. The portfolio has been structured to attain its target rate of return over the long-term, within acceptable risk parameters, and is diversified across a selection of growth, risk-reducing and inflation-protection asset classes.

The benefits of maintaining a diversified strategic long-term asset allocation have been proven throughout the varying market conditions experienced since inception. In a year in which there was divergence across the returns generated by major indices across broad asset classes, as highlighted in the index returns provided in Table 1 above, the Trust Fund earned a return of +5.0% in 2016.

The continuing commitment to the long-term allocation has rewarded the Trust Fund with positive returns in eight of the eleven full calendar years of existence (2006 to 2016), with greater than 9% positive returns experienced in six of the eight positive years. The total rates of return earned by the portfolio for the complete calendar years since inception are shown in Table 2.

Table 2: Historical Fund Returns

January 1 to December 31	Period Return	Annualised Rate from Inception
2006	+ 10.4%	+ 9.3%
2007	+ 9.2%	+ 9.3%
2008	- 19.5%	+ 0.7%
2009	+ 15.9%	+ 3.5%
2010	+ 10.3%	+ 4.7%
2011	- 1.8%	+ 3.7%
2012	+ 10.1%	+ 4.5%
2013	+ 12.2%	+ 5.4%
2014	+ 1.6%	+ 5.0%
2015	- 3.4%	+ 4.2%
2016	+ 5.0%	+ 4.2%

The portfolio allocation as at December 31, 2016 is provided in Chart 2:

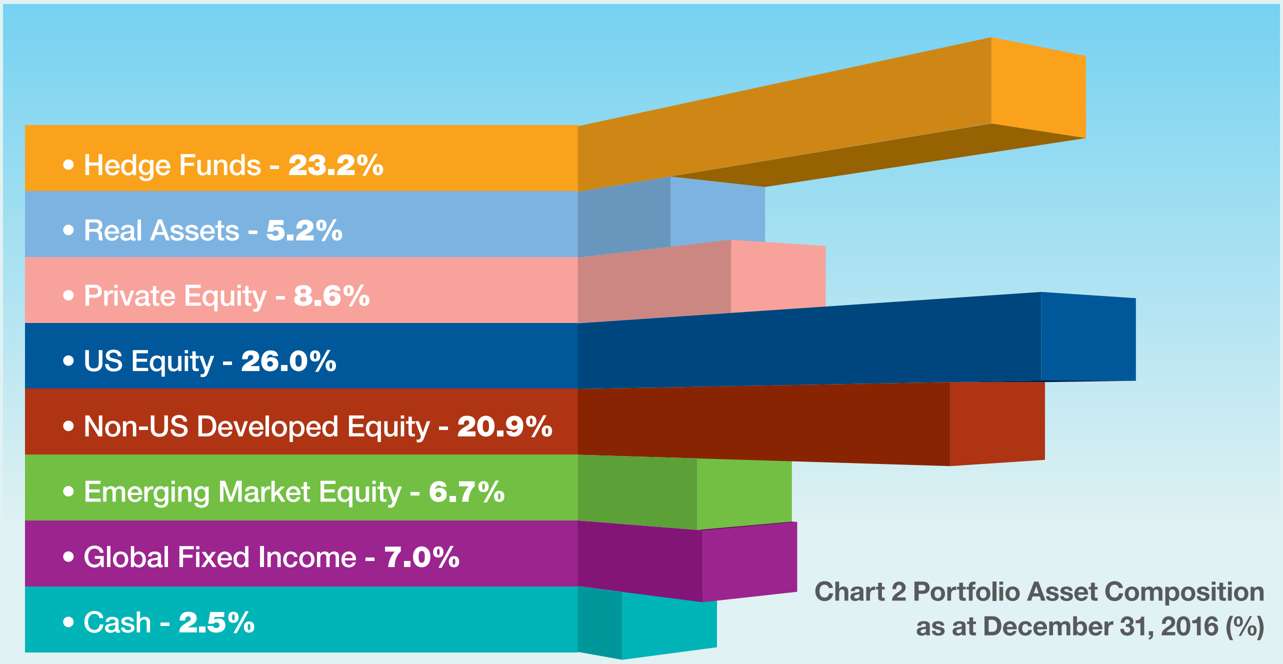

Chart 2 Portfolio Asset Composition as at December 31, 2016 (%)

The Trust Fund has consistently adopted a disciplined approach to rebalancing the portfolio in scenarios of increasing asset prices, while maintaining the long-term focus of the Fund. This disciplined process is a cornerstone of prudent investing and will continue to provide the benefit of crystallising unrealised gains, whilst potentially reducing volatility in the Fund's returns and portfolio risk. Correspondingly, by reinvesting proceeds in underperforming asset classes, which are attractively valued for future performance, the Trust Fund may be able to enhance its long-term return potential.

Equities, made up of US, non-US developed markets, and emerging markets, once again comprise the majority of the portfolio, which is consistent with the long-term strategic asset allocation of the portfolio. This allocation was structured to optimise, over the long-term, the probability of achieving the target rate of return, whilst placing appropriate risk constraints to protect the capital of the fund. These growth assets continue to be maintained at a level which makes it possible to provide the required return over the long-term within the diversified strategic asset allocation.

Hedge fund of funds investments are expected to continue to fulfil a vital role in risk reduction without significantly sacrificing return in the long run, and can create value through active management across different sectors. Hedge fund of funds investments continue to be preferred compared to other risk-reducing assets (cash, fixed income) because, amongst other factors, the return outlook for the latter remains comparatively low. The Trust Fund's holdings in hedge funds of funds decreased slightly as a percentage of the overall portfolio in 2016 as compared to 2015, as a result of rebalancing actions undertaken during the year.

The phased investment in private equity continued as planned into 2016. This sector is expected to continue to contribute positively to return, as a diversified portfolio of private equity fund of funds investments is built to its full allocation.

Real assets, which include oil, gas and other commodities, as well as real estate, timber, and gold, are viewed as an inflation protection hedge within the portfolio. Continued recovery in the energy industry in spite of fluctuations in the global demand and supply of oil, continued growth in the US, the continuation of loose monetary policy in the EU, and the expectation for improving economic data in emerging market economies continue to support the inclusion of inflation protection assets in the portfolio.

Movement in Fund Balance

The Fund experienced a net gain in fund value before disbursements, which resulted in a positive net return of +5.0% for the year. The positive return and net gain did not fully cover the disbursements to the Court and the Commission and there was net decrease in the market value of the fund after disbursements from US$87,767,220 at the start of the year to end 2016 at US$84,585,416.

Table 3: Statement of Movement in Fund Balance – 2016, 2015 and From Inception (April 2005)

	2016	2015	April 2005 to December 2016
Opening Fund Balance	**87,767,220**	**97,660,448**	**100,946,142**
Additional Contributions	0	0	13,121,518
	87,767,220	97,660,448	114,067,660
Interest & Dividends[2]	541,633	998,579	19,551,724
Realised Gains/ (Losses)	(612,967)	2,253,223	18,258,097
Net Gain/(Loss) in Fair Value on Investments	4,147,489	(6,214,143)	6,975,200
Investment Income	4,076,155	(2,962,341)	44,785,021
Investment Management Expenses	(299,500)	(360,500)	(4,218,442)
Net Investment Income	3,776,655	(3,322,841)	40,566,579
Trust Fund Administrative Expenses[3]	(650,839)	(657,370)	(7,663,236)
Net Gain/(Loss) in Fund Before Disbursements	**3,125,816**	**(3,980,211)**	**32,903,343**
Disbursements to Court & Commission	(6,552,377)	(6,099,329)	(65,171,966)
Net Receipts from Court & Commission	244,757	186,312	2,786,379
Net Change in Fund Balance (excluding Additional Contributions)	(3,181,805)	(9,893,228)	(29,482,245)
Fund Balance @ December 31	**84,585,416**	**87,767,220**	**84,585,415**
Due to Court re non-judicial staff pensions	(2,262,000)	(1,900,000)	(2,262,000)
Closing Net Fund Balance	**82,323,416**	**85,867,220**	**82,323,416**

Investment management expenses decreased by US$60,000 (-20%), largely due to the termination of an equity account during the first half of the year. This termination also contributed to an overall net Realised Loss of -US$612,967 being recorded in the financial year 2016 as it offset realised gains arising from rebalancing actions, which had crystallised mark to market gains on assets for which there had been a previous increase in market value.

The Trust Fund continued its trend of prudent management of administrative expenses, showing a minor decrease of U$6,531 (-1%) 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 1.1%, in line with the average maintained in all previous years since inception of the portfolio in 2005, and consistent with expense ratios for international endowment funds.

The Fund recorded a Net Gain in the Fund Before Disbursements of US$3,125,816 for the financial year. This brought the cumulative Net Gain in the Fund Before Disbursements since inception to US$32,903,343.

[2] Including Net Foreign ExchangeGains/ (Losses)
[3] Including Depreciation

Disbursements to fund the expenses of the Court and the Commission amounted to US$6,552,377 in the financial year ended December 31, 2016, bringing cumulative disbursements since inception to US$65,171,966. The Trust Fund received US$244,757 from the Court during the financial year which comprised net remittances pertaining to non-judicial staff pensions. The Fund experienced a net negative change in 2016, after disbursements and total expenses, of -US$3,181,804.

The fund balance, after disbursements to and receipts from the Court and the Commission of US$6,552,377 and US$244,757 respectively, investment income of US$4,076,155 and total expenses of the Trust Fund (including investment management expenses) of US$950,339 in 2016, amounted to US$84,585,416 at the end of the financial year.

Outlook for 2017

The major themes emerging for 2017 are:

- Geopolitical risks
- Trade tensions
- Diverging monetary policies
- A strong US dollar

The political upheavals that shocked in 2016 may well continue into 2017. The mass influx of migrants and refugees to the European Union has deeply divided its 28 members and fuelled the rise of populist anti-immigration political movements. With crucial elections in March in the Netherlands, April in France as well as Federal elections in Germany in September, proponents of the same anti-establishment backlash that produced Brexit hope to capitalise on public concerns and further erode the foundation of the European Union that has been a symbol of stability in post-WWII Europe. Adding further pressure in the Eurozone are concerns over a hard Brexit. British Prime Minister Theresa May has indicated the United Kingdom would seek a clean break from the European Union, adding that the UK government would put the Brexit deal it eventually agrees with the European Union to a parliamentary vote.

The outlook for global economic growth in 2017 is slightly more positive than in 2016, primarily led by expectations for the US and emerging economies. As the Republican-controlled government in the US works through the promised fiscal stimulus plans in 2017, the benefits of such plans may likely be derived in 2018 and beyond. The prospect of deficit spending is likely to add impetus to US economic growth and global demand. The resultant expectations for an accelerated Fed tightening cycle, consequent rising interest rates and continued US dollar strength, represent risks to emerging economies. The threat of tariffs on Chinese goods and services could undermine efforts by Chinese policy makers to stimulate their economy from investment-led growth and the accompanied debt that has fuelled such growth, representing a significant risk to economic stability in the world's second largest economy.

In contrast to the US's tightening cycle, monetary policy makers at the European Central Bank and the Bank of Japan are expected to continue quantitative easing programmes intended to energise struggling economies. As the world continues to contend with slow economic growth, such policymakers' continued willingness to err on the side of easing in an effort to provide economies with the necessary stimulus for growth, and concern around potential policy errors, will be factors expected to affect financial market performance.

Oil supplies and oil prices continue to provide an element of uncertainty despite price recovery in 2016 and expectations for stability arising from OPEC's resumption of its active role in supply and price stabilisation. Production is concentrated in a small number of countries, many of which are politically unstable, with the resultant possibility of price volatility due to political risk. Commodity prices are defined in US dollars, and a strong dollar typically results in lower demand, as buyers scale back purchases in the face of higher prices.

The potential problems arising from continued US dollar strength, coupled with a rising interest rate environment within the US, could have a significant impact on emerging market economies dependent on cheap foreign capital to fund growth. The possible imposition of significant trade tariffs on Mexico or China by the US represent a risk to emerging market equities as a whole. Despite these material risks, the outlook for emerging market equities remains positive on the basis of improved economic expectations.

The potential risks in 2017 seem relatively high at the onset, including political risks, diverging monetary policies across major economies, trade tensions, and the effects of continued US dollar strength and a rising US interest rate environment on emerging market economies. Periods of volatility surrounding key elections and referendums should be expected, making diversification, liquidity provisioning, rebalancing and active management critical.

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

Summary

The Trustees continue to manage the assets of the Trust Fund in keeping with its stated investment philosophy and the long-term objective of funding the Court and the Commission in perpetuity. In 2016, the Trustees repositioned the portfolio appropriately, whilst remaining cognizant of the long-term goal.

Contributions received from the participating Member Governments and the Government of the Commonwealth of the Bahamas have amounted to US$114,067,660 since inception. After total disbursements to the Court and the Commission of US$65,171,966 and total expenses of the Trust Fund of US$11,881,678 since inception, the balance of the Fund as at December 31, 2016 is US$84,585,416.

The Trust Fund recorded a return of +5.0% for 2016, which brought the annualised and cumulative net returns since inception (April 2005) to +4.2% p.a. and +62.0% respectively.

The importance of maintaining a diversified long-term strategic asset allocation has been proven throughout the varying market conditions experienced since the Trust Fund's inception in 2005. The Trust Fund's portfolio is appropriately spread across different asset classes, and the resultant diversification effect reduces the inherent risk of the portfolio. The Board of Trustees remains confident that the strategic asset allocation of the portfolio will enable the achievement of the Trust Fund's long-term objectives, despite potential variability in annual returns.

Appreciation

I would like to thank the Board of Trustees, and its various Committees, for continuing to employ a prudent and proactive approach in guiding the Trust Fund along the path of fulfilling its long-term objective. The Board would like to record appreciation for the continued contribution of our independent investment adviser, Mercer Investment Consulting. The Board would also like to extend appreciation to the Management Team for their continued diligence and professional commitment throughout the year.

Dr. Linton Lewis

Chairman

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Caribbean Court of Justice Trust Fund ("the Fund"), which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in fund balance and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Trustees for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees is responsible for overseeing the Fund's financial reporting process.

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

Report on the Audit of the Financial Statements
(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

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

Report on the Audit of the Financial Statements
(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements
(Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Port of Spain,
TRINIDAD:
24 July 2017

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Notes	2016 US$	2015 US$
Assets			
Cash and cash equivalents	4	**751,526**	2,489,121
Accounts receivable		**8,595**	6,296
Interest receivable		**36,250**	42,504
Other assets		**8,606**	11,621
Investments at fair value through profit or loss	6	**83,800,202**	85,187,120
Fixed assets	8	**97,829**	101,387
Total assets		**84,703,008**	87,838,049
Liabilities			
Accounts payable and accrued expenses		**117,592**	70,829
Due to Court - non-judicial staff pensions	16	**2,262,000**	1,900,000
Total liabilities		**2,379,592**	1,970,829
Total net assets		**82,323,416**	85,867,220
Fund balance			
Capital contributions	9	**114,067,660**	114,067,660
Retained deficit		**(31,744,244)**	(28,200,440)
Total fund balance		**82,323,416**	85,867,220

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 24 July 2017 and are signed on their behalf by:

Trustee:

Trustee:

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 US$	2015 US$
Income			
Interest and other income		**130,463**	217,398
Dividends		**543,881**	793,195
Realized (loss)/gain on investments		**(612,967)**	2,253,100
Gain on sale/disposal of fixed assets		**–**	123
Net gain/(loss) in fair value on investments at fair value through profit or loss	2.3 (c)	**4,147,489**	(6,214,143)
		4,208,866	(2,950,327)
Expenditure			
Staff costs	10	**355,658**	365,129
Investment management expenses		**299,500**	360,500
Property related expenses		**86,287**	87,307
Board expenses	10	**84,869**	75,402
General administrative expenses		**75,080**	69,560
Depreciation	8	**25,363**	31,734
Professional fees		**23,581**	28,238
Net foreign exchange losses		**132,712**	12,014
Net income/(loss) for the year		**3,125,816**	(3,980,211)
Other comprehensive income		**–**	–
Total comprehensive income/(loss) for the year		**3,125,816**	(3,980,211)

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

STATEMENT OF CHANGES IN FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2016

	Capital contributions US$	Retained deficit US$	Fund balance US$
Balance at 1 January 2015	114,067,660	(18,083,212)	95,984,448
Total comprehensive income for the year	–	(3,980,211)	(3,980,211)
Change in accumulated value due to Court (Note 16)	–	(37,688)	(37,688)
Transfers to the Court (Note 17)	–	(6,099,329)	(6,099,329)
Balance at 31 December 2015	114,067,660	(28,200,440)	85,867,220
Balance at 1 January 2016	**114,067,660**	**(28,200,440)**	**85,867,220**
Total comprehensive income for the year	**–**	**3,125,816**	**3,125,816**
Change in accumulated value due to Court (Note 16)	**–**	**(117,243)**	**(117,243)**
Transfers to the Court (Note 17)	**–**	**(6,552,377)**	**(6,552,377)**
Balance at 31 December 2016	**114,067,660**	**(31,744,244)**	**82,323,416**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 US$	2015 US$
Operating activities			
Net income/(loss) for the year		**3,125,816**	(3,980,211)
Adjustments to reconcile net income to net cash flows:			
Depreciation	8	**25,363**	31,734
Gain on sale of fixed asset		**–**	(123)
Interest income		**(130,463)**	(217,398)
Dividend income		**(543,881)**	(793,195)
Net foreign exchange differences		**119,241**	23,847
Decrease in accounts receivable and other assets		**716**	905
Increase in accounts payable and accrued expenses		**46,763**	3,508
Other movements included in net income		**(31,726)**	(4,189)
Purchase of investments		**(6,300,290)**	(12,621,144)
Redemption of investments		**11,164,957**	15,278,799
Realised and unrealised (gain)/loss on investments		**(3,534,522)**	3,961,043
		3,941,974	1,683,576
Interest received		**110,464**	220,796
Dividends received		**543,881**	793,195
Net cash flows generated from operating activities		**4,596,319**	2,697,567
Investing activities			
Purchase of fixed assets	8	**(34,752)**	(2,811)
Proceeds from disposal of fixed assets		**8,458**	16,314
Net cash flows (used in)/generated from investing activities		**(26,294)**	13,503

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Continued)

	Notes	2016 US$	2015 US$
Financing activities			
Funds received from the Court- non-judicial staff pensions	16	**244,757**	186,312
Transfers to the court	17	**(6,552,377)**	(6,099,329)
Net cash flows used in financing activities		**(6,307,620)**	(5,913,017)
Net decrease in cash and cash equivalents		**(1,737,595)**	(3,201,947)
Cash and cash equivalents at beginning of the year		**2,489,121)**	5,691,068
Cash and cash equivalents at end of the year		**751,526**	2,489,121

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. General information and principal activities

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

The Trust Fund operates as a legal entity under the Agreement which is registered in accordance with the provisions of Article 102 of the Charter of the United Nations. The Trust Fund is not amenable to the jurisdiction of any one sovereign state. It 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. The Trust Fund currently employs six (6) members of staff.

The Agreement establishes certain privileges and immunities to enable the Trust Fund and its Officers to discharge its duties and responsibilities. In accordance with Article XII of the Agreement the Trust Fund, its assets, property, income and its operations and transactions are exempt, in its country of domicile, from all taxation, all customs duties on goods imported for its official use and all other imports. The privileges and immunities are encompassed in the Headquarters Agreement established with the Government of Trinidad and Tobago.

The purpose of the Trust Fund is to provide the resources necessary to finance the capital and operating budget of the Caribbean Court of Justice (the Court) and the Regional Judicial and Legal Services Commission (the Commission) in perpetuity. Its principal activity is the management of an endowment fund. The investment objective is to seek medium to long-term capital growth through investment in a diversified portfolio of tax-efficient international instruments, including equity and equity-related instruments, alternative investment securities and fixed income, in order to produce an optimal net long-term rate of return with reasonable security of capital.

The Trust Fund has engaged Mercer Hammond Investment Consulting Inc. as independent Investment Adviser. The Trust Fund's Custodian is State Street Bank and Trust Company.

The Trust Fund enters into direct agreements with asset managers and also makes direct purchases of appropriate mutual funds and other approved financial instruments. Each asset manager invests and reinvests the securities, cash and/or other investments held in accordance with the Trust Fund's investment objectives. Investments may be made in, but are not limited to, securities of any kind, including stocks, warrants, options, rights, corporate or government bonds or notes issued by United States (US) or foreign issuers and shares of money market mutual funds.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Continued)

2. Significant accounting policies

2.1 Basis of preparation

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

2.2 Changes in accounting policies

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

New standards and amendments/revisions to published standards and interpretations effective in 2016 but not applicable to the Trust Fund

IAS 1 - Amendments - Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1.
- That specific line items in the statement(s) of income and other comprehensive income and the statement of financial position may be disaggregated.
- That entities have flexibility as to the order in which they present the notes to financial statements.
- That the share of other comprehensive income arising from investments accounted for under the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments give guidance on what additional subtotals are acceptable and how they are presented in the statement(s) of income and other comprehensive income and the statement of financial position.

The Trust Fund concluded that no changes are required to the presentation of its financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Continued)

2. Significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

New standards and amendments/revisions to published standards and interpretations effective in 2016 but not applicable to the Trust Fund (continued)

IAS 16 and IAS 38 - Amendments - Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The Trust Fund does not use revenue-based depreciation and amortisation methods therefore, these amendments have no impact on the Trust Fund's financial position or performance.

The following new and revised IFRSs which have been issued do not apply to the activities of the Trust Fund:

- IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments to IFRS 10, IFRS 12 and IAS 28
- IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28
- IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11
- IFRS 14 Regulatory Deferral Accounts
- IAS 1 Disclosure Initiative - Amendments to IAS 1
- IAS 16 and IAS 41 Agriculture - Bearer Plants - Amendments to IAS 16 and IAS 41
- IAS 27 - Equity Method in Separate Financial Statements - Amendments to IAS 27
- Annual Improvements (AIP) (Effective 1 Jan 2016)
    - o IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal
    - o IFRS 7 Financial Instruments: Disclosures - Servicing contracts
    - o IFRS 7 Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statement
    - o IAS 19 Employee Benefits - Discount rate: regional market issue
    - o IAS 34 Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Continued)

2. Significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

New interpretations and revised/amended standards that are not yet effective and have not been early adopted by the Trust Fund

These standards are not yet effective for annual periods beginning on or after 1 January 2016. These changes are currently being evaluated by Management.

- IAS 7 Disclosure Initiative - Amendments to IAS 7 (Effective 1 January 2017)
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (Effective 1 January 2017)
- Annual Improvements (AIP) (Effective 1 January 2017)
    - IFRS 12 Disclosure of Interests in Other Entities - Clarification of the scope of the disclosure requirements in IFRS 12
- IFRS 15 Revenue from Contracts with Customers (Effective 1 January 2018)
- IFRS 9 Financial Instruments Phase 2 and 3 (Effective 1 January 2018)
- IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2 (Effective 1 January 2018)
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (Effective 1 January 2018)
- Transfers of Investment Property (Amendments to IAS 40) (Effective 1 January 2018)
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (Effective 1 January 2018)
- Annual Improvements (AIP) (Effective 1 January 2018)
    - IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters
    - IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by- investment choice
- IFRS 16 Leases (Effective 1 January 2019)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(Continued)

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies

a) 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 fair value.

b) Financial instruments

The Trust Fund's financial instruments (financial assets and financial liabilities) are recognised in its statement of financial position when it becomes a 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.

<u>IFRS 9: Financial Instruments (as issued in July 2014)</u>

IFRS 9 Phase 2 and 3 is effective for annual periods beginning on or after 1 January 2018 with early application permitted.

In 2012 the Trust Fund elected to early adopt IFRS 9: Financial Instruments: Classification and Measurement (2010) in advance of the then mandatory date of 1 January 2015.

In July 2014, the IASB issued the final version of IFRS 9: Financial Instruments (IFRS 9) which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement (IAS 39) and all previous versions of IFRS 9. IFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting.

c) Financial assets

The Trust Fund's financial assets include investment securities, cash and cash equivalents (cash, money market accounts and income funds), interest receivable and other current assets.

IFRS 9 requires all financial assets, on initial recognition, to be classified as measured at either amortised cost or fair value, depending on the business model (refer to Note 6) for managing the financial assets and the contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Continued)

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

c) Financial assets (continued)

In accordance with its business model, the Trust Fund's financial assets are classified as at fair value through profit or loss.

Initial recognition and subsequent measurement

The Trust Fund's financial assets are initially measured at fair value. All recognised financial assets are subsequently measured at either amortised cost or fair value depending on their classification.

Transaction costs that are directly attributable to the acquisition of financial assets classified at fair value through profit or loss are recognised immediately in profit or loss.

If the asset is not subsequently measured at fair value through profit or loss, then the initial measurement is at fair value plus transaction costs that are directly attributable to the acquisition of the asset.

Reclassification

If the Trust Fund's business model for managing its financial assets changes, those assets must be reclassified. Such reclassification shall be applied prospectively from the reclassification date, and any previously recorded gains, losses or interest shall not be restated.

For financial assets measured at fair value which are reclassified, the fair value is determined at the reclassification date. Any gain or loss arising from a difference between the previous carrying amount and fair value is recorded in profit or loss.

For financial assets measured at amortised cost which are reclassified, the fair value at the reclassification date becomes its new carrying value.

Financial assets at amortised cost

In accordance with IFRS 9, only debt instruments are measured at amortised cost. All other financial assets are measured at fair value.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(Continued)

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

2.3 **Summary of significant accounting policies** (continued)

c) **Financial assets** (continued)

Financial assets at amortised cost (continued)

Only debt instruments measured at amortised cost are tested for impairment. Debt instruments are measured at amortised cost, less impairment loss if applicable, if both of the following criteria are met:

i) the asset is held within a business model whose objective is to hold assets in order to collect the contractual cash flows; and

ii) the contractual terms of the instrument represent solely payments of principal and interest on the principal amount outstanding. If either of the two amortised cost criteria is not met, debt instruments are to be classified as at fair value through profit or loss.

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

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

Financial assets at fair value through profit or loss

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Continued)

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

c) Financial assets (continued)

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

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

i) it has been acquired principally for the purpose of selling it in the near term, or

ii) on initial recognition, it is part of a portfolio of identified financial instruments that the Trust fund manages together and has evidence of a recent actual pattern of short-term profit taking.

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

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

Financial assets at fair value through other comprehensive income

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

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

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

Gains or losses on equity instruments measured at FVTOCI can never subsequently be reclassified to profit or loss, and no impairments are recognised in profit or loss. When the asset is disposed of, the cumulative gain or loss previously accumulated in revaluation reserves is reclassified to retained earnings, and not to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Continued)

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

2.3 **Summary of significant accounting policies** (continued)

Financial assets at fair value through other comprehensive income (continued)

Dividends earned for such investments are recognised in profit or loss and are included in the line item captioned "Dividends".

d) **Financial liabilities**

The Trust Fund's financial liabilities include accounts payables, accrued liabilities and amounts due to the Court.

Initial recognition and subsequent measurement

The Trust Fund's financial liabilities are initially measured at fair value and are subsequently measured at either FVTPL or at amortised cost. Transaction costs that are directly attributable to the issue of financial liabilities that are not at FVTPL, are deducted from the fair value of the financial liability.

For changes in fair value of a financial liability designated at FVTPL which are attributable to changes in the credit risk of that liability, that part of a fair value change due to the Trust Fund's own credit risk will be recorded in other comprehensive income rather than in the income statement, unless this creates an accounting mismatch.

e) **Fair value measurement**

The Trust Fund measures its investments in financial instruments at fair value at each reporting date. Fair value related disclosures for financial instruments that are measured at fair value are reflected in Note 7.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market or, in the absence of a principal market, in the most advantageous market to which the Trust Fund has access at that date. The fair value of a liability reflects the risk of its non-performance.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value for financial instruments traded in organized financial markets is based on their quoted market prices for those instruments at the reporting date. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(Continued)

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

e) Fair value measurement (continued)

If there is no quoted price in an active market, and the instrument is not actively traded on recognized exchanges, fair value is determined using valuation techniques (e.g. discounted cash flow analysis or industry accepted valuation models) that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. Where discounted cash flow techniques are used, future cash flows are based on best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

For financial reporting purposes, fair value measurements are categorised within the fair value hierarchy into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety (Refer to Note 7), which are summarised as follows:

- Level 1 inputs are quoted market prices (unadjusted) in active markets for identical instruments that can be accessed at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs are unobservable inputs for the asset or liability.

Transfers between levels of the fair value hierarchy are deemed to have occurred at the date of the event or change in circumstances during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Continued)

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

f) Fixed assets

Fixed assets are stated at cost net of accumulated depreciation. Depreciation is provided for at rates expected to write off the cost of the assets over their estimated useful lives. Leasehold improvements are depreciated over the period of the lease.

Depreciation on all classes of fixed assets is computed as follows:

	Rate	Basis
Motor vehicles	25%	Reducing balance
Equipment, furniture and fittings	12 ½% - 50%	Straight line
Leasehold improvements	33 ⅓%	Straight line

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

g) Operating lease

Operating leases are leases that do not transfer substantially all the risks and rewards of ownership to the lessee. Payments made under operating leases are recognized as an expense in the statement of profit or loss and comprehensive income on a straight-line basis over the period of the lease.

The Trust Fund has entered into a one year operating lease for the occupation of its registered office (refer to Note 18). Either party has the option to terminate the agreement by serving notice in writing.

h) Capital contributions

Members' contributions are accounted for on an accruals basis. Third party contributions have been received from the Government of the Commonwealth of the Bahamas which is not a participant in the Court. As described in Note 9, it was agreed amongst the Members that the Government of the Commonwealth of the Bahamas will make such contributions in accordance with Article IV of the "Revised Agreement Establishing the Caribbean Court of Justice Trust Fund".

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(Continued)

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

i) Court and Commission Staff pensions

Non-Judicial Staff pensions

The Court provides its non-judicial staff and staff of the Commission with a defined contribution pension plan. Under this plan, the employees of the Court and the Commission make contributions which are deducted from their salaries and are matched with employer contributions from the Court and the Commission.

These contributions are remitted to the Trust Fund by the Court periodically and upon receipt the Trust Fund records a liability under the heading ‘Due to Court - Non-judicial staff pensions’ (refer to Note 16).

Balances accumulated under this plan are calculated by an independent third party administrator on behalf of the Court and the Commission, in accordance with an agreed formula between the Court and the Commission and their employees. The administrator advises the Court and the Commission of the accumulated amounts at the end of each financial year.

Based on the administrator’s report, the Trust Fund records any resulting change in accumulated values against the amount shown as ‘Due to Court - Non-judicial staff pensions’.

When a staff member reaches retirement, the Court’s actuary will determine the pension entitlement for that employee based on their accumulated balance using appropriate actuarial assumptions. The Trust Fund will, at the request of the Court, provide to the Court the funds necessary to pay the pension for each employee on this basis. These amounts are treated as distributions from the heading ‘Due to Court - Non-judicial staff pensions’ and are accounted for when disbursements are made.

Judges’ pensions

The Court provides its judges with a defined benefit pension plan. An actuarial valuation is obtained by the Court at the end of each financial year in respect of the pension arrangements for its judges (refer to Note 16). The Trust Fund pays the pension obligations of the Court for judges as they fall due. These amounts are not recorded as a liability of the Trust Fund, and are treated as distributions out of the fund balance and accounted for when disbursements are made.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Continued)

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

j) Transfers to/from the Court

The Court submits biennial budgets in relation to the expenditure 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 upon request.

Disbursement requests made by the Court include pension payments for judges. These amounts are treated as distributions out of the fund balance and are accounted for when disbursement requests by the Court are made, after approval by the Board of Trustees.

Funds surplus to the Court's requirements in any year may be returned to the Trust Fund. These funds are treated as credits to the fund balance, and accounted for when remitted by the Court (refer to Note 17).

k) Revenue and expenditure

Income and expenditure are accounted for on the accruals basis. Interest income includes coupons earned on fixed income investments, as well as accrued discounts on treasury bills and other discounted investments. Dividend income is recognised when the right to receive the income is established, usually the ex-dividend date.

l) Foreign currency translation

The financial statements are presented in United States dollars, which is the functional and presentation currency of the Fund. Transactions in foreign currencies including Trinidad and Tobago currency are translated at exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rate at the reporting date and any gains or losses arising are taken to the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated 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 profit or loss and comprehensive income as appropriate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Continued)

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

m) Taxation

The Trust Fund is exempt from all forms of taxation in Trinidad and Tobago, its country of domicile, including taxes on interest income, dividends and capital gains, as well as withholding taxes. Dividend income in some jurisdictions is subject to withholding taxes which are deducted at the source of the income. Dividend income is reflected net of the withholding taxes where applicable.

3. Significant accounting judgements and estimates

The preparation of financial statements in conformity with IFRS requires Management to make certain significant estimates, assumptions and judgements that affect amounts reported in the financial statements and accompanying disclosures. Actual results could differ from these estimates. Management has made the following judgements in the application of accounting policies which may have the most significant effect on the amounts reported in the financial statements.

Fair value of financial instruments

For financial instruments that trade infrequently and have little price transparency, fair value requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The fair value of the financial instruments is determined using a variety of valuation techniques that included the use of valuation models. The inputs for these models are taken from observable markets where possible, but where this is not feasible, estimation is required to establish fair values. These estimates included considerations of liquidity, credit risk and volatility.

Changes in assumptions about these factors could affect the reported fair value of financial instruments in the statement of financial position and the level where the instruments are disclosed in the fair value hierarchy. Information about the valuation techniques and inputs used in determining the fair values are disclosed in Note 7.

Classification of investments

Management evaluates at the time of acquisition of its financial instruments whether they should be classified as at amortised cost, FVTPL or FVTOCI. Management has considered the detailed criteria for determination of such classification, including its business model (Refer to Note 6), and is satisfied that its investments are properly classified as at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Continued)

4. Cash and cash equivalents	2016 US$	2015 US$
Cash at bank	**175,768**	187,835
Money market accounts	**105,126**	73,152
Income funds	**470,632**	2,228,134
	751,526	2,489,121

5. Fair values of financial instruments

The Trust Fund determines the fair value of all financial assets and liabilities at the reporting date and separately discloses this information where these fair values are different from carrying amounts. The fair value of the Trust Fund's financial assets is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

For financial assets and liabilities that are liquid or have a maturity of less than three months, the carrying value is deemed to approximate their fair values due to the short-term maturities of those instruments. These include cash and cash equivalents, interest receivable and other current assets, accounts payable and other current liabilities.

The carrying values of the financial instruments in the financial statements equate the fair value.

6. Investments at fair value through profit or loss

In accordance with its business model, the Trust Fund's investments are classified as at FVTPL.

Business model

The Trust Fund's investments are traded in organized financial markets. Transactions are recorded on a trade date basis and interest is recognized when earned. Private Equity Funds of Funds and Hedge Funds of Funds investments are valued at year-end based on net asset values (NAVs).

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Continued)

6. Investments at fair value through profit or loss (continued)

Business model (continued)

While the portfolio's focus and objective are long-term in nature, each asset is individually assessed on an ongoing basis and may be disposed of prior to maturity for the following reasons, among others:

- to realise capital gains,
- if liquidity is required and
- desired changes to the asset allocation.

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

Set out below are the Trust Fund's financial instruments, excluding those with carrying amounts which are reasonable approximations of fair value (refer to Note 5):

	2016 US$	2015 US$
Fixed income securities	**1,661,115**	1,938,156
Equities	**49,694,652**	49,787,810
Private equity funds of funds	**7,258,227**	7,565,795
Hedge funds of funds	**19,639,358**	21,099,931
Money market funds	**1,328,223**	773,999
Debt fund	**4,218,627**	4,021,429
	83,800,202	85,187,120

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Continued)

7. Financial instruments - fair value

IFRS 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy.

Fair value hierarchy

The Trust Fund measures fair values using the following hierarchy which reflects the significance of the inputs used in making the measurements:

- Level 1: derived from inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- 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). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: derived from inputs that are unobservable. This category includes all instruments for which the valuation techniques include inputs for the instrument which are not based on observable market data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect the differences between the instruments.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Trust Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the date of the event or change in circumstances during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(Continued)

7. Financial instruments - fair value (continued)

For the purpose of fair value disclosures, the Trust Fund has determined classes of instruments on the basis of the nature, characteristics and risks of the instrument, and the level of the fair value hierarchy.

The following table analyses the Trust Fund's financial instruments recognized at fair value at the reporting date, by the level in the fair value hierarchy.

Recurring fair value measurement of financial instruments

	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
2016				
Fixed income securities	**–**	**1,661,115**	**–**	**1,661,115**
Equities	**18,999,716**	**30,694,936**	**–**	**49,694,652**
Private equity funds of funds	**–**	**–**	**7,258,227**	**7,258,227**
Hedge funds of funds	**–**	**–**	**19,639,358**	**19,639,358**
Money market funds	**1,328,223**	**–**	**–**	**1,328,223**
Debt funds	**–**	**4,218,627**	**–**	**4,218,627**
	20,327,939	**36,574,678**	**26,897,585**	**83,800,202**
2015				
Fixed income securities	–	1,938,156	–	1,938,156
Equities	21,802,659	27,985,151	–	49,787,810
Private equity funds of funds	–	–	7,565,795	7,565,795
Hedge funds of funds	–	–	21,099,931	21,099,931
Money market funds	773,999	–	–	773,999
Debt funds	–	4,021,429	–	4,021,429
	22,576,658	33,944,736	28,665,726	85,187,120

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(Continued)

7. Financial instruments - fair value (continued)

Transfers between Levels

There were no transfers amongst the three Levels 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 and quoted prices in active markets are no longer available for those instruments.
- 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.
- Transfers to or from Level 3 are dependent on the existence of unobservable pricing inputs. Financial instruments are transferred to Level 3 where a previously active market or pricing based on such market ceases or becomes unobservable.

Valuation techniques

Level 1 instruments

When fair values of publicly traded equities, equity-related securities and managed funds are based on quoted market prices in an active market for identical assets without any adjustments, the instruments are included within Level 1 of the hierarchy. The Trust Fund values these investments at quoted market price at the close of trading on the reporting date.

Fair values at the reporting date are obtained using valuation techniques based on observable data. Observable data is considered to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by an independent source which is actively involved in the relevant market.

The Trust Fund categorises these investments as Level 1.

Level 2 instruments

The Trust Fund invests in fixed income securities, treasury bills and mutual funds. In the absence of a quoted price in an active market, these instruments are valued using observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuers, discounted cash flows based on yield curves, and quoted prices of the underlying securities. Adjustments are made to the valuations if necessary to recognise differences in the instrument’s terms.

To the extent that the significant inputs are observable, the Trust Fund categorises these investments as Level 2.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(Continued)

7. Financial instruments - fair value (continued)

Valuation techniques (continued)

Level 3 instruments

The Trust Fund invests in managed funds (Private Equity Funds of Funds and Hedge Funds of Funds) which are not quoted in active markets and which may be subject to restrictions on redemptions such as lock up periods, redemption gates and side pockets. Investments in those funds are valued based on the NAV per unit published by the administrator of those funds. Such a NAV is adjusted by the individual fund managers when necessary to reflect liquidity risk, limitations on redemptions, and other factors.

The Trust Fund, as part of its due diligence prior to investing, considers the valuation techniques and inputs used by the individual fund managers in valuing the Private Equity Funds of Funds and Hedge Funds of Funds investments, to ensure that they are reasonable and appropriate.

The objective of these valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset in an orderly transaction, i.e. not a forced sale, between market participants at the measurement date.

Valuation techniques include net present value and discounted cash flow models, market approach and comparison with similar instruments for which market observable prices exist, as well as mathematical models such as Black-Scholes and polynomial option pricing models.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices, as well as expected price volatilities and asset correlations. Fair value is determined by each Funds of Funds manager using the various valuation techniques and relevant valuation models.

In the case of Private Equity investments, the predominant methodology adopted by the fund managers in determining the NAV is a market approach, which takes market multiples using a specified financial measure (e.g. EBITDA), recent public market and private transactions and other available measures for valuing comparable companies. The Trust Fund classifies investments in Private Equity Funds of Funds as Level 3.

In the case of Hedge Funds of Funds, valuation techniques employed by the fund managers include a combination of quoted market prices available in active markets, values derived from observable inputs, such as quotations received from counterparties, dealers or brokers, whenever available and considered reliable, as well as other mathematical models and valuation techniques as stated above. In the instances where these models are used, the value depends on the contractual terms of, and specific risks inherent in, the instrument as well as the availability and reliability of observable inputs, such as market prices for reference securities, yield curves, credit curves, volatility, prepayment rates and the correlations of such inputs. Investments in Hedge Funds of Funds are typically classified as Level 3.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Continued)

7. Financial instruments - fair value (continued)

Valuation techniques (continued)

Level 3 instruments (continued)

Sensitivity analysis to significant changes in unobservable inputs within Level 3

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2016 are shown below:

	Input used	Sensitivity used +/-%	Effect on fair value US$
Hedge Funds of Funds	NAV	5	981,968
	NAV	10	1,963,936
	NAV	15	2,945,904
Private Equity Funds of Funds	NAV	5	362,911
	NAV	10	725,823
	NAV	15	1,088,734

Significant decreases in the NAVs would result in a significantly lower fair value measurement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Continued)

7. Financial instruments - fair value (continued)

Level 3 reconciliation

There were no transfers into or out of level 3.

There were transfers into or out of Level 3. 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.

	Private equity funds of funds US$	Hedge funds of funds US$	Total US$
2016			
Balance at 1 January 2016	**7,565,795**	**21,099,931**	**28,665,726**
Total realised gains	**225,631**	**299,154**	**524,785**
Subscriptions	**–**	**–**	**–**
Redemptions	**–**	**(1,788,995)**	**(1,788,995)**
Capital calls	**915,800**	**–**	**915,800**
Distributions	**(1,504,345)**	**–**	**(1,504,345)**
Unrealised gains included in comprehensive income	**55,346**	**29,268**	**84,614**
Balance at 31 December 2016	**7,258,227**	**19,639,358**	**26,897,585**
2015			
Balance at 1 January 2015	7,788,778	21,465,217	29,253,995
Total realised gains/(losses)	395,772	58,421	454,193
Subscriptions	–	2,032,204	2,032,204
Redemptions	–	(2,460,923)	(2,460,923)
Capital calls	1,169,800	–	1,169,800
Distributions	(1,865,854)	–	(1,865,854)
Unrealised (losses)/gains included in comprehensive income	77,299	5,012	82,311
Balance at 31 December 2015	7,565,795	21,099,931	28,665,726

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Continued)

8. Fixed Assets

	Motor vehicles US$	Equipment & Furniture US$	Leasehold improvements US$	Total US$
Cost				
Balance at 31 December 2015	151,570	137,708	13,213	302,491
Additions at cost	33,821	931	–	34,752
Exchange adjustments	(6,711)	(6,097)	(585)	(13,393)
Disposals	(28,512)	–	–	(28,512)
Balance at 31 December 2016	**150,168**	**132,542**	**12,628**	**295,338**
Accumulated depreciation				
Balance at 31 December 2015	(67,609)	(120,282)	(13,213)	(201,104)
Charge for the year	(20,061)	(5,302)	–	(25,363)
Exchange adjustments	2,994	5,325	585	8,904
Disposal	20,054	–	–	20,054
Balance at 31 December 2016	(64,622)	(120,259)	(12,628)	(197,509)
Net book value at 31 December 2016	**85,546**	**12,283**	**–**	**97,829**
Net book value at 31 December 2015	83,961	17,426	–	101,387

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Continued)

9. Capital contributions

	2016 US$	2015 US$
At beginning of year	**114,067,660**	114,067,660
Third party contributions	**–**	–
At end of year	**114,067,660**	114,067,660
Represented by:		
Members' contributions and escrow	**104,907,660**	104,907,660
Third party contributions	**9,160,000**	9,160,000
At end of year	**114,067,660**	114,067,660

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

Third party contributions

The Members accepted a third party contribution of US$9,160,000 from the Government of the Commonwealth of the Bahamas, which was paid over a period of nine years in the sum of US$1,017,778 per annum commencing July 2006. The last payment was received in July 2014. This contribution is premised on the key condition that any such amounts paid shall be converted into membership contributions should the Government of the Commonwealth of the Bahamas become a Member of the Court.

10. Related parties

Parties are considered to be related if (a) one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions or (b) the party is a member of key management personnel. 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. Members of the Board, as well as members of key management are considered to be related parties for the Trust Fund.

No commercial transactions are entered into by the Trust Fund with related parties in the normal course of business. Staff costs totalled US$355,658 (2015: US$365,129) for the year, of which short-term benefits for key management amounted to US$296,004 (2015: US$293,105), and other staff costs amounted to US$59,654 (2015: US$72,024). Board expenses totalled US$84,869 (2015: US$75,402) for the year, of which honoraria payments to Trustees amounted to US$17,100 (2015: US$16,383) and other board expenses amounted US$67,769 (2015: US$59,019).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Continued)

11. 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, approved third parties, and retained deficits after distributions to the Court. These resources are invested in a diversified portfolio of tax-efficient instruments, including fixed income and equity securities, in order to produce an optimal net long-term rate of return with reasonable security of capital.

Assets are invested and managed by considering the purpose, terms, distribution requirements and other circumstances of the Trust Fund. Investment and management decisions in respect of individual assets are evaluated in the context of the portfolio as a whole and as a part of an overall investment strategy, reflecting risk and return objectives reasonably suited to the Trust Fund.

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

No externally imposed capital requirements apply to the Trust Fund.

12. Financial risk management

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

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 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(Continued)

13. Liquidity risk

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

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

At the start of each year the Trust Fund sets aside in liquid assets the amount required to meet the annual financial requirements of the Court, the Commission and the Trust Fund. Except for Private Equity Funds of Funds and Hedge Funds of Funds holdings, the balance of the portfolio is invested widely in marketable assets which are traded in active and liquid markets, and can therefore be liquidated in the event of an unforeseen interruption of cash flow. All investments can be disposed of during the course of any financial year.

Funds 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 Funds 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.

Amounts due to the Court as described in Note 2.3 i) are due on demand. Other financial liabilities, namely accounts payable and accrued liabilities, are due within one year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Continued)

13. Liquidity risk (continued)

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

	Up to 1 year US$	1 to 5 years US$	Over 5 years US$	Non-interest bearing US$	Total US$
2016					
Fixed income securities	**–**	**1,103,452**	**557,663**	**–**	**1,661,115**
Equities	**–**	**–**	**–**	**49,694,652**	**49,694,652**
Private equity funds of funds	**–**	**–**	**–**	**7,258,227**	**7,258,227**
Hedge funds of funds	**–**	**–**	**–**	**19,639,358**	**19,639,358**
Money market funds	**1,328,223**	**–**	**–**	**–**	**1,328,223**
Debt fund	**–**	**–**	**–**	**4,218,627**	**4,218,627**
	1,328,223	**1,103,452**	**557,663**	**80,810,864**	**83,800,202**

	Up to 1 year US$	1 to 5 years US$	Over 5 years US$	Non-interest bearing US$	Total US$
2015					
Fixed income securities	81,394	1,276,777	579,985	–	1,938,156
Equities	–	–	–	49,787,810	49,787,810
Private equity funds of funds	–	–	–	7,565,795	7,565,795
Hedge funds of funds	–	–	–	21,099,931	21,099,931
Money market funds	773,999	–	–	–	773,999
Debt fund	–	–	–	4,021,429	4,021,429
	855,393	1,276,777	579,985	82,474,965	85,187,120

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Continued)

14. Credit risk

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

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

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

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

Selected approved asset managers are authorized to purchase suitable securities on a discretionary basis based on an analysis by the asset manager of the companies' prospectuses and due diligence procedures. Asset managers who participate in the fixed income space are limited to investment grade securities. With respect to investments purchased regionally, the Trustees consider analyses presented by Management to ensure that the securities satisfy standards established by the Board.

Investments in Private Equity Funds of Funds and Hedge Funds 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 Funds of Funds is for potential increased diversification and reduction of overall market risk of the portfolio.

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

Credit Quality of financial instruments

The Trust Fund's credit risk exposure on fixed income securities is analysed by the following S&P credit risk ratings:

	2016 US$	2015 US$
A- to AA+	**153,982**	327,656
BBB to BBB+	**1,507,133**	1,610,500
	1,661,115	1,938,156

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Continued)

14. Credit risk (continued)

Risk concentrations of financial instruments by geographical distribution

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

	Regional US$	Non-Regional US$	Total US$
2016			
Fixed income securities			
Government agency bonds	**153,982**	**–**	**153,982**
Corporate bonds	**1,507,133**	**–**	**1,507,133**
	1,661,115	**–**	**1,661,115**
Equities	**–**	**49,694,652**	**49,694,652**
Private equity funds of funds	**–**	**7,258,227**	**7,258,227**
Hedge funds of funds	**–**	**19,639,358**	**19,639,358**
Money market funds	**–**	**1,328,223**	**1,328,223**
Debt fund	**–**	**4,218,627**	**4,218,627**
	1,661,115	**82,139,087**	**83,800,202**
2015			
Fixed income securities			
Government agency bonds	327,656	–	327,656
Corporate bonds	1,610,500	–	1,610,500
	1,938,156	–	1,938,156
Equities	–	49,787,810	49,787,810
Private equity funds of funds	–	7,565,795	7,565,795
Hedge funds of funds	–	21,099,931	21,099,931
Money market funds	–	773,999	773,999
Debt fund	–	4,021,429	4,021,429
	1,938,156	83,248,964	85,187,120

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(Continued)

15. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables. Market risk comprises three types of risk: foreign currency risk, interest rate risk and equity price risk.

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

a) Foreign currency risk

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

The Trust Fund has no significant foreign exchange exposure since liabilities are funded by assets in the same currency. The Trust Fund's liability to meet the expenses of the Court and Commission in perpetuity arises primarily in US$. The Trust Fund's administrative expenses arise in US$ as well as Trinidad and Tobago dollars (TT$). The Trust Fund matches its liabilities by investing in US$ and TT$.

b) Interest rate risk

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

The Trust Fund is exposed to risks associated with the effects of fluctuations in prevailing market interest rates on the market value of its fixed rate financial instruments and the impact on the fund balance.

Management of interest rate risk includes maintaining a diversified portfolio of cash, equities and bonds and adjusting the average duration of fixed income securities as interest rates change.

Interest rate sensitivity

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Continued)

15. Market risk (continued)

b) Interest rate risk (continued)

Interest rate sensitivity (continued)

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$
2016				
Fixed income securities	**+50**	**(5,879)**	**(14,056)**	**(19,935)**
	+100	**(11,709)**	**(27,701)**	**(39,410)**
	+150	**(17,490)**	**(40,947)**	**(58,437)**
	-50	**5,928**	**14,481**	**20,409**
	-100	**11,907**	**29,401**	**41,308**
	-150	**17,935**	**44,776**	**62,711**
2015				
Fixed income securities	+50	(11,857)	(16,732)	(28,589)
	+100	(23,562)	(32,903)	(56,465)
	+150	(35,120)	(48,533)	(83,653)
	–50	12,009	17,314	29,323
	–100	24,174	35,234	59,408
	–150	36,496	53,781	90,277

c) Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The Trust Fund's equity and equity-related investments are susceptible to equity price risk arising from fluctuations in equity indices.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Continued)

15. Market risk (continued)

c) Equity price risk (continued)

The Trust Fund's investments in equity and equity-related securities may be held for the medium to long term for strategic purposes, and are not held for short-term trading purposes. Management, in conjunction with the Trust Fund's Investment Adviser, closely monitors the exposure of the Trust Fund's investment portfolio to changes in equity indices and is therefore able to minimise the risk resulting from such fluctuations.

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

	Change in equity price 2016 +/-%	**Effect on fund balance 2016 US$**	**Change in equity price 2015 +/-%**	**Effect on fund balance 2015 US$**
U.S. equities	**5**	**1,097,453**	5	1,024,631
	10	**2,194,907**	10	2,049,261
	15	**3,292,360**	15	3,073,892
Non U.S. equities	**5**	**883,237**	5	971,444
	10	**1,766,474**	10	1,942,888
	15	**2,649,711**	15	2,914,332
Emerging markets	**5**	**283,496**	5	320,682
	10	**566,993**	10	641,365
	15	**850,489**	15	962,047
Debt funds	**5**	**210,931**	5	201,071
	10	**421,863**	10	402,143
	15	**632,794**	15	603,214
Real assets	**5**	**220,546**	5	172,633
	10	**441,092**	10	345,267
	15	**661,638**	15	517,900

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Continued)

16. Due to Court - Non-judicial Staff Pensions

	2016 US$	2015 US$
At beginning of year	**1,900,000**	1,676,000
Funds received	**244,757**	186,312
Change in accumulated value	**117,243**	37,688
At end of year	**2,262,000**	1,900,000

Non-Judicial Staff pensions

The Court provides its non-judicial staff and staff of the Commission with a defined contribution pension plan (refer to Note 2.3 i).

Judges' pensions

The Court provides its judges with a defined benefit pension plan and obtains an actuarial valuation at the end of each financial year in respect of that obligation (refer to Note 2.3 i).

The Court's defined benefit obligation amounted to US$7,680,000 at 31 December 2016 (2015: US$6,520,000).

17. Accumulated transfers to/from the Court

	2016 US$	2015 US$
Accumulated transfers to the Court (refer to Note 2.3 j)		
At beginning of year	**58,619,589**	52,520,260
During the year	**6,552,377**	6,099,329
At end of year	**65,171,966**	58,619,589
Accumulated transfers from the Court (refer to Note 2.3 j)		
At beginning of year	**874,767**	874,767
During the year	**–**	–
At end of year	**874,767**	874,767

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Continued)

18. Commitment and contingencies

Operating lease commitments

The Trust Fund has entered into an arrangement for the lease of a property for a one (1) year period. Lease commitments are as follows:

	2016 US$	2015 US$
Within one year	**26,201**	27,415

Lease rental expense included in property related expenses amounted to US$62,884 (2015: US$63,447) for the year. The lease commitments presented above represent the commitments for the five month period under the current lease which ends in May 2017 (2015: May 2016).

Contingencies

There are no contingencies at year end (2015: Nil).

19. Events after the reporting period

There were no material events after the statement of financial position date which required adjustment or disclosure in the financial statements of the Fund as at 24 July 2017.

REGISTERED OFFICE
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Anne-Marie James, Senior Manager, Finance; Board Secretary
Tisha Teelucksingh, Porfolio Manager

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