CARIBBEAN COURT OF JUSTICE

TRUST FUND ANNUAL REPORT 2021

GROWTH

STABILITY

PROTECTION

LONGEVITY

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COMPOSITION OF THE BOARD OF TRUSTEES

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

Dr. Linton Lewis

- BOARD & COMMITTEE POSITION: Chairman
- INSTITUTION: Caribbean Congress of Labour

COMPOSITION OF THE BOARD OF TRUSTEES
(Continued)

Mrs. Christine Sahadeo

• BOARD & COMMITTEE POSITION:
Vice Chairman;
Chairman - Finance and Investment Committee

• INSTITUTION:
The University of the West Indies

Mr. Dalton Lee

• BOARD & COMMITTEE POSITION:
Member- Audit Committee

• INSTITUTION:
Caribbean Association of Banks

Chief Justice Patterson K.H. Cheltenham

• BOARD & COMMITTEE POSITION:
Trustee

• INSTITUTION:
Conference of Heads of the Judiciary of Members States of the Caribbean

Mr. M. Musa Ibrahim

• BOARD & COMMITTEE POSITION:
Member - Finance and Investment Committee

• INSTITUTION:
Insurance Association of the Caribbean

Mrs. Marina Andrea St. Rose

• BOARD & COMMITTEE POSITION:
Member - Finance & Investment Committee

• INSTITUTION:
Institute of Chartered Accountants of the Caribbean

[1] **Mr. Ramesh Dookhoo**

• BOARD & COMMITTEE POSITION:
Member - Audit Committee

• INSTITUTION:
Caribbean Association of Industry & Commerce

Mr. Oswald Barnes

• BOARD & COMMITTEE POSITION:
Chairman - Audit Committee

• INSTITUTION:
CARICOM Secretariat

Mr. Ruggles Ferguson

• BOARD & COMMITTEE POSITION:
Trustee

• INSTITUTION:
Organization of Commonwealth Caribbean Bar Associations

1. Mr. Ramesh Dookhoo was elected Vice Chairman of the Board of Trustees on April 25, 2022

REPORT OF THE BOARD OF TRUSTEES

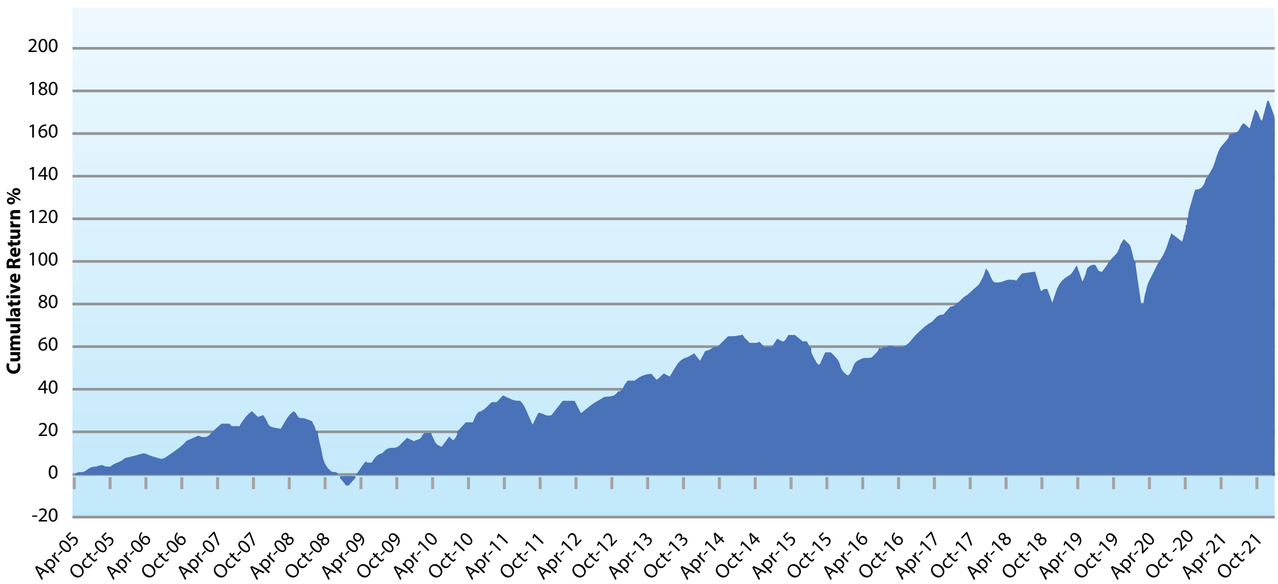
The year 2021 was one of extreme change. The year began with hope that increased availability of coronavirus vaccinations would lead to the end of the pandemic. Unfortunately, throughout the year, the emergence of virus mutations, coupled with the uneven distribution of vaccines, saw millions more people become ill or succumb due to the virus. Nevertheless, several of the world's largest economies enjoyed notable recoveries. In the United States, two additional rounds of stimulus payments in the first quarter provided relief to consumers, which led to rapidly increasing demand for goods and services. Historically low lending rates and a rise in remote work increased the opportunity for consumers to spend.

At the same time, the rapid economic turnaround brought with it a historic surge in consumer and producer prices, labour shortages, and global supply-chain bottlenecks. Low interest rates and stimulus measures adopted by the Federal Reserve gave people more access to money and buying power. Personal income increased as did personal consumption expenditures. Corporate earnings were strong, despite labour and supply shortages and lingering economic uncertainty caused by the pandemic. With continuing consumer demand and strong corporate earnings, equity markets continued the upward trajectory seen from mid 2020 with the US market producing the third straight year of double digit returns

As we adapted to maintain continuity of our operations amidst the COVID-19 pandemic, we stayed the course of our strategic asset allocation and gained from the continued recovery in financial markets. 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, 2021.

The Caribbean Court of Justice Trust Fund ("the Trust Fund") generated a +16.1% return, net of fees and disbursements, in fiscal year 2021, resulting in an annualised return of +6.3% and a cumulative return of +176% since inception. The Trust Fund has consistently built upon its capital endowment, disbursing more than 88.3% of its original capital in fulfilling its primary mandate over the last 16 years of operations, while balancing the obligation to maintain the long-term value of endowment assets for future funding obligations, after accounting for inflation.

Chart 1: Cumulative Return Since Inception (April 2005 to December 2021)



REPORT OF THE BOARD OF TRUSTEES
(Continued)

Background

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 and Legal Services Commission ("the Commission") in perpetuity. The investment philosophy is the set of beliefs and principles that guides the Trust Fund's decision-making process. 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."*

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 seven times and the Finance & Investment Committee met five times. The Compensation Committee and the Audit Committee each held two meetings for the year.

The Markets in 2021

Against a backdrop of economic recovery amidst challenges such as mounting COVID cases, escalating inflation, labour shortages and supply bottlenecks stock markets continued to post gains throughout the year amidst low volatility. The S&P 500 eclipsed its 2020 gain, closing 2021 by nearly 27.0%, the Nasdaq rose by more than 21.3%, the Dow gained about 19.0%, and the Russell 2000 climbed 13.7% as large caps, small caps, growth, value — seemingly every market segment increased. Most market sectors closed the year well above prior year's totals as Energy ended 2021 48.0% higher, followed by real estate (43.0%), information technology (33.5%), and financials (33.0%).

Non-US developed markets, as measured by the MSCI World ex USA returned 12.6%. Emerging markets, as measured by the MSCI Emerging Markets Index, returned -2.5% for the year as challenges faced by China acted as a drag on the index.

Inflation emerged as a growing issue, with U.S. inflation reaching a nearly 40-year high late in the year, as increasing consumer demand was stunted by pandemic-related supply constraints. Historically low mortgage rates helped propel the housing market, as both the number of residential sales and property values escalated. Energy prices, particularly gas prices, rose by nearly 50%, as crude oil reached more than $80 per barrel for the first time since 2014.

While many factors contributed to the strong market performance in 2021, a few highlights include consistently favorable data pointing to ongoing economic recovery, strong corporate earnings throughout 2021, the acceptance of cryptocurrency as a mainstream investment, a low interest-rate environment, stimulus programs that provided consumers with cash, increasing job opportunities, and the availability of coronavirus vaccines.

Fixed income markets experienced more tepid returns than the equity markets, with the Bloomberg Global Aggregate Bond Index returning –1.39%. Bonds underperformed due particularly to inflation concerns, low interest rates, economic growth, and favorable stock performance. Global yield curves finished the year generally higher and steeper than at the start. US Treasury yields, for example, rose across the board, with larger increases along the intermediate portions of the curve. Ten-year Treasuries ended the year at 1.51%, up 60 basis points, the biggest annual rise since 2013.

REPORT OF THE BOARD OF TRUSTEES
(Continued)

The start of the new year saw new challenges as Russia invaded Ukraine in February 2022 and with a flagrant breach of international law, created a humanitarian crisis for the civilian population in Ukraine and triggering unusually massive sanctions against Russia from a large number of countries. The political and economic consequences of the invasion and sanctions adopted have increased already high inflation.

While 2022 started with continued economic recovery, the effect of inflation and resulting increases in interest rates to combat same have had a negative impact on financial markets thus far and the year is expected to be one market by turbulence as markets come to terms with the swift decline, sharp recovery and uncertain conditions as pandemic effects continue to be experienced.

Table 1: Major Indices - Quarterly and Annual Returns 2021

Index	Q1 2021	Q2 2021	Q3 2021	Q4 2021	2021
MSCI ACWI	+ 4.6%	+ 7.4%	- 1.05%	+ 6.7%	+ 18.5%
DJ US Total	+ 5.4%	+ 8.5%	+ 0.2%	+ 9.6%	+ 26.5%
S&P 500	+ 6.2%	+ 8.5%	+ 0.6%	+ 11.0%	+ 28.7%
MSCI ACWI Ex-US	+ 3.5%	+ 5.5%	- 3.0%	+ 1.8%	+ 7.8%
MSCI EAFE	+ 3.5%	+ 5.2%	- 0.4%	+ 2.7%	+ 11.3%
MSCI Emerging Markets	+ 2.5%	+ 5.0%	- 8.1%	- 1.3%	- 2.5%
FTSE WGBI	+ 2.0%	+ 2.0%	+ 2.9%	+ 2.8%	+ 10.1%
S&P Natural Resources	+ 19.4%	+ 11.1%	- 2.5%	+ 8.1%	+ 39.9%
HFRI Composite	+ 2.0%	+ 2.9%	+ 0.7%	+ 0.4%	+6.2%

Source: Mercer Monthly Market Summaries and Quarterly Reports 2021

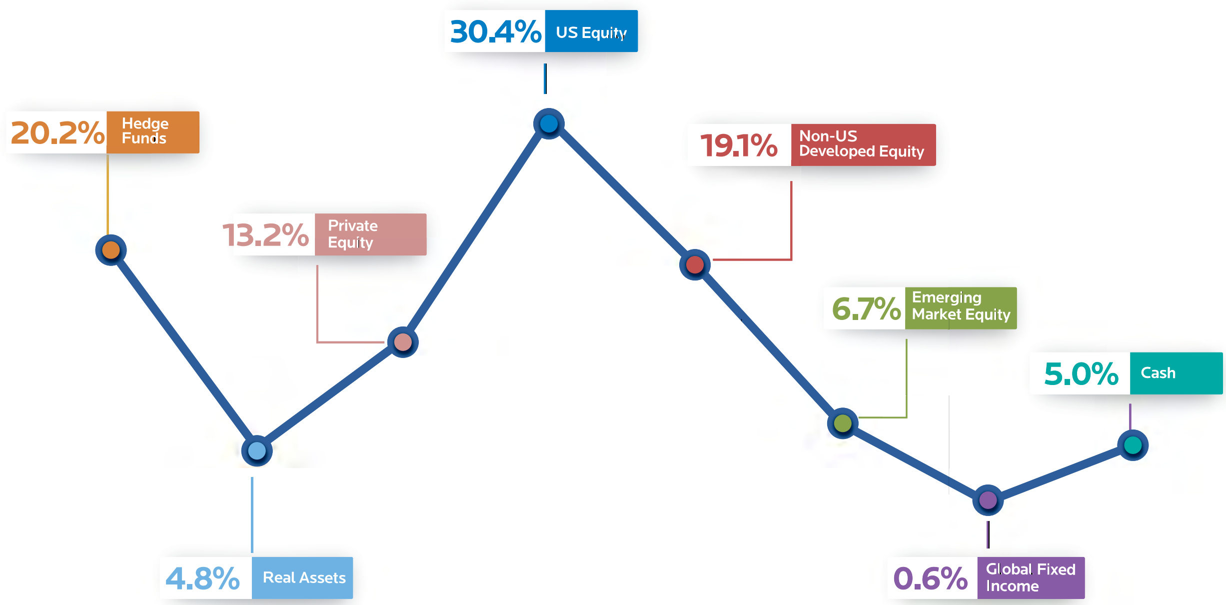
REPORT OF THE BOARD OF TRUSTEES
(Continued)

Management of the Portfolio

The Trust Fund is an institutional endowment fund that manages the portfolio with the long-term focus necessary to achieve the mandate of funding the Court and the Commission in perpetuity. The strategic asset allocation of the portfolio has been structured, with assistance from the services provided by the Trust Fund's investment advisor, Pavilion, a Mercer Practice, to attain a 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 strategic asset allocation comprises the long-term investment weightings for these core asset classes which best suit the goals and constraints of the Trust Fund. The weightings take into account the expected returns, volatility, behaviour of, and correlations amongst, these assets through full market cycles. The strategic portfolio allocation is biased toward public equity because of the Trust Fund's need to maintain liquid earning assets to fund current operations, while preserving the purchasing power of assets.

The target mix of assets may deviate from the strategic allocation from time to time, as the Trust Fund seeks to adjust the portfolio to take advantage of shorter-term market conditions, without losing sight of the longer-term objective. The portfolio allocation as at December 31, 2021 is provided in Chart 2 below:

Chart 2: Portfolio Asset Composition as at December 31, 2021 (%)



REPORT OF THE BOARD OF TRUSTEES
(Continued)

Consistent with the long-term strategic asset allocation, equities, made up of US, non-US developed markets, and emerging markets, comprise the majority of the portfolio. This allocation was structured to optimise, over the long-term, the probability of achieving the target rate of return, whilst being cognizant of the need to maintain appropriate risk constraints to protect the capital of the fund. The target mix among the different sub-sectors in equities is primarily determined from medium-term return expectations based on valuations versus historical norm, prevailing economic and geopolitical conditions, and current business cycle. The Trust Fund recognises that certain equity markets are highly efficient, but seeks to pursue active management strategies in other equity markets or niche sectors within efficient markets, to enhance the potential for additional net return each year. The Trust Fund is mindful of the need to control costs, and adopts an optimal mix of passive strategies and active, high conviction strategies in this regard.

Hedge fund of funds investments are expected to continue to fulfil a critical role in risk reduction without significantly sacrificing return in the long run, as these investments remain less than perfectly correlated with equities. Hedge funds have the potential to create value through active management across different asset classes, and continue to be preferred compared to other risk-reducing assets (cash, fixed income) because of, amongst other factors, the portfolio's need to maintain the purchasing power of its capital.

Private equity is expected to continue to contribute positively to return in the long run, as the existing diversified portfolio of private equity investments progresses to the mature stage. The Trust Fund has ceased adding to its existing private equity funds of funds portfolio because of the estimated longevity of the portfolio under projected payout ratios in comparison to the typical life cycle of a private equity fund investment.

Real assets, which include oil, gas, as well as real estate, timber, gold, and other commodities, are viewed as an inflation protection hedge within the portfolio. The return of global economic growth, and consequent inflation, in response to aggressive fiscal stimulus plans and accommodative monetary policy measures continue to support the inclusion of inflation protection assets in the portfolio over the long-term.

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.

Annual Returns on the Portfolio, Since Inception

The benefits of maintaining a diversified strategic long-term asset allocation have been proven throughout the varying market conditions experienced since inception. The Trust Fund earned a return of +16.1% in 2021, benefiting from the double digit returns generated by most major equity indices (as highlighted in the index returns provided in Table 1 above) while being moderated by the more stable returns of risk reducing assets. The return of +16.1% in 2021 brought the annualised and cumulative net returns since inception (April 2005) to +6.3% p.a. and +176% respectively

The continuing commitment to the long-term allocation has rewarded the Trust Fund with positive returns in eleven of the sixeen full calendar years of existence (2006 to 2021), with returns exceeding 9% in ten of the twelve positive years. The total rates of return earned by the portfolio for the complete calendar years since inception are shown in Table 2. All returns in this report are stated net of investment management expenses, consistent with industry standards.

REPORT OF THE BOARD OF TRUSTEES
(Continued)

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%
2017	+ 17.2%	+ 5.2%
2018	- 5.3%	+ 4.4%
2019	+ 17.0%	+ 5.2%
2020	+12.8%	+5.7%
2021	+16.1%	+6.3%

Movement in Fund Balance

The balance of the Fund as at December 31, 2020 was US$85,790,199. The positive annual return of +16.1%, and consequent gain in fair value of investments, outweighed the draw of the disbursements to the Court and the Commission for the financial year 2021. The result was a net increase in the market value of the fund after disbursements from US$85,790,199 at the start of the year to end 2021 at US$91,384,268. After deducting amounts due to the Court with respect to non-judicial staff pensions, the net balance of the fund at the end of the financial year 2021 was US$85,884,268.

REPORT OF THE BOARD OF TRUSTEES
(Continued)

Table 3: Statement of Movement in Fund Balance – 2021, 2020 and From Inception (April 2005)

	2021	2020	April 2002 to December 2021
Opening Fund Balance	**81,082,199**	**78,641,583**	**100,946,142**
Additional Contributions	0	0	13,121,518
	81,082,199	78,641,583	114,067,660
Interest & Dividends	683,768	651,715	23,434,212
Realised Gains/ (Losses)	3,888,192	2,079,674	33,744,601
Net Gain/(Loss) in Fair Value on Investments	8,185,255	7,222,667	32,904,678
Investment Income	12,757,215	9,954,056	90,083,491
Investment Management Expenses	(312,500)	(317,330)	(5,829,786)
Net Investment Income	12,444,715	9,636,726	84,253,705
Trust Fund Administrative Expenses	(282,609)	(314,432)	(10,339,922)
Net Gain/(Loss) in Fund Before Disbursements	**12,162,106**	**9,322,294**	**73,913,783**
Disbursements to Court & Commission	(6,878,101)	(6,375,125)	(100,766,217)
Net Receipts from Court & Commission	310,064	285,447	4,169,042
Net Change in Fund Balance (excluding Additional Contributions)	5,594,069	3,232,616	(22,683,392)
Fund Balance @ December 31	91,384,268	85,790,199	91,384,268
Due to Court re non-judicial staff pensions	(5,500,000)	(4,708,000)	(5,500,000)
Closing Net Fund Balance	**85,884,268**	**81,082,199**	**85,884,268**

[1] Including Net Foreign Exchange Gains/ (Losses)
[2] Including Depreciation

REPORT OF THE BOARD OF TRUSTEES
(Continued)

The Trust Fund maintained its commitment to a disciplined rebalancing approach and recorded net Realised Gains of US$3,888,192, crystallising mark to market gains during the year on assets for which there had been a significant increase in market value.

Administrative expenses showed a 10% decrease, - US$31,823, 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 0.7%, lower than previous years, resulting mainly from reduced staff expenses brought about from a rationalisation exercise undertaken from 2019 to 2021, leading to a decline in the average ratio applicable since inception of the portfolio in 2005 from 1.06% to 1.02% over the period. The ratio has remained consistent with expense ratios for international endowment funds.

The Fund recorded a Net Gain in the Fund before Disbursements of US$12,162,106 for the financial year. This increased the cumulative Net Gain in the Fund before Disbursements since inception to US$73,913,783.

Disbursements to fund the expenses of the Court and the Commission amounted to US$6,878,101 in the financial year ended December 31, 2021, bringing cumulative disbursements since inception to US$100,766,217, which represents a cumulative disbursement of approximately 88% of the total capital received. The Trust Fund received US$310,064 from the Court during the financial year which comprised net remittances pertaining to non-judicial staff pensions held on behalf of the Court.

The Fund experienced a net positive change in 2021, after disbursements and total expenses, of US$5,594,069, resulting in a balance of US$91,384,268 at the end of the financial year.

Outlook for 2022

After a year of remarkable recovery amidst ongoing challenges, 2022 has been facing bouts of uncertainty caused by increasing inflation and interest rates and equity markets are expected to reflect these concerns after three years of upward moves. Following a strong recovery of 5.8% in 2021, the global economy is now projected to grow 3.0 percent in 2022 and 2.9 percent in 2022 as the effects of higher interest rates take hold.

While various time periods include some years of decline, markets still offer ample opportunities for solid longer-term growth. As the consolidation of growth continues there is scope for mid-cycle opportunities.

Although the spread of COVID-19 has subsided, inflation and central bank tightening are issues affecting markets in 2022 while low unemployment and strong consumer demand in most developed countries augur well for economic growth.

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 2021, the Trustees remained cognizant of the long-term goal, whilst repositioning the portfolio appropriately to adjust to market conditions.

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 net disbursements to the Court and the Commission of US$96,597,175 and total expenses of the Trust Fund of US$16,169,708 since inception, the balance of the Fund as at December 31, 2021 is US$91,384,268.

The Trust Fund recorded a return of +16.1% for 2021, which brought the annualised and cumulative net returns since inception (April 2005) to +6.3% p.a. and +176% respectively.

The importance of maintaining a diversified long-term strategic asset allocation has been proven throughout the varying market conditions experienced since

REPORT OF THE BOARD OF TRUSTEES
(Continued)

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 enhance the probability of success in achieving 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, Pavilion, a Mercer Practice. The Board would also like to extend appreciation to the management and staff of Trust Fund for their continued diligence and professional commitment throughout the year.

Dr. Linton Lewis
Chairman

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of the Caribbean Court of Justice Trust Fund ("the Fund"), which comprise the statement of financial position as at 31 December 2021, the statement of comprehensive income, statement of changes in fund balance and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Fund keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal controls that assures security of the Fund's assets, detection/prevention of fraud, and the achievement of Fund operational efficiencies;
- Ensuring that the system of internal controls operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Fund will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

Executive Officer
July 25, 2022

Accountant
July 25, 2022

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 the Caribbean Court of Justice Trust Fund ("the Fund"), which comprise the statement of financial position as at 31 December 2021, 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 2021 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' ("IESBA") International Code of Ethics for Professional Accountants (including International Independence Standards) ("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.

Other information included in the Fund's 2021 Annual Report

Other information consists of the information included in the Fund's 2021 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Fund's 2021 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Report on the Audit of the Financial Statements (Continued)

Responsibilities of Management and the Audit Committee 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 Audit Committee is responsible for overseeing the Fund's financial reporting process.

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.

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

Report on the Audit of the Financial Statements (Continued)

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

- 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.

- 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 Audit Committee 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.

EY

Port of Spain,
TRINIDAD:
27 July, 2022

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Notes	2021 US$	2020 US$
Assets			
Cash and cash equivalents	4	4,544,502	7,237,297
Accounts receivable		8,927	8,728
Interest receivable		4,512	4,499
Other assets		4,946	12,093
Investments at fair value through profit or loss	6	86,878,538	78,589,900
Property, plant and equipment	8	16,198	21,738
Total assets		91,457,623	85,874,255
Liabilities			
Accounts payable and accrued expenses		73,355	84,056
Due to Court - non-judicial staff pensions	16	5,500,000	4,708,000
Total liabilities		5,573,355	4,792,056
Total net assets		85,884,268	81,082,199
Fund balance			
Capital contributions	9	114,067,660	114,067,660
Accumulated deficit		(28,183,392)	(32,985,461)
Total fund balance		85,884,268	81,082,199

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 July 25, 2022 and are signed on its behalf by:

: Trustee

: Trustee

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 US$	2020 US$
Income			
Interest and other income		31,330	40,040
Dividends		652,541	612,074
Realised gain on investments		3,886,541	2,061,505
Net unrealised gain on investments at fair value through profit or loss		8,185,255	7,222,667
Gain on sale/disposal of property, plant and equipment		1,651	18,169
		12,757,318	9,954,455
Expenditure			
Staff costs	10	130,601	109,521
Investment management expenses		312,500	317,330
Board expenses	10	26,300	36,369
Property related expenses		50,115	80,301
General administrative expenses		46,749	47,443
Professional fees		23,053	27,297
Depreciation	8	5,791	13,501
		595,109	631,762
Net operating income for the year		12,162,209	9,322,693
Net foreign exchange loss		(103)	(399)
Net income for the year		12,162,106	9,322,294
Other comprehensive income		–	–
Total comprehensive income for the year		12,162,106	9,322,294

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

STATEMENT OF CHANGES IN FUND BALANCE FOR THE YEAR ENDED 31 DECEMBER 2021

	Capital contributions US$	Accumulated deficit US$	Fund balance US$
Balance at 1 January 2020	114,067,660	(35,426,077)	78,641,583
Total comprehensive income for the year	–	9,322,294	9,322,294
Change in accumulated value– due to Court (Note 16)	–	(506,553)	(506,553)
Transfers to the Court (Note 18)	–	(6,375,125)	(6,375,125)
Balance at 31 December 2020	114,067,660	(32,985,461)	81,082,199
Balance at 1 January 2021	114,067,660	(32,985,461)	81,082,199
Total comprehensive income for the year	–	12,162,106	12,162,106
Change in accumulated value due to Court (Note 16)	–	(481,936)	(481,936)
Transfers to the Court (Note 18)	–	(6,878,101)	(6,878,101)
Balance at 31 December 2021	114,067,660	(28,183,392)	85,884,268

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 US$	2020 US$
Operating activities			
Net income for the year		12,162,106	9,322,294
Adjustments to reconcile net income to net cash flows:			
Depreciation	8	5,791	13,501
Gain on sale of property, plant and equipment		(1,651)	(18,169)
Interest income		(27,242)	(40,040)
Dividend income		(652,541)	(612,074)
Net foreign exchange differences		(39)	(779)
Net realised and unrealised (gains) on investments		(12,071,796)	(9,284,171)
Decrease/(increase) in accounts receivable and other assets		6,948	(8,271)
(Decrease) in accounts payable and accrued expenses		(10,701)	(43,794)
Other movements included in net income		22,961	131,583
Purchase of investments		(3,190,109)	(2,766,287)
Redemption of investments		6,950,350	12,001,531
		3,194,077	8,695,324
Interest received		27,188	40,073
Dividends received		652,541	612,074
Net cash flows generated from operating activities		3,873,806	9,347,471
Investing activities			
Purchase of property, plant and equipment	8	(1,188)	(6,923)
Proceeds from disposal of property, plant and equipment		2,624	55,744
Net cash flows generated from investing activities		1,436	48,821

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021
(Continued)

	Notes	2021 US$	2020 US$
Financing activities			
Funds received from the Court re: non-judicial staff pensions	16	310,064	285,447
Transfers to the Court	18	(6,878,101)	(6,375,125)
Net cash flows used in financing activities		(6,568,037)	(6,089,678)
Net (decrease)/increase in cash and cash equivalents		(2,692,795)	3,306,614
Cash and cash equivalents at beginning of the year		7,237,297	3,930,683
Cash and cash equivalents at end of the year	4	4,544,502	7,237,297

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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. During the year, the Trust Fund employed five (5) 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 (Trinidad and Tobago) from all taxation, all customs duties on goods imported for its official use and all other imposts. 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 Investment Consulting Inc. as independent Investment Adviser. The Trust Fund's Custodian is State Street Bank and Trust Company.

2. Significant accounting policies

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

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Continued)

2. Significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures

New standards and amendments/revisions to published standards and interpretations effective in 2021

In the current year, the Trust Fund has applied the following amendment issued by the International Accounting Standards Board ('IASB') that is mandatorily effective for the accounting period commencing 1 April 2021:

- **COVID-19-Related Rent Concessions (Amendment to IFRS 16)**

The amendment listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and amendments/revisions to published standards and interpretations effective in 2021 but not applicable to the Trust Fund

A number of other new amendments to standards are effective for annual periods beginning on or after 1 January, 2021. The Trust Fund has not adopted the following revised IFRSs and IFRIC interpretations that have been issued. The amendments had no impact on the Trust Fund's financial statements.

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16)

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

The following is a list of new IFRSs, interpretations and amendments that are not yet effective for annual periods beginning on 1 January 2021 and which have not been early adopted by the Trust Fund. Management is currently evaluating the impact of adoption, but does not anticipate there would be a material impact on the Trust Fund's financial statements.

Effective 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018–2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Continued)

2. Significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

New standards, interpretations and revised or amended standards that are not yet effective and have not been early adopted by the Trust Fund (continued)

Effective 1 January 2023:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred tax related to Assets and liabilities arising from single transaction – Amendment to IAS 12

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

In accordance with its business model (refer to Note 6), the Trust Fund's financial instruments (financial assets and financial liabilities) are classified as at fair value through profit or loss.

The Trust Fund's financial instruments 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 recognised on the trade date, the date on which the Trust Fund commits to purchase or sell the asset.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
(Continued)

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

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

c) **Financial assets** (continued)

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 fair value through profit or loss

In accordance with IFRS 9, all financial assets are measured at fair value through profit or loss (FVTPL)

Financial assets are classified as at 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, 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 2021
(Continued)

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

c) Financial assets (continued)

<u>Financial assets at fair value through profit or loss</u> (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. No election of such has been made by the Trust Fund. Dividend income on investments in equity instruments at FVTPL is recognised in profit or loss under 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.

<u>Initial recognition and subsequent measurement</u>

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Continued)

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

e) Fair value measurement (continued)

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 organised 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.

If there is no quoted price in an active market, and the instrument is not actively traded on recognised 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 2021
(Continued)

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

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

f) **Property, plant and equipment**

Property is 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 property, plant and equipment 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 property, plant and equipment 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**

The Trust Fund has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

<u>Short-term leases and leases of low-value assets</u>

The Trust Fund has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Trust Fund recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term consistent with the accounting guidelines for operating leases under IAS 17. Operating leases are leases that do not transfer substantially all the risks and rewards of ownership to the lessee.

The Trust Fund has entered into a one year operating lease for the occupation of its registered office (refer to Note 19). Either party has the option to terminate the agreement by serving notice in writing without incurring more than an insignificant penalty.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
(Continued)

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

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

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".

i) Court and Commission 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Continued)

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

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

i) **Court and Commission pensions** (continued)

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 17). 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.

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 18).

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
(Continued)

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

l) Foreign currency translation (continued)

Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated at the exchange rates at the date the fair value was determined. Foreign exchange gains or losses thus arising are recognised consistently with the fair value gains or losses, directly in the fund balance or the statement of profit or loss and comprehensive income as appropriate.

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 withholding taxes where applicable.

n) Comparative information

Where necessary comparative figures have been adjusted to conform with changes in the presentation in the current year.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
(Continued)

3. Significant accounting judgements and estimates *(continued)*

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.

	2021 US$	2020 US$
4. Cash and cash equivalents		
Cash at bank	96,734	96,337
Money market accounts	1,086,126	6,583,014
Income funds	3,361,642	557,946
	4,544,502	7,237,297

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 organised financial markets. Transactions are recorded on a trade date basis and interest is recognised when earned. Private Equity Funds of Funds and Hedge Funds of Funds investments are valued at year-end based on net asset values (NAVs).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
(Continued)

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

Business model (continued)

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 utilised 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.

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):

	2021 US$	**2020 US$**
Fixed income securities	1,058,164	558,997
Equities	55,454,373	47,908,535
Private equity funds of funds	11,977,575	11,086,763
Hedge funds of funds	18,323,287	18,967,488
Debt fund	65,139	68,117
	86,878,538	78,589,900

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
(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 included in Level 1, 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 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 recognised 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 categorisation (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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Continued)

7. Financial instruments - fair value (continued)

Fair value hierarchy (continued)

The following table analyses the Trust Fund's financial instruments recognised 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$
2021				
Fixed income securities	–	1,058,164	–	1,058,164
Equities	55,454,373	–	–	55,454,373
Private equity funds of funds	–	–	11,977,575	11,977,575
Hedge funds of funds	–	–	18,323,287	18,323,287
Debt funds	–	65,139	–	65,139
	55,454,373	1,123,303	30,300,862	86,878,538
2020				
Fixed income securities	–	558,997	–	558,997
Equities	47,908,535	–	–	47,908,535
Private equity funds of funds	–	–	11,086,763	11,086,763
Hedge funds of funds	–	–	18,967,488	18,967,488
Debt funds	–	68,117	–	68,117
	47,908,535	627,114	30,054,251	78,589,900

Transfers between level

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Continued)

7. Financial instruments - fair value (continued)

Transfers between level (continued)

- 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

<u>Level 1 instruments</u>

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.

The Trust Fund categorises these investments as Level 1.

<u>Level 2 instruments</u>

The Trust Fund invests in fixed income securities, treasury bills and mutual funds. In the absence of a quoted price in an active market, 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.

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.

<u>Level 3 instruments</u>

The Trust Fund invests in managed funds (Private Equity Funds of Funds and Hedge Funds of Funds) which are not quoted in active markets. 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 to reflect assumptions incorporating unobservable factors specific to the asset, including liquidity risk, limitations on redemption 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Continued)

7. **Financial instruments - fair value** (continued)

Valuation techniques (continued)

Level 3 instruments (continued)

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.

Inputs used in valuation techniques include risk-free interest rates, credit spreads and other premia used in estimating discount rates, price information, foreign currency exchange rates, as well as volatility statistics, liquidity statistics and asset correlations.

Fair value is determined by each Funds of Funds manager using the various valuation techniques and relevant valuation models, with significant adjustments based on unobservable inputs, arising from assumptions applied by the individual fund manager. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, the Trust Fund categorises these investments as Level 3.

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 2021 are shown below:

	Input used	Sensitivity used +/-%	Effect on fair value US$
Hedge Funds of Funds	NAV	5	916,164
	NAV	10	1,832,329
	NAV	15	2,748,493
Private Equity Funds of Funds	NAV	5	598,897
	NAV	10	1,197,758
	NAV	15	1,796,636

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 2021
(Continued)

7. **Financial instruments - fair value** (continued)

Valuation techniques (continued)

Level 3 instruments (continued)

Level 3 reconciliation

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 categorised 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$
2021			
Balance at 1 January 2021	11,086,763	18,967,488	30,054,251
Total realised gains	39,518	106,508	146,026
Subscriptions	–	–	–
Redemptions	–	(2,000,000)	(2,000,000)
Capital calls	440,000	–	440,000
Distributions	(2,679,361)	–	(2,679,361)
Unrealised gains included in comprehensive income	3,090,655	1,249,291	4,339,946
Balance at 31 December 2021	11,977,575	18,323,287	30,300,862
2020			
Balance at 1 January 2020	9,046,437	16,850,632	25,897,069
Total realised gains	34,543	–	34,543
Subscriptions	–	–	–
Redemptions	–	–	–
Capital calls	734,000	–	734,000
Distributions	(1,266,084)	–	(1,266,084)
Unrealised gains included in comprehensive income	2,537,867	2,116,856	4,654,723
Balance at 31 December 2020	11,086,763	18,967,488	30,054,251

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
(Continued)

8. Property, plant and equipment

2021	Motor vehicles US$	Equipment & furniture US$	Leasehold improvement US$	Total US$
Cost				
Balance at 31 December 2020	77,032	142,591	12,428	232,051
Additions at cost	–	1,188	–	1,188
Exchange adjustments	123	228	20	371
Disposals	(21,409)	–	–	(21,409)
Balance at 31 December 2021	55,746	144,007	12,448	212,201
Accumulated depreciation				
Balance at 31 December 2020	(65,823)	(132,062)	(12,428)	(210,313)
Charge for the year	(2,607)	(3,184)		(5,791)
Exchange adjustments	(105)	(211)	(20)	(336)
Disposals	20,437	–	–	20,437
Balance at 31 December 2021	(48,098)	(135,457)	(12,448)	(196,003)
Net book value at 31 December 2021	7,648	8,550	–	16,198

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
(Continued)

8. Property Plant & Equipment (continued)

2020	Motor vehicles US$	Equipment & furniture US$	Leasehold improvement US$	Total US$
Cost				
Balance at 31 December 2019	154,228	138,294	12,446	304,968
Additions at cost	–	6,923	–	6,923
Exchange adjustments	(227)	(204)	(18)	(449)
Disposals	(76,969)	(2,422)	–	(79,391)
Balance at 31 December 2020	77,032	142,591	12,428	232,051
Accumulated depreciation				
Balance at 31 December 2019	(98,832)	(128,587)	(12,446)	(239,865)
Charge for the year	(7,824)	(5,677)	–	(13,501)
Exchange adjustments	147	189	18	354
Disposals	40,686	2,013	–	42,699
Balance at 31 December 2020	(65,823)	(132,062)	(12,428)	(210,313)
Net book value at 31 December 2020	11,209	10,529	–	21,738

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Continued)

9. Capital contributions	2021 US$	2020 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 organisation 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.

Staff costs totalled US$130,601 (2020: US$109,521) for the year. Short-term benefits for key management amounted to US$73,543 (2020: US$50,804) and other staff costs amounted to US$57,058 (2020: US$58,717).

Board expenses totalled US$26,300 (2020: US$36,369) for the year, of which honoraria payments to Trustees amounted to US$26,300 (2020: US$21,400) and other board expenses amounted to US$NIL (2020: US$14,969).

Transfers to the Court during the year totalled US$6,878,101 (2020: US$6,375,125).

No commercial transactions are entered into by the Trust Fund with related parties in the normal course of business.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
(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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
(Continued)

13. **Liquidity risk** (continued)

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 j) are due on demand. Other financial liabilities, namely accounts payable and accrued liabilities, are due within one year.

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

2021	Up to 1 Year US$	1 to 5 years US$	Over 5 years US$	Non-interest bearing US$	Total US$
Fixed income securities	1,058,164	–	–	–	1,058,164
Equities	–	–	–	55,454,373	55,454,373
Private equity funds of funds	–	–	–	11,977,575	11,977,575
Hedge funds of funds	–	–	–	18,323,287	18,323,287
Debt fund	–	–	–	65,139	65,139
	1,058,164	–	–	85,820,374	86,878,538

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
(Continued)

13. Liquidity risk (continued)

	Up to 1 Year US$	1 to 5 years US$	Over 5 years US$	Non-interest bearing US$	Total US$
2020					
Fixed income securities	–	558,997	–	–	558,997
Equities	–	–	–	47,908,535	47,908,535
Private equity funds of funds	–	–	–	11,086,763	11,086,763
Hedge funds of funds	–	–	–	18,967,488	18,967,488
Debt fund	–	–	–	68,117	68,117
	–	558,997	–	78,030,903	78,589,900

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 Trust Fund is exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations. These exposures exist within fixed income securities and similar securities, as well as cash and cash equivalents. These classes of financial assets are not subject to IFRS 9's impairment requirements as they are measured at FVTPL (refer to Note 6).

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. The Trust Fund monitors the creditworthiness of its counterparties by reviewing their credit ratings, as well as financial news and reports.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
(Continued)

14. Credit risk (continued)

Selected approved asset managers are authorised 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 on financial instruments not subject to the IFRS 9's impairment requirements on the reporting date, hence no separate maximum exposure to credit risk disclosure is provided on these instruments.

Credit quality of financial instruments

The Trust Fund's credit risk exposure on corporate bonds is analysed by the following S&P credit risk ratings:

	2021 US$	2020 US$
A-3	558,344	558,997

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$
2021			
Treasury bills	499,820	–	499,820
Corporate bonds	558,344	–	558,344
Equities	–	55,454,373	55,454,373
Private equity funds of funds	–	11,977,575	11,977,575
Hedge funds of funds	–	18,323,287	18,323,287
Debt fund	–	65,139	65,139
	1,058,164	85,820,374	86,878,538

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
(Continued)

14. Credit risk (continued)

Risk concentrations of financial instruments by geographical distribution (continued)

2020

Corporate bonds	558,997	–	558,997
Equities	–	47,908,535	47,908,535
Private equity funds of funds	–	11,086,763	11,086,763
Hedge funds of funds	–	18,967,488	18,967,488
Debt fund	–	68,117	68,117
	558,997	78,030,903	78,589,900

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
(Continued)

15. Market Risk (continued)

b) Interest rate risk (continued)

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.

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$**	**Up to 5 years US$**	**Total US$**
2021				
Corporate bonds	+50	(2,216)	–	(2,216)
	+100	(4,420)	–	(4,420)
	+150	(6,610)	–	(6,610)
	-50	2,235	–	2,235
	-100	–	–	–
	-150	–	–	–
2020				
Fixed income securities	+50	(4,824)	–	(4,824)
	+100	(9,593)	–	(9,593)
	+150	(14,309)	–	(14,309)
	-50	4,875	–	4,875
	-100	9,808	–	9,808
	-150	14,796	–	14,796

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
(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$**	**Up to 5 years US$**	**Total US$**
2021				
Corporate bonds	+50	(2,216)	–	(2,216)
	+100	(4,420)	–	(4,420)
	+150	(6,610)	–	(6,610)
	-50	2,235	–	2,235
	-100	–	–	–
	-150	–	–	–
2020				
Fixed income securities	+50	(4,824)	–	(4,824)
	+100	(9,593)	–	(9,593)
	+150	(14,309)	–	(14,309)
	-50	4,875	–	4,875
	-100	9,808	–	9,808
	-150	14,796	–	14,796

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Continued)

15. Market Risk (continued)

c) Equity price risk

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

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

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 2021 +/-%	Effect on fund balance 2021 US$	Change in equity price 2020 US$	Effect on fund balance 2020 US$
U.S. equities	5	1,384,048	5	1,122,036
	10	2,768,096	10	2,244,073
	15	4,152,145	15	3,366,109
Non U.S. equities	5	866,130	5	813,511
	10	1,732,260	10	1,627,022
	15	2,598,390	15	2,440,533
Emerging markets	5	303,682	5	297,960
	10	607,364	10	595,920
	15	911,046	15	893,880
Debt funds	5	3,257	5	3,406
	10	6,514	10	6,812
	15	9,771	15	10,217
Real assets	5	218,858	5	161,919
	10	437,717	10	323,838
	15	656,575	15	485,757

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Continued)

16. Due to Court - 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).

	2021 US$	2020 US$
At beginning of year	4,708,000	3,916,000
Funds received from the Court	310,064	285,447
Change in accumulated value	481,936	506,553
At end of year	5,500,000	4,708,000

17. 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$12,975,000 at 31 December 2021 (2020: US$13,098,000).

The Trust Fund is the sole provider of funding to the Court for its defined benefit pension obligation to its judges, and pays to the Court the pensions 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 requested and made.

This arrangement is consistent with the purpose of the Trust Fund, which is to provide the resources necessary to finance the capital and operating budget of the Court and the Commission in perpetuity.

While the Court's defined benefit obligation of US$12,975,000 at 31 December 2021 has not been recorded as an obligation of the Trust Fund, should the Trust Fund be terminated as at the reporting date, this amount represents an actuarially determined estimate of the claim against the resources of the Trust Fund by the Court to fund its defined benefit pension obligation to its judges.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
(Continued)

	2020	2019
18. Accumulated transfers to/from the Court	**US$**	**US$**
Accumulated transfers to the Court (refer to Note 2.3 j)		
At beginning of year	93,888,116	87,512,991
During the year	6,878,101	6,375,125
At end of year	100,766,217	93,888,116
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

19. Commitment and contingencies

Capital commitments

At the year-end, capital commitments amounted to US$Nil (2020: US$1,193).

Contingencies

There are no contingencies at year end (2020: Nil).

20. Events after the reporting period

There are no material events occurring after the reporting date and before the date of approval of these financial statements by the Board of Trustees that require adjustment to or disclosure in these financial statements.

NOTES

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