KPMG

Financial Statements of

THE CARIBBEAN COURT OF JUSTICE

December 31, 2007

KPMG

Contents

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Auditors' Report to the Court Executive Administrator of the Caribbean Court of Justice

We have audited the financial statements of the Caribbean Court of Justice (the Court), set out on pages 2 to 17, which comprise the balance sheet as at December 31, 2007, and the statements of income, changes in retained earnings and accumulated deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements, which have been prepared in accordance with International Financial Reporting Standards, present fairly, in all material respects, the financial position of the Court as at December 31, 2007 and of its financial performance, changes in retained earnings and cash flows for the year then ended.

KPMG

Chartered Accountants

Port of Spain
Trinidad and Tobago, W.I.
April 25, 2008

Balance Sheet

December 31, 2007

	Notes		2007	2006
ASSETS				
Non-current assets				
Property, plant and equipment	1	$	9,685,715	12,098,294
Retirement benefit asset	2		842,310	1,014,930
Total non-current assets			10,528,025	13,113,224
Current assets				
Other receivables	3		836,905	839,997
Cash and cash equivalents			160,765	470,511
Total current assets			997,670	1,310,508
Total assets		$	11,525,695	14,423,732
ACCUMULATED FUND AND LIABILITIES				
Accumulated fund				
Retained earnings		$	7,806,410	9,983,870
Current liabilities				
Deferred income	4		227,778	455,556
Due to related party	5		3,191,857	3,588,932
Other payables	6		299,650	395,374
Total current liabilities			3,719,285	4,439,862
Total accumulated fund and liabilities		$	11,525,695	14,423,732

The accompanying notes form an integral part of these financial statements

On behalf of the Caribbean Court of Justice

Original signed by Court Executive Administrator

Statement of Income

For the year ended December 31, 2007

	Notes		2007	2006
Revenue	7	$	30,072,155	22,891,914
Administrative expenses	8		(32,249,615)	(26,686,306)
Deficit of income over expenditure for the year		$	(2,177,460)	(3,794,392)

The accompanying notes form an integral part of these financial statements

Statement of Changes in Retained Earnings/Accumulated Deficit

For the year ended December 31, 2007

Year ended December 31, 2006		
Balance as at January 1, 2006	$	13,778,262
Deficit of income over expenditure for the year		(3,794,392)
Balance as at December 31, 2006	$	9,983,870
Year ended December 31, 2007		
Balance as at January 1, 2007	$	9,983,870
Deficit of income over expenditure for the year		(2,177,460)
Balance as at December 31, 2007	$	7,806,410

The accompanying notes form an integral part of these financial statements

Statement of Cash Flows

For the year ended December 31, 2007

		2007	2006
Cash Flows from Operating Activities			
Deficit of income over expenditure for the year	$	(2,177,460)	(3,794,392)
Adjustments to reconcile deficit of income over expenditure for the year to net cash from (used in) operating activities			
Depreciation		5,510,359	4,739,183
Amortisation of deferred income		(227,778)	(227,778)
Other receivables		3,092	460,373
Retirement benefit asset		172,620	-
Due to related party		(397,075)	(1,317,369)
Other payables		(95,724)	(197,678)
Net cash from (used in) operating activities		2,788,034	(337,661)
Cash Flows from Investing Activities			
Purchase of fixed assets		(3,097,780)	(10,387,123)
Retirement benefit asset		-	(1,014,930)
Net cash used in investing activities		(3,097,780)	(11,402,053)
Decrease in cash and cash equivalents for the year		(309,746)	(11,739,714)
Cash and cash equivalents at the beginning of the year		470,511	12,210,225
Cash and cash equivalents at the end of the year	$	160,765	470,511

Analysis of cash and cash equivalents

Cash on hand and at bank	$	160,765	470,511

The accompanying notes form an integral part of these financial statements

Establishment and principal activity

The Caribbean Court of Justice (the Court) and the Regional Judicial and Legal Services Commission (the Commission) were established on 14th February 2001 by the Agreement Establishing the Caribbean Court of Justice (the Agreement). The Agreement was signed on that date by the following Caribbean Community (Caricom) states of Antigua & Barbuda, Barbados, Belize, Grenada, Guyana, Jamaica, St. Kitts & Nevis, St. Lucia, Suriname and Trinidad & Tobago. Two further states, Dominica and St. Vincent & The Grenadines, signed the agreement on 15th February 2003, bringing the total number of signatories to 12.

The Court was inaugurated on April 16, 2005 in Port of Spain, Trinidad and Tobago.

The first Commission came into force on August 21, 2003 and works to ensure that the Court meets and fully satisfies the expectations and needs of the people it serves.

The Court is the highest judicial tribunal, designed to be more than a Court of last resort for member states of the Caribbean Community. For, in addition to replacing the Judicial Committee of the Privy Council, the Court is vested with an original jurisdiction in respect of the interpretation and application of the Revised Treaty of Chaguaramas Establishing the Caribbean Community including the Caricom Single Market and Economy. The Court is designed to exercise both an appellate and an original jurisdiction.

These financial statements were approved for issue by the Court Executive Administrator on April 25, 2008.

Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") and its interpretations issued and adopted by the International Accounting Standards Board.

(b) Basis of preparation

These financial statements have been prepared on the historical cost basis.

(c) Functional and reporting currency

The financial statements are presented in Trinidad and Tobago dollars which is the Court's functional currency.

Significant accounting policies (continued)

(d) ***Use of estimates***

The preparation of these financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the note 2 retirement benefit asset.

(e) ***Property, plant and equipment***

Property, Plant and Equipment are stated at cost less accumulated depreciation and impairment losses. The Court recognizes in the carrying amount of an item of fixed assets, the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Court and the cost of the item can be measured reliably.

All other costs are recognised in the income statement as an expense as incurred.

Depreciation is charged using the straight-line method at the rate of 25% for all fixed assets except for leasehold improvements (10%) which is designed to write off the cost of the assets over their estimated useful lives.

(f) ***Other receivables***

Other receivables are stated at cost less impairment losses. Impairment losses include any specific provision established to recognize anticipated losses for bad and doubtful debts. Bad debts are written off during the period in which they are identified.

Significant accounting policies (continued)

(g) ***Cash and cash equivalents***

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at hand and in bank.

(h) ***Due to related party***

Due to related party is stated at cost.

(i) ***Other payables***

Other payables are stated at cost.

(j) ***Provisions***

A provision is recognised in the balance sheet when the Court has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments at the time value of money and, where appropriate, the risks specific to the liability.

(k) ***Grants***

Funds from the Caribbean Court of Justice Trust Fund

Unconditional funding related to the ongoing operations of the Court is recognised in the statement of income as revenue in the period in which the funds are received.

Grants

Grants that compensate the Court for expenses incurred are recognised as revenue in the statement of income on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Court for the cost of an asset are recognised in the statement of income as revenue on a systematic basis over the life of the asset.

(l) ***Operating leases***

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

(m) ***Taxation***

Pursuant to the terms of an agreement entered into on July 4, 2003 between the Commission and the Government of the Republic of Trinidad and Tobago, the Commission is exempt from all direct and indirect taxes, duties and levies imposed in Trinidad and Tobago.

Significant accounting policies (continued)

(n) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the Commission at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial liability designated as a hedge of the net investment in a foreign operation.

(o) Impairment

The carrying amounts of the Court's assets, other than fixed assets and inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Significant accounting policies (continued)

(p) Employee benefits

(i) **Defined contribution plan**

Obligations for contributions to the defined contribution pension plan are recognized as an expense in statement of income when they are due.

(ii) **Defined benefit plan**

The Court's net obligation in respect of defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized past service costs and the fair value of any plan assets are deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Court, the recognized asset is limited to the net total of any unrecognized past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

1. Property, plant and equipment

	Computers & Software	Furniture Fixtures & Equipment	Flags Crests & Seals	Library Books	Security Equipment	Lease-Hold Improve-ments	Vehicles	Totals
Cost or valuation								
At January 1, 2007	$ 5,903,837	4,745,260	258,176	4,642,208	484,787	51,440	2,901,887	18,987,595
Additions	695,516	343,051	29,020	2,008,401	-	21,792	-	3,097,780
At December 31, 2007	$ 6,599,353	5,088,311	287,196	6,650,609	484,787	73,232	2,901,887	22,085,375
Accumulated depreciation								
At January 1, 2007	$ 1,883,536	1,715,892	103,580	1,643,230	121,197	5,144	1,416,722	6,889,301
Charge for the year	1,649,838	1,272,078	71,799	1,662,652	121,197	7,323	725,472	5,510,359
At December 31, 2007	$ 3,533,374	2,987,970	175,379	3,305,882	242,394	12,467	2,142,194	12,399,660
Net book value								
At December 31, 2006	$ 4,020,301	3,029,368	154,596	2,998,978	363,590	46,296	1,485,165	12,098,294
At December 31, 2007	$ 3,065,979	2,100,341	111,817	3,344,727	242,393	60,765	759,693	9,685,715

2. Retirement benefit asset

The Court makes contributions to a non-contributory defined benefit plan that provide pension benefits for its judges upon retirement. The plan entitles a retired judge to receive a normal benefit based on the number of years pensionable service. For service less than 5 years, a retired judge is entitled to a gratuity equal to 20% of final salary for each year of pensionable service. For pensionable service between 5 to 10 years and greater than 10 years, an annual payment equal to 2/3 and 100% of final salary, respectively, for each year of service the judge provided.

Principal actuarial assumptions at the reporting date are as follows:

	2007	2006
Discount rate	8.0%	8.0%
Expected rate of return on plan assets	8.0%	8.0%
Salary growth rate	0.0%	0.0%
Average expected remaining working lives of employees	8.2 years	8.8 years

2. Retirement benefit asset (continued)

		2007	2006
Fair value of plan assets at the beginning of the year	$	1,980,720	-
Expected return on plan assets		253,890	40,320
Contributions		2,514,330	1,940,400
Benefits paid		-	-
Actuarial gain (loss) or plan asset		-	-
Fair value of plan assets at the end of the year	$	4,748,940	1,980,720
Present value of obligation at beginning of year	$	2,703,330	-
Interest cost		279,720	-
Total current service cost		1,620,990	-
Past service cost - non-vested benefits		1,384,740	2,084,670
Past service cost - vested benefits		-	618,660
Benefits paid		-	-
Actuarial (gain) loss on obligation		-	-
Present value of obligation at end of year	$	5,988,780	2,703,330
Current service cost	$	1,620,990	-
Interest cost		279,720	-
Expected return on plan assets		(253,890)	(40,320)
Net actuarial (gain) loss recognised in year		-	-
Past service cost - non-vested benefit		1,040,130	347,130
Past service cost - vested benefit		-	618,660
Increase (decrease) in unutilisable asset		-	-
Expense (income) recognised in the income statement	$	2,686,950	925,470
Opening asset (liability)	$	1,014,930	-
Income (expense) in income statement		(2,686,950)	(925,470)
Contributions paid		2,514,330	1,940,400
Closing asset	$	842,310	1,014,930

2. Retirement benefit asset (continued)

		2007	2006
Present value of the obligation	$	(5,988,780)	(2,703,330)
Fair value of plan assets		4,748,940	1,980,720
		(1,239,840)	(722,610)
Unrecognised actuarial (gains) losses		-	-
Unrecognised past service cost – non-vested benefits		2,082,150	1,737,540
Asset (liability) recognised in balance sheet	$	842,310	1,014,930
Expected return on plan assets		253,890	40,320
Actuarial gain (loss) on plan assets		-	-
Actuarial return on plan assets	$	253,890	40,320
Present value of obligation at January 1, 2007		2,703,330	-
Fair value of plan assets at January 1, 2007		1,980,720	-
Limits of 10% corridor		270,270	-
Unrecognised actuarial (gains) losses at January 1, 2007		-	-
Excess (A)	$	-	-
Average expected remaining working lives (B)		8.2 years	8.8 years
Actuarial (gain) loss to be recognised (A/B)	$	-	-
Unrecognised actuarial (gains) losses at January 1, 2007		-	-
Actuarial (gain) loss for year – obligations		-	-
Actuarial (gain) loss for year – plan assets		-	-
Subtotal		-	-
Actuarial gain (loss) recognised		-	-
Uncrecognised actuarial (gains) losses at the beginning of year	$	-	-

3. Other receivables

		2007	2006
VAT recoverable	$	250,726	347,210
Other receivables		586,179	492,787
	$	836,905	839,997

4. Deferred income

Grant received	$	911,112	911,112
Accumulated amortisation		(683,334)	(455,556)
	$	227,778	455,556

The deferred income relates to a grant of fixed assets from the Office of the Attorney General.

5. Due to related party

		2007	2006
The Regional Judicial and Legal Services Commission (RJLSC)	$	3,191,857	3,588,932

Amounts due to RJLSC are interest free, with no fixed repayment terms.

6. Other payables

Accounts payable	$	254,105	370,000
Other payables and accrued liabilities		45,545	25,374
	$	299,650	395,374

7. Revenue

		2007	2006
Funds from the Caribbean Court of Justice Trust Fund	$	29,656,190	22,237,456
Amortisation of deferred income		227,778	227,778
Interest income		144,662	369,621
Other income		43,525	57,059
	$	30,072,155	22,891,914

8. Administrative expenses

		2007	2006
Salaries and allowances	$	17,688,585	15,625,027
Pension cost		3,251,899	1,662,483
Administrative expenses		4,235,594	3,230,273
Depreciation		5,510,359	4,739,183
Insurance expenses		947,729	834,497
Foreign exchange loss		49,307	42,790
Bank charges		14,307	10,036
Audit fees		22,635	20,000
Lease payments		529,200	522,017
	$	32,249,615	26,686,306

9. Operating leases

Non cancellable operating lease rentals are payable as follows:

		2007	2006
Less than one year	$	529,200	493,100
Between one and five years		-	264,600
	$	529,200	757,700

During the year, $529,200 (2006 $522,017) was recognised as an expense in the income statement in respect of operating leases.

10. IFRS not yet effective

At the date of authorisation of the financial statements, there were certain standards and interpretations which were in issue but were not yet effective. The effective dates of those standards and interpretations are as follows:

IFRS 2	Share-Based Payment – Amendment relating to Vesting Conditions and Cancellations	January 1, 2009
IFRS 3	Business Combinations – Comprehensive revision on applying the Acquisition Method	July 1, 2009
IFRS 8	Operating Segments	January 1, 2009
IFRIC 11	Group and Treasury Share Transactions	March 1, 2007
IFRIC 12	Service Concession Arrangement	January 1, 2008
IFRIC 13	Customer Loyalty Programmes	July 1, 2008
IFRIC 14	IAS 19 – The Limit of a Deferred Benefit Asset, Minimum Funding Requirements and their Interaction	January 1, 2008
IAS 1	Amendment: Presentation of Financial Statements - Comprehensive revision including requiring a Statement of Comprehensive Income	January 1, 2009
IAS 1	Amendment: Presentation of Financial Statements - Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	January 1, 2009
IAS 23	Amendment: Borrowing Costs – Capitalisation of Borrowing Costs	January 1, 2009
IAS 27	Consolidated and Separate Financial Statements – Consequential Amendments arising from Amendments to IFRS 3	July 1, 2009
IAS 28	Investments in Associates – Consequential Amendments arising from Amendments to IFRS 3	July 1, 2009
IAS 31	Interest in Joint Ventures - Consequential Amendments arising from Amendments to IFRS 3	July 1, 2009
IAS 32	Financial Instruments : Presentation - Amendments relating to puttable instruments and obligations arising on liquidation	January 1, 2009

Except for additional disclosures, the adoption of these standards and interpretations are not expected to have a material impact on the financial statements.

11. Financial instruments

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

Other receivables and payables

For receivables and payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables and payables are discounted to determine the fair value.

Supplementary Financial Information

THE CARIBBEAN COURT OF JUSTICE

December 31, 2007

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Independent Auditors' Report On
The Supplementary Financial Information

To: The Court Executive Administrator of the
Caribbean Court of Justice

We have audited the financial statements of the Caribbean Court of Justice for the year ended December 31, 2007, and have issued our report thereon dated April 25, 2008.

We conducted our audits in accordance with International Standards on Auditing, issued by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

We conducted our audits for the purpose of expressing an opinion on the financial statements of the Caribbean Court of Justice taken as a whole. The accompanying supplementary financial information, set out on pages 1 to 19, consisting of the balance sheet and statement of income, is presented for the purpose of additional analysis and should not be considered necessary to the presentation of the basic financial statements. This information has been subjected to the audit procedures applied to the basic financial statements and, in our opinion, is fairly presented, in all material respects, when taken as a whole with the basic financial statements.

KPMG

Chartered Accountants

Port of Spain
Trinidad and Tobago, W.I.
April 25, 2008

Balance Sheet

December 31, 2007
(Expressed in United States Dollars)

		2007	2006
ASSETS			
Non-current assets			
Property, plan and equipment	$	1,537,415	1,920,364
Retirement benefit asset		133,700	161,100
Total non-current assets		1,671,115	2,081,464
Current assets			
Other receivables		132,842	117,163
Cash and cash equivalents		25,518	74,684
Total current assets		158,360	191,847
Total assets	$	1,829,475	2,273,311
RESERVES AND LIABILITIES			
Retained earnings	$	1,239,112	1,574,077
Foreign currency translation reserve		-	(5,506)
		1,239,112	1,568,571
Current liabilities			
Deferred income		36,155	72,310
Due to related party		506,644	569,672
Other payables		47,564	62,758
Total current liabilities		590,363	704,740
Total reserves and liabilities	$	1,829,475	2,273,311

Statement of Income

For the year ended December 31, 2007
(Expressed in United States Dollars)

		2007	2006
Revenue	$	4,773,358	3,633,637
Administrative expenses		(5,118,987)	(4,252,092)
Deficit of income over expenditure for the year	$	(345,629)	(618,455)