Financial Statements of

PORTFOLIO CREDIT MANAGEMENT LIMITED

December 31, 2013

Directors' Report

In the pursuit of the company's core remit of managing and liquidating its loan portfolio, Portfolio Credit Management Limited generated cash inflows during 2013 in the aggregate amount of $404.69 million from its loan portfolio thereby reducing its loans outstanding to TT$1.40 billion or by 19.39 percent year on year. The cumulative reduction of the company's loan portfolio from inception to December 31, 2013 is 45.75 percent or TT$1.18 billion. For the period ended December 2013, the company realized a net income of $48.56 million.

The cash inflows, arising from the success of the company's recovery strategies, facilitated the exercise of optional TT$ and US$ principal prepayments in the amounts of TT$149.00 million and US$34.62 million respectively thus reducing its bonds outstanding which stood at TT$550.02 million and US$201.09 million at the beginning of the year to TT$401.02 million and US$166.48 million by the end of 2013, a decline of 27 percent and 17 percent respectively.

The company's loan loss provision, which was restated for 2012 to include a provision for interest receivables, was reduced by TT$21.58 million to TT$674.04 million down from TT$695.62 million at the beginning of the year with no write-offs during the year due largely to the success of the recovery strategies employed by the company.

In addition to the above achievements, the company was able to close the 2013 financial year with a positive cash balance of TT$59.74 million and US$4.36 million.

These positive results were achieved notwithstanding the reduction of the staff compliment from six to four and without any recourse to the shareholder for financial support to service the company's operational and financing expenses of TT$30.74 million incurred for the year.

It is the intention of the company to leverage the skills and competences acquired in prior periods in order to maximize the recovery of outstanding loans during 2014 and thereafter.

On the basis of the foregoing, the Board owes a debt of gratitude to the Permanent Secretaries of the Ministry of Finance and the Economy and indeed the entire staff compliment of the company for their respective contributions to the realization of the company's strategic objectives.

Lloyd Samaroo Chairman	Eric James Director	Maurice Suite Director

February 25, 2014

KPMG

Chartered Accountants
Trinre Building
KPMG
69-71 Edward Street
P.O. Box 1328
Port of Spain
Trinidad and Tobago, WI

Telephone 868 623 1081
Fax 868 623 1084
e-Mail kpmg@kpmg.co.tt

Independent Auditor's Report- to be included
To the Members of Portfolio Credit Management Limited

We have audited the accompanying financial statements of Portfolio Credit Management Limited ("the Company"), which comprise the statement of financial position as at December 31, 2013, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the accounting policies described in Note 2.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting policies described in Note 2 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 our 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, we consider 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 present fairly, in all material respects, the financial position of the Company as at December 31, 2013, and its financial performance and cash flows for the year then ended in accordance with the accounting policies described in Note 2.

Basis of Accounting

Without modifying our opinion, we draw attention to the Significant Accounting Policies to the financial statements, which describe the basis of accounting. The financial statements are prepared to assist the Ministry of Finance and the Economy in its review of the financial performance of the Company. As a result, the financial statements may not be suitable for another purpose.

KPMG

Chartered Accountants

February 25, 2014
Port of Spain
Trinidad and Tobago

PORTFOLIO CREDIT MANAGEMENT LIMITED

Statement of Financial Position

December 31, 2013
(Expressed in Trinidad and Tobago Dollars)

	Notes		2013	Restated 2012
ASSETS				
Cash and cash equivalents	3	$	87,828,868	85,875,144
Due from related party	4		390,861	703,787
Taxation Receivable			2,792	-
Interest receivable - deposits			189,782	242,726
Interest receivable net of provision	5		1,662,019	2,485,568
Loans less allowance for losses	6		817,831,157	1,132,583,966
Total Assets		$	**907,905,479**	**1,221,891,191**
LIABILITIES AND EQUITY				
LIABILITIES				
Due to related party	7	$	2,954,771	3,272,298
Taxation payable			-	92,266
Accrued expenses			180,000	1,149,000
Other payables			38,296	-
Fund held in escrow- HCL	3		-	248,601
Interest payable - Bonds payable	8		60,190	73,986
Bonds payable	8		1,472,875,819	1,833,818,568
Total liabilities	8		1,476,109,076	1,838,654,719
EQUITY				
Issued and fully paid-up capital	9		1	1
Accumulated loss	10		(568,203,598)	(616,763,529)
Total Equity			(568,203,597)	(616,763,528)
Total liabilities and equity		$	**907,905,479**	**1,221,891,191**

The accompanying notes on pages 7 to 16 form an integral part of these financial statements.

On February 25, 2014, the Board of Directors of Portfolio Credit Management Limited authorised these financial statements for issue.

_______________ Director   _______________ Director

PORTFOLIO CREDIT MANAGEMENT LIMITED

Statement of Comprehensive Income

Year ended December 31, 2013
(Expressed in Trinidad and Tobago Dollars)

	Notes		2013	Restated 2012
REVENUE				
Interest income		$	53,334,097	127,634,513
Interest on deposits			1,190,996	1,308,359
Miscellaneous Income			771,920	-
Total revenue			55,297,013	128,942,872
EXPENSES				
Interest expense on Bond issued			24,814,437	40,491,816
Reimbursable expenses	7		2,896,429	3,239,899
Service fee	7		28,964	32,399
Consultancy fees			685,459	1,606,008
Audit fees			209,250	195,000
Board fees			264,000	264,000
Bank charges			3,636	854
Other operating expenses			(101,458)	1,295,868
Exchange translation differences			4,317,196	-
Green Fund levy			89,631	99,706
Total expenses			33,207,544	47,225,550
Net income before impairment gain (loss) on loans and interest receivables net of recoveries			22,089,469	81,717,322
Impairment gain (loss) on loans and interest receivables net of recoveries			26,470,462	(698,480,851)
Net income (loss) for the year	10		**48,559,931**	**(616,763,529)**

The accompanying notes on pages 7 to 16 form an integral part of these financial statements.

PORTFOLIO CREDIT MANAGEMENT LIMITED

Statement of Changes in Equity

Year ended December 31, 2013
(Expressed in Trinidad and Tobago Dollars)

	Share Capital	Accumulated Losses	Total
	$	$	$
Year ended December 31, 2012			
Shares issued	1	-	1
Net loss for the year	-	(520,719,513)	(520,719,513)
Balance as at December 31, 2012, as previously stated	1	(520,719,513)	(520,719,512)
Prior period adjustment	-	(96,044,016)	(96,044,016)
Balance as at December 31, 2012, as restated	**1**	**(616,763,529)**	**(616,763,528)**
Year ended December 31, 2013			
Balance as at December 31, 2012 (Restated)	1	(616,763,529)	(616,763,528)
Net profit for the year	-	48,559,931	48,559,931
Balance as at December 31, 2013	**1**	**(568,203,598)**	**(568,203,597)**

The accompanying notes on pages 7 to 16 form an integral part of these financial statements.

PORTFOLIO CREDIT MANAGEMENT LIMITED

Statement of Cash Flows

Year ended December 31, 2013
(Expressed in Trinidad and Tobago Dollars)

		2013	Restated 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before taxation	$	48,649,562	(616,663,823)
Adjustments for:			
Impairment (gain) loss on loans and interest receivables		(26,470,462)	698,480,851
Cash flows before changes in operating activities		22,179,100	81,817,028
Change in loans		340,017,881	(1,735,020,801)
Change in interest receivable		2,081,883	(98,772,310)
Change in interest payable		(13,796)	73,986
Change in accrued expenses and other payables		(1,179,305)	1,397,601
Change in related party balances		(4,601)	2,568,511
		363,081,162	(1,747,935,985)
Taxation paid		(184,689)	(7,440)
Net cash flow from (used in) operating activities		362,896,473	(1,747,943,425)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share capital		-	1
Funds from bonds		-	2,699,993,924
Repayment of bonds		(360,942,749)	(866,175,356)
Net cash flow (used in) from financing activities		(360,942,749)	1,833,818,569
Net increase in cash equivalents		1,953,724	85,875,144
CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		85,875,144	-
CASH EQUIVALENTS AT THE END OF THE YEAR	$	**87,828,868**	**85,875,144**

The accompanying notes on pages 7 to 16 form an integral part of these financial statements.

1. General Information

Portfolio Credit Management Limited (the Company or PCML), formerly UTC Services Limited, originally UTC Merchant Bank Limited, was incorporated in Trinidad and Tobago under the Companies Act 1995 on June 12, 2006. The Company was dormant since incorporation and was activated on December 1, 2011 to acquire the assets of the Merchant Banking Department of the Trinidad and Tobago Unit Trust Corporation (TTUTC). PCML is wholly owned by the Government of the Republic of Trinidad and Tobago.

PCML remit is to prudently manage and liquidate a credit portfolio in order to service the payment obligations associated with the issuance of bonds to investors over a period of approximately ten (10) years from the date of acquisition.

The financial statements were authorised for issue by the Board of Directors on February 25, 2014.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the financial statements are set out below:

a) Basis of preparation

The financial statements have been prepared based on guidance from generally accepted accounting principles in Trinidad and Tobago. The financial statements are prepared under the historical cost convention.

b) Presentation and Functional currency

The presentation and functional currency of the financial statements is Trinidad and Tobago Dollars. Financial instruments denominated in United States currency have been translated into Trinidad and Tobago dollars at the average of the mid buying and selling rates as at the reporting date, as published by the Central Bank of Trinidad and Tobago.

c) Financial assets - loans and receivables

Financial assets represent the loans to customers to which the Company became a contractual party on execution of the transfer of assets. The assets were owned by TTUTC and managed by its Merchant Banking Department prior to November 30, 2011. On transfer, the Company became entitled to all the contractual cash flows of the financial instruments and assumed all the associated risks.

2. Summary of Significant Accounting Policies (continued)

c) Financial assets - loans and receivables (continued)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at cost and subsequently measured at amortised cost. Loans and receivables are reported in the statement of financial position as loans less allowances for losses. Interest on loans is included in the statement of income under interest income.

The loan portfolio balances may be classified into three (3) categories, namely:

i. **Performing loans** - These are loans where there has been no material breach of the terms of the loan agreement. Principal and interest payments are being received on time and all contractual terms of the loan agreement are being generally observed by the borrower.

ii. **Watch list loans** - These are loans in imminent risk of default.

iii. **Non-performing loans** - These are loans that in respect of which principal and/or interest is outstanding for more than ninety (90) days.

The Company also established an allowance for loan losses, a valuation reserve created and maintained by charges to the operating income. This allowance for loan losses is an estimate of the uncollectible amounts that is used to reduce the book value of loans to the amount that is expected to be collected.

Derecognition of financial assets

Financial assets are derecognised when the contractual right to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred.

d) Loan loss provision

The Company assesses whether there is objective evidence that a financial asset or group of assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2. Summary of Significant Accounting Policies (continued)

d) Loan loss provision (continued)

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

1) Significant financial difficulty of the issuer or obligor;
2) Delinquency in contractual payments of principal or interest;
3) Cash flow difficulties experienced by the borrower;
4) Breach of loan covenants or conditions;
5) Initiation of bankruptcy proceedings;
6) Deterioration of the borrower's competitive position;
7) Deterioration in the value of collateral; and
8) Downgrading below investment grade level, where appropriate.

The Company classifies a loan as impaired where the principal and interest is past due for more than 90 days, has been placed in stop accrual or is in workout status. These are non-performing credits for which a loan loss provision is recommended to the Board.

The estimated period between a loss occurring and its identification is determined by management for each identified asset. In general, the periods used vary between three (3) months and twelve (12) months; in exceptional cases, longer periods are warranted.

The estimates used by management for the allowance for loan losses is based on assumptions on the recoverable amount at the end of the respective periods with due regards to the estimated realizable value of the collateral held as well as the probability of default by the Issuer/Guarantor.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed. If in a subsequent period, the amount of loan loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the amount of the reversal is recognised in the statement of income in impairment loss on loans net of recoveries.

A provision for interest receivable is established to address interest receivable acquired as at November 30, 2011 which remains in stop accrual.

2. Summary of Significant Accounting Policies (continued)

d) Loan loss provision (continued)

The carrying amount of the interest receivable on loans and advances is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income.

All assets will be tested for impairment to inform reporting periods ended March 31, June 30, September 30 and December 31 and the write-off of any provision requires the prior approval of the Board.

e) Stop Accrual Assets

Assets with principal and/or interest outstanding for more than 90 days will be placed in nonaccrual as at the last date a payment was received and classified as non perfoming assets. These assets will be assessed at every financial reporting period and if not regularized will be tested for impairment.

Interest accrued on nonperforming loans is to be reversed for the period in which it was previously accrued and remains unpaid in accordance with the Prudential Criteria Regulations, 1994 of the Central Bank of Trinidad and Tobago as a matter of best practice and prudence and cease further interest accrual whilst the asset is classified as nonperforming.

Cash flows received subsequent to the asset being classified as nonperforming are to be applied to principal outstanding first, then to interest outstanding and then penalty interest, until the loan is regularised and/or restructured.

f) Interest income and expense

Interest income and interest expense are recognised in the statement of income for all interest bearing instruments on an accrual basis.

3. Cash and Cash Equivalents

		2013	2012
TTUTC - TT$ Income Fund	$	59,743,404	59,167,122
TTUTC - US$ Income Fund (US$1,796,433.12)		11,566,336	13,212,056
First Citizens Bank Limited - Business Chequing		320	105
First Citizens Bank Limited - US Dollar (US$116,304.69)		748,828	13,495,861
Morgan Stanley US$ Account (US$2,449,326.16)		15,769,980	-
	$	**87,828,868**	**85,875,144**

3. Cash and Cash Equivalents (continued)

As at December 31, 2013 the cash held in escrow for disbursement to clients was NIL (2012: TT$0.25 million).

4. Due from Related Party

This amount represents funds collected on behalf of the Company by TTUTC.

5. Interest Receivable

Interest Receivable represents interest acquired as at November 30, 2011, of which non-performing loans remains in stop accrual.

In accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, interest receivable on non-performing loans has been corrected retrospectively in 2012. The financial statements for 2012 have been restated.

Interest receivable on loans and advances net of provision

		December 2013		
		Interest Receivable	Provision	Net Interest Receivable
Performing	$	1,153,287	-	1,153,287
Watch List		508,732	-	508,732
Non Performing		95,535,120	(95,535,120)	-
	$	**97,197,139**	**(95,535,120)**	**1,662,019**

		December 2012		
		Interest Receivable	Provision	Net Interest Receivable
Performing	$	1,070,098	-	1,070,098
Watch List		1,415,470	-	1,415,470
Non Performing		96,044,016	(96,044,016)	-
	$	**98,529,584**	**(96,044,016)**	**2,485,568**

6. Loans

The loans transferred as at November 30, 2011 represent the principal balance outstanding (i.e. the principal amounts contractually due) on loans formerly within the asset portfolio of the TTUTC's Merchant Banking Department.

Loans less allowance for losses

		December 2013		
		Principal	**Allowance for Loan Losses**	**Net Loans**
Performing	$	81,284,964	-	81,284,964
Watch List		74,281,350	(596,682)	73,684,668
Non Performing		1,240,769,116	(577,907,591)	662,861,525
	$	**1,396,335,430**	**(578,504,273)**	**817,831,157**

		December 2012		
		Principal	**Allowance for Loan Losses**	**Net Loans**
Performing	$	86,119,379	-	86,119,379
Watch List		305,819,859	(87,470,963)	218,348,896
Non Performing		1,340,222,553	(512,106,862)	828,115,691
	$	**1,732,161,791**	**(599,577,825)**	**1,132,583,966**

7. Due to Related Party

This balance represents amounts to be reimbursed to TTUTC for administrative expenses incurred in accordance with the Service Agreement established between the two entities.

In addition to these reimbursable expenses, a service fee of 1% of the sum of all the reimbursable expenses is charged on the expenses incurred.

7. Due to Related Party (continued)

		2013	2012
Reimbursable expenses	$	2,896,429	3,239,899
Service fee		28,964	32,399
Other administrative expenses		29,378	-
	$	2,954,771	3,272,298

8. Bonds Payable

The Ministry of Finance and the Economy has advised the Trinidad and Tobago Unit Trust Corporation that PCML, a wholly state owned Government Enterprise, undertakes to service the bonds in accordance with the terms set out in the Trust Deed Agreement and that the Ministry of Finance is aware of the said terms, and will ensure that PCML meets its financial obligations under the terms and conditions outlined in the Trust Deed.

		December 2013		
		Original Principal Value	Current Principal Value	Interest Payable
Secured Series Al 2021	$	167,475,898	21,156,297	580
Secured Series A2 2021		439,613,569	210,027,212	9,626
Secured Series B1 2021		510,545,966	379,865,565	10,407
Secured Series B2 2021		1,461,055,174	760,424,902	34,929
Secured and Guaranteed Series B4		99,999,995	101,401,843	4,648
	$	2,678,690,602	1,472,875,819	60,190

		December 2012		
		Original Principal Value	Current Principal Value	Interest Payable
Secured Series Al 2021	$	167,475,898	74,475,898	2,040
Secured Series A2 2021		439,613,569	410,092,540	18,796
Secured Series B1 2021		510,545,966	475,545,966	13,029
Secured Series B2 2021		1,461,055,174	773,158,296	35,513
Secured and Guaranteed Series B4		99,999,995	100,545,868	4,608
	$	2,678,690,602	1,833,818,568	73,986

8. Bonds Payable (continued)

a) Secured Series Al 2021 - TT$167 million bond, issued on December 30 2011, is a secured bond with a tenor often (10) years, carrying an effective floating rate of interest for 2013 as follows:

1st Period (January to June) - 1.00 %

2nd Period (July – December) - 1.00 %

Interest is payable semi-annually in arrears. The remaining principal balance will be repaid at maturity.

On June 29, 2012, a principal prepayment was made in the sum of TT$60 million.

On December 6, 2012, a principal prepayment was made in the sum of TT$33 million.

On May 23, 2013, a principal prepayment was made in the sum of TT$16.6 million.

On August 21, 2013 a principal prepayment was made in the sum of TT$35.52 million.

On December 18, 2013, a principal prepayment was made in the sum of TT$1.2 million.

b) Secured Series A2 2021 - US$69 million bond, issued on December 30, 2011, is a secured bond with a tenor of ten (10) years, carrying an effective floating rate of interest for 2013 as follows:

1st Period (January to June) - 1.65 %

2nd Period (July to December) -1.65 %

Interest is payable semi-annually in arrears. The remaining principal balance will be repaid at maturity.

On June 29, 2012, a principal prepayment was made in the sum of US$1 million.

On November 22, 2012, a principal prepayment was made in the sum of US$2 million.

On December 6, 2012, a principal prepayment was made in the sum of US$2 million.

On May 14, 2013, a principal prepayment was made in the sum of US$2,115,525.

On May 23, 2013, a principal prepayment was made in the sum of US$19.5 million.

On December 18, 2013, a principal prepayment was made in the sum of US$10 million.

8. Bonds Payable (continued)

c) Secured Series B1 2021 - TT$510 million bond, issued on December 30 2011, is a secured bond with a tenor of ten (10) years, carrying an effective floating rate of interest for 2013 as follows:

1st Period (January to June) - 1.00 %

2nd Period (July – December) - 1.00 %

Interest is payable semi-annually in arrears. The remaining principal balance will be repaid at maturity.

On December 6, 2012, a principal prepayment was made in the sum of TT$35 million.

On May 23, 2013, a principal prepayment was made in the sum of TT$19.4 million.

On August 21, 2013, a principal prepayment was made in the sum of TT$44.48 million.

On December 18, 2013, a principal prepayment was made in the sum of TT$31.8 million.

d) Secured Series B2 2021 - US$230 million bond, issued on December 30, 2011, is a secured bond with a tenor of ten (10) years, carrying an effective floating rate of interest for 2013 as follows:

1st Period (January to June) - 1.65 %

2nd Period (July to December) -1.65 %

Interest is payable semi-annually in arrears. The remaining principal balance will be repaid at maturity.

On November 22, 2012, a principal prepayment was made in the sum of US$8 million.

On December 6, 2012, a principal prepayment was made in the sum of US$10 million.

On December 14, 2012, a principal prepayment was made in the sum of US$91 million.

On May 23, 2013, a principal prepayment was made in the sum US$3 million.

e) Secured and Guaranteed Series B4 2021- US$15.7 million bond, issued on December 30, 2011, is a secured bond with a tenor of ten (10) years, carrying an effective floating rate of interest for 2013as follows:

1st Period (January to June) - 1.65 %

2nd Period (July to December) -1.65 %

8. Bonds Payable (continued)

e) **Secured and Guaranteed Series B4 2012 –US$15.7 million** (continued)

Interest is payable semi-annually in arrears. The remaining principal balance will be repaid at maturity.

Both the TT Dollar and US Dollar Prime lending rates will be determined by the arithmetic average of the interest quotations from the Reference Bank provided by the Central Bank of Trinidad and Tobago.

The initial Reference Banks are Citibank (Trinidad & Tobago) Limited, Republic Bank Limited, Scotiabank Trinidad and Tobago Limited and RBC Royal Bank (Trinidad and Tobago) Limited.

9. Share Capital

The Articles of Incorporation authorise the Company to issue one class of shares of an unlimited number designated as ordinary shares. On December 30, 2011, the Minister of Finance (Corporation Sole) became the registered owner of one fully paid up ordinary share in the Company.

10. Going Concern

These financial statements have been prepared on a going concern basis. For the period ended December 31, 2013, the Company earned a profit of TT$48,559,931 (2012: loss of TT$616,763,529) and at that date the Company's total liabilities exceeded its assets by TT$568,203,597 (2012: TT$616,763,528). The existence of these factors may cast significant doubt on the Company's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The ability of the Company to service its liabilities is dependent on the financial backing and support of the Government of the Republic of Trinidad and Tobago (GORTT). As such, PCML has received confirmation of the support and backing of the Ministry of Finance and the Economy as it may require to meet its financial obligations from time to time.