Financial Statements of

PORTFOLIO CREDIT MANAGEMENT LIMITED

December 31, 2012

Directors' Report

For the first thirteen month period ending December 31, 2012, Portfolio Credit Management Limited (PCML) was able to generate cash inflows totaling TT$993.4 million which enabled the company to prepay TT$859.5 million, thereby reducing its bonds payable by 31.60 percent to TT$1.84 billion, down from TT$2.69 billion at the beginning of the period. The company made an operating profit (before loan loss provisions) of $81.72 million for the period.

The servicing of principal prepayments was in addition to discharging its statutory interest payment obligations of US$5.19 million and TT$7.26 million.

The company's cash position at the end of its first reporting period stood at TT$59.17 million and US$4.18 million which can adequately service the company's expenses during the period of its 2012-2015 business plan.

The company's loan portfolio stood at TT$1.73 billion after the sum of TT$2.89 million or 0.17 percent was written-off during the year. Its loan loss provision at the end of the year stood at TT$599.58 million or 34.61 percent of the total loan portfolio.

The number of staff at the end of the year was six inclusive of managerial staff.

The foregoing milestones were achieved during a year in which the company was successfully established and quickly got into stride, making it possible to realize the positive cash flows from its loan portfolio which comprised performing, watch-listed and non-performing facilities of 5 percent, 18 percent and 77 percent respectively at the end of the period.

Going forward, it is the company's expectation during 2013 to continue to build upon this solid foundation in pursuance of its remit of managing and liquidating its credit portfolio in order to service the payment obligations associated with the issuance of bonds without recourse to the Government of the Republic of Trinidad and Tobago as shareholder.

The Board wishes to place on record its appreciation for the support rendered by the Permanent Secretary of the Ministry of Finance and the Economy and the dedicated efforts of the Management and Staff of the Company.

Lloyd Samaroo	Eric James	Maurice Suite
Chairman	Director	Director

February 22, 2013

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Chartered Accountants
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Independent Auditor's Report
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, 2012, the statements of comprehensive income, changes in equity and cash flows for the thirteen months 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, 2012, and its financial performance and cash flows for the thirteen months 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 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 22, 2013
Port of Spain
Trinidad and Tobago

PORTFOLIO CREDIT MANAGEMENT LIMITED

Statement of Financial Position

December 31, 2012
(Expressed in Trinidad and Tobago Dollars)

	Notes		
ASSETS			
Cash and cash equivalents	3	$	85,875,144
Due from related party	4		703,787
Interest receivable - deposits			242,726
Interest receivable	5		98,529,584
Loans less allowance for losses	6		1,132,583,966
Total Assets			**1,317,935,207**
LIABILITIES, SHARE CAPITAL AND RESERVES			
Due to TTUTC	7		3,272,298
Taxation payable			92,266
Accrued expenses			1,149,000
Fund held - HCL	3		248,601
Interest payable - Bonds payable	8		73,986
Bonds payable	8		1,833,818,568
Total liabilities	8		1,838,654,719
SHARE CAPITAL			
Issued and fully paid-up	9		1
RESERVES			
Accumulated loss	10		(520,719,513)
Total liabilities, capital and reserves		$	**1,317,935,207**

The accompanying notes on pages 6 to 15 form an integral part of these financial statements.

On February 22, 2013, 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

Thirteen months ended December 31, 2012
(Expressed in Trinidad and Tobago Dollars)

	Notes		
REVENUE			
Interest income		$	127,634,513
Interest on deposits			1,308,359
Total revenue			128,942,872
EXPENSES			
Interest expense on Bond issued			40,491,816
Reimbursable expenses	7		3,239,899
Service fee	7		32,399
Consultancy fees			1,606,008
Audit fees			195,000
Board fees			264,000
Bank charges			854
Other operating expenses			1,295,868
Green Fund levy			99,706
Total expenses			47,225,550
Net income before loss provision on loans net of recoveries			81,717,322
Loss provision on loans net of recoveries			(602,436,835)
Net loss for the period	10	$	**(520,719,513)**

The accompanying notes on pages 7 to 15 form an integral part of these financial statements.

PORTFOLIO CREDIT MANAGEMENT LIMITED

Statement of Changes in Equity

Thirteen months ended December 31, 2012
(Expressed in Trinidad and Tobago Dollars)

	Share Capital	Accumulated Loss	Total
Shares issued	1	-	1
Net loss for the period		(520,719,513)	(520,719,513)
Balance as at December 31, 2012	1	(520,719,513)	(520,719,512)

The accompanying notes on pages 7 to 15 form an integral part of these financial statements.

PORTFOLIO CREDIT MANAGEMENT LIMITED

Statement of Cash Flows

Thirteen months ended December 31, 2012
(Expressed in Trinidad and Tobago Dollars)

CASH FLOWS FROM OPERATING ACTIVITIES	
Loss before taxation	$ (520,619,807)
Adjustments for:	
Impairment loss on loans	602,436,835
Cash flows before changes in operating activities	81,817,028
Change in loans	(1,735,020,801)
Change in interest receivable	(98,772,310)
Change in interest payable	73,986
Change in accrued expenses and other payables	1,397,601
Change in related party balances	2,568,511
	(1,747,935,985)
Taxation paid	(7,440)
Net cash used in operating activities	(1,747,943,425)
CASH FLOWS FROM FINANCING ACTIVITIES	
Share capital	1
Funds from bonds	2,699,993,924
Repayment of bonds	(866,175,356)
Net cash from financing activities	1,833,818,569
Net increase in cash equivalents	**85,875,144**
CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	-
CASH EQUIVALENTS AT THE END OF THE PERIOD	$ **85,875,144**

The accompanying notes on pages 7 to 15 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 were authorised for issue by the Board of Directors on February 22, 2013.

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. The financial statements are prepared under the historical cost convention.

b) Presentation currency

The presentation 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 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.

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.

2. Summary of Significant Accounting Policies (continued)

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

TTUTC - TT$ Income Fund	$ 59,167,122
TTUTC - US$ Income Fund (US$2,069,509)	13,212,056
First Citizens Bank Limited - Business Chequing	105
First Citizens Bank Limited - US Dollar (US$2,113,964)	13,495,861
	$ **85,875,144**

Included in cash equivalents are funds held for Home Construction Limited (original value of $4.2 million), which is held for disbursement for this client. As at December 31, 2012 the current value was TT$0.25 million.

4. Due from Related Party

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

5. Interest Receivable

The interest receivable recorded represents the interest contractually due under the loan agreements of the loans transferred.

Where loans have matured but balances of either principal or interest remained outstanding at November 30, 2011, no interest receivable was recognised for the period between the scheduled maturity date of the loan and November 30, 2011. In the instances under reference, the Company acquired the loans from the TTUTC excluding the unrecognised interest.

Interest receivable on loans and advances to customers

Performing	$	1,070,098
Watch list		1,415,470
Non-performing		96,044,016
	$	98,529,584

Interest receivable excludes interest income on assets that are in stop accrual.

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

		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)	828,115,961
	$	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.

Reimbursable expenses	$	3,239,899
Service fee		32,399
	$	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.

		Original Value Principal	Principal	Interest Payable
Secured Series Al 2021	$	167,475,898	74,475,898	2,040
Secured Series A2 2021		444,294,618	410,092,540	18,796
Secured Series Bi 2021		510,545,966	475,545,966	13,029
Secured Series B2 2021		1,476,612,635	773,158,296	35,513
Secured and Guaranteed Series B4		101,064,807	100,545,868	4,608
	$	2,699,993,924	1,833,818,568	73,986

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 a floating rate of interest as follows:

1st Period	1.15%
2nd Period	Average TT$ Prime lending rate less 6.60%, not less than 1.00% nor more than 6.50%
3rd Period	Average TT$ Prime lending rate less 6.60%, not less than 1.00% nor more than 6.50%.

8. Bonds Payable (continued)

a) (continued)

Interest is payable semi-annually in arrears. The 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.

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 a floating rate of interest as follows:

1st Period	1.65%
2nd Period	Average US$ Prime lending rate less 7.725%, not less than 1.25% nor more than 6.50%
3rd Period	Average US$ Prime lending rate less 7.725%, not less than 1.25% nor more than 6.50%

Interest is payable semi-annually in arrears. The 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.

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 a floating rate of interest as follows:

1st Period	1.15%
2nd Period	Average TT$ Prime lending rate less 6.60%, not less than 1.00% nor more than 6.50%
3rd Period	Average TT$ Prime lending rate less 6.60%.

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

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

8. Bonds Payable (continued)

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 a floating rate of interest as follows:

1st Period	1.65%
2nd Period	Average US$ Prime lending rate less 7.725%, not less than 1.25% nor more than 6.50%
3rd Period	Average US$ Prime lending rate less 7.725%, not less than 1.25% nor more than 6.50%.

Interest is payable semi-annually in arrears. The 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.

e) Secured and Guaranteed Series B4 - US$15 million bond, issued on December 30 2011, is a secured bond with a tenor of ten (10) years, carrying a floating rate of interest as follows:

1st Period	1.65%
2nd Period	Average US$ Prime lending rate less 7.725%, not less than 1.25% nor more than 6.50%
3rd Period	Average US$ Prime lending rate less 7.725%, not less than 1.25% nor more than 6.50%.

Interest is payable semi-annually in arrears. The 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. The Company incurred a loss of $520,719,513 for the period ended December 31, 2012 and at that date the Company's total liabilities exceeded its assets by $520,719,513. 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.