

Financial Statements of

PORTFOLIO CREDIT MANAGEMENT LIMITED

December 31, 2015



Directors' Report

Directors are pleased to advise that during 2015, the company continued to make significant progress primarily through its recovery strategies to reduce its loans and interest receivables outstanding to \$713.21 million down from \$964.36 million one year earlier, a reduction of \$251.15 million or 26 percent of which \$65.79 million was written-off during the year. The company's cumulative write-offs from inception to date stood at \$69.01 million.

The net proceeds of the company's recovery efforts were applied to make principal bond prepayments of approximately \$189.98 million so that the principal bond prepayment from inception to December 31, 2015 amounted to \$1.9 billion.


At the end of December 2015, the company's cash balance stood at \$210.29 million which adequately positioned the company to fully discharge all future interest expenses and operating expenses during the remaining life of the company without any cash support from the shareholder.

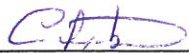
The company recorded a net profit of \$101.77 million for the period ended December 31, 2015 which was its third consecutive year of profitability.

In view of the foregoing, the company is well poised to continue the pursuit of its recovery strategies for its outstanding loan portfolio which stood at \$658.47 million as at the end of December 2015 down from \$2.57 billion at inception four years ago, a decline of over 74 percent.

The Board recognized the contributions of its two former Directors whose term of office ended on July 31, 2015 and its Chairman whose resignation became effective on December 31, 2015 together with the continued support provided by the Minister of Finance and the Ministry's two Permanent Secretaries.

Finally, the continued dedication and support of the entire staff compliment of four (4) professionals towards the realization of the aforementioned results must be placed on record.


Enid Zephyrine


Catherine Laban



KPMG

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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, 2015, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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 control 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 control. 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, 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink that reads 'KPMG' with a stylized flourish extending from the end of the 'G'.

Chartered Accountants

February 17, 2016
Port of Spain
Trinidad and Tobago

PORTFOLIO CREDIT MANAGEMENT LIMITED

Statement of Financial Position


December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

	Notes	2015 \$	2014 \$
ASSETS			
Cash and cash equivalents	3	210,293,332	209,166,493
Accounts receivable	4	899,878	888,655
Taxation Receivable		2,836	2,785
Interest receivable - deposits		66,090	222,237
Interest receivable net of provision	5	217,870	746,676
Loans less allowance for losses	6	<u>374,829,597</u>	<u>460,826,521</u>
Total Assets		<u>586,309,603</u>	<u>671,853,367</u>
LIABILITIES AND EQUITY			
LIABILITIES			
Accounts payable	7	5,566,780	2,893,155
Accrued expenses		224,250	224,250
Other payables		1,933	1,433
Interest payable - Bonds payable	8	49,766	58,264
Bonds payable	8	<u>794,518,228</u>	<u>984,500,761</u>
Total liabilities		<u>800,360,957</u>	<u>987,677,863</u>
EQUITY			
Issued and fully paid-up capital	9	1	1
Accumulated loss	11	<u>(214,051,355)</u>	<u>(315,824,497)</u>
Total Equity		<u>(214,051,354)</u>	<u>(315,824,496)</u>
Total liabilities and equity		<u>586,309,603</u>	<u>671,853,367</u>

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

On February 17, 2016, 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, 2015

(Expressed in Trinidad and Tobago Dollars)

	Notes	2015	2014
		\$	\$
NET INTEREST AND OTHER INCOME			
Interest income		19,346,967	103,283,969
Interest expense on bond issued		<u>(14,481,631)</u>	<u>(18,541,406)</u>
Net interest income		4,865,336	84,742,563
Interest on deposits		1,703,707	1,683,680
Impairment gain on loans and interest receivables net of recoveries		<u>102,306,071</u>	<u>165,524,627</u>
Net interest and other income		108,875,114	251,950,870
Total non-interest (expense) income	10	<u>(7,038,820)</u>	<u>534,422</u>
Profit before tax		101,836,294	252,485,292
Taxation	14	<u>(63,152)</u>	<u>(106,191)</u>
Net profit for the year	11	<u>101,773,142</u>	<u>252,379,101</u>

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

PORTFOLIO CREDIT MANAGEMENT LIMITED

Statement of Changes in Equity

Year ended December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

	Share Capital	Accumulated Deficit	Total
	\$	\$	\$
<i>Year ended December 31, 2014</i>			
Balance as at December 31, 2013	1	(568,203,598)	(568,203,597)
Net profit for the year	-	252,379,101	252,379,101
Balance as at December 31, 2014	<u>1</u>	<u>(315,824,497)</u>	<u>(315,824,496)</u>
<i>Year ended December 31, 2015</i>			
Balance as at December 31, 2014	1	(315,824,497)	(315,824,496)
Net profit for the year	-	101,773,142	101,773,142
Balance as at December 31, 2015	<u>1</u>	<u>(214,051,355)</u>	<u>(214,051,354)</u>

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

PORTFOLIO CREDIT MANAGEMENT LIMITED

Statement of Cash Flows

Year ended December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

	2015	2014
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before taxation	101,836,294	252,485,292
Adjustments for:		
Impairment gain on loans and interest receivables	<u>(102,306,071)</u>	<u>(165,524,627)</u>
Cash flows before changes in operating activities	(469,777)	86,960,665
Change in loans	184,507,059	485,481,809
Change in interest receivable	4,480,889	37,930,342
Change in interest payable	(8,498)	(1,926)
Change in accrued expenses and other payables	500	7,387
Change in accounts receivable	(11,223)	(497,794)
Change in accounts payable	<u>2,673,625</u>	<u>(61,616)</u>
	191,172,575	609,818,867
Taxation paid	<u>(63,203)</u>	<u>(106,184)</u>
Net cash from operating activities	<u>191,109,372</u>	<u>609,712,683</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bonds	<u>(189,982,533)</u>	<u>(488,375,058)</u>
Net cash used in financing activities	<u>(189,982,533)</u>	<u>(488,375,058)</u>
Net increase in cash equivalents	1,126,839	121,337,625
CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>209,166,493</u>	<u>87,828,868</u>
CASH EQUIVALENTS AT THE END OF THE YEAR	<u><u>210,293,332</u></u>	<u><u>209,166,493</u></u>

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

PORTFOLIO CREDIT MANAGEMENT LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

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 17, 2016.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the financial statements have been applied consistently to all periods presented in the financial statements and are set out below:

a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. These are the Company's first financial statements prepared in accordance with IFRS and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

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.

c) Use of judgments and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income and expenses. The actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

PORTFOLIO CREDIT MANAGEMENT LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

c) Use of judgments and estimates (continued)

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are included in Note 2 (g) Loan loss provision.

d) Foreign currency

Foreign currency transactions are translated at the rate of exchange at the transaction date. Foreign currency monetary assets and liabilities are translated at the average of the mid buying and selling rates of exchange at the reporting date. Resulting translation differences and profits and losses from trading activities are included in the Statement of Comprehensive Income.

e) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, deposits with banks and short-term highly liquid investments with maturities of three months or less when purchased. The carrying value approximates the fair value due to its highly liquid nature and the fact that it is readily converted to known amounts of cash in hand and is subject to insignificant risk of change in value.

f) 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.

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 less impairment losses. 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.

PORTFOLIO CREDIT MANAGEMENT LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

f) Financial assets - loans and receivables (continued)

- 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.

g) 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.

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.

PORTFOLIO CREDIT MANAGEMENT LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

g) Loan loss provision (continued)

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.

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.

h) 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 performing assets. These assets will be assessed at every financial reporting period and if not regularized will be tested for impairment.

PORTFOLIO CREDIT MANAGEMENT LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

h) Stop accrual assets (continued)

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.

i) Accrued and other payables

Accrued and other payables are stated at amortised cost.

j) Non-derivative financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: loans and borrowings, and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

PORTFOLIO CREDIT MANAGEMENT LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

k) Taxation

Income tax expense comprises current tax. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly to equity or in other comprehensive income.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect to previous years. It is measured using tax rates enacted at the reporting date.

l) 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, using the effective interest method.

m) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2015, but are not mandatory and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements except for IFRS 9 *Financial Instruments*, which becomes mandatory for the 2018 financial statements and could change the classification and measurement of financial assets.

PORTFOLIO CREDIT MANAGEMENT LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

	<u>2015</u>	<u>2014</u>
	\$	\$
3. Cash and Cash Equivalents		
TTUTC - TT\$ Income Fund	86,307,750	75,088,447
TTUTC - US\$ Income Fund (US\$19,129,903)	122,806,326	113,575,846
First Citizens Bank Limited - Business Chequeing	100	(40)
First Citizens Bank Limited - US Dollar (US\$116,777)	749,663	741,024
Morgan Stanley US\$ Account (US\$66,903)	<u>429,493</u>	<u>19,761,216</u>
	<u>210,293,332</u>	<u>209,166,493</u>

4. Accounts Receivable

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.

Interest receivable on loans and advances net of provision

	<u>December 2015</u>		
	<u>Interest</u>		<u>Net Interest</u>
	<u>Receivable</u>	<u>Provision</u>	<u>Receivable</u>
	\$	\$	\$
Performing	35,456	-	35,456
Watch List	182,414	-	182,414
Non Performing	<u>54,521,802</u>	<u>(54,521,802)</u>	<u>-</u>
	<u>54,739,672</u>	<u>(54,521,802)</u>	<u>217,870</u>

PORTFOLIO CREDIT MANAGEMENT LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

7. Accounts Payable

This balance represents amounts to be reimbursed to TTUTC for salaries and 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.

	<u>2015</u>	<u>2014</u>
	\$	\$
Accounts payable	5,566,780	2,893,155

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.

	<u>December 2015</u>		
	<u>Original</u>	<u>Current</u>	<u>Interest</u>
	Principal Value	Principal Value	Payable
	\$	\$	\$
Secured Series A1 2021	167,475,898	9,156,298	387
Secured Series A2 2021	439,613,569	77,808,884	9,598
Secured Series B1 2021	510,545,966	178,865,566	9,147
Secured Series B2 2021	1,461,055,174	427,583,300	26,000
Secured and Guaranteed Series B4	99,999,995	101,104,180	4,634
	<u>2,678,690,602</u>	<u>794,518,228</u>	<u>49,766</u>

PORTFOLIO CREDIT MANAGEMENT LIMITED

Notes to the Financial Statements

December 31, 2015

*(Expressed in Trinidad and Tobago Dollars)***8. Bonds Payable (continued)**

	December 2014		
	Original	Current	Interest
	Principal Value	Principal Value	Payable
	\$	\$	\$
Secured Series A1 2021	167,475,898	14,156,297	525
Secured Series A2 2021	439,613,569	77,068,320	9,507
Secured Series B1 2021	510,545,966	178,865,565	9,147
Secured Series B2 2021	1,461,055,174	614,268,679	34,495
Secured and Guaranteed Series B4	99,999,995	100,141,900	4,590
	<u>2,678,690,602</u>	<u>984,500,761</u>	<u>58,264</u>

- a) Secured Series A1 2021 – TT\$167 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 2015 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.

- 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 2015 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.

- 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 2015 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.

PORTFOLIO CREDIT MANAGEMENT LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

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 an effective floating rate of interest for 2015 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.

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 2015 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.

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.

	2015	2014
	\$	\$
<i>Authorised</i>		
An unlimited number of ordinary shares of no par value		
<i>Issued and fully paid</i>		
1 ordinary share of no par value	1	1

PORTFOLIO CREDIT MANAGEMENT LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

10. Non-Interest Expenses

	<u>2015</u>	<u>2014</u>
	\$	\$
Salaries and administrative expenses	2,678,441	2,889,444
Service fee	14,528	23,977
Consultancy fees (recovery)	1,562,499	(760,842)
Audit fees	224,250	268,500
Board fees	264,000	264,000
Bank charges	2,900	2,440
Other operating expenses	88,175	930,321
Exchange translation gain (loss)	<u>2,204,027</u>	<u>(4,152,262)</u>
Total non-interest expenses (income)	<u>7,038,820</u>	<u>(534,422)</u>

11. Going Concern

These financial statements have been prepared on a going concern basis. For the period ended December 31, 2015, the Company earned a profit of \$101,773,142 (2014: \$252,379,101) and at that date the Company's total liabilities exceeded its assets by \$214,051,354 (2014: \$315,824,496).

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.

12. Contingent Liability

The Company had no contingent liabilities as at December 31, 2015 (2014: nil).

13. Capital Commitments

At December 31, 2015, the Company had no capital commitments (2014: nil).

PORTFOLIO CREDIT MANAGEMENT LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

16. Financial Risk Management

Overview

The Company has adopted risk management policies and has set appropriate limits and controls to manage and mitigate against financial risk. The Company has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risk

Credit risk

Credit Risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans to customers. The carrying amount of financial assets represents the maximum credit exposures.

Loans less allowance for loan loss

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which the customers operate.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of loans.

At December 31, 2015 the maximum net exposure to credit risk for loans by category:

	<u>2015</u>	<u>2014</u>
	\$	\$
Performing	6,124,119	46,076,018
Watch List	47,766,399	58,148,458
Non Performing	320,939,079	356,602,045
	<u>374,829,597</u>	<u>460,826,521</u>

PORTFOLIO CREDIT MANAGEMENT LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

16. Financial Risk Management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities.

The contractual maturities of financial liabilities measured are at amortised cost:

	2015				
	Carrying amount	Contractual Cash flows	Up to one years	Two to five years	Over five years
	\$	\$	\$	\$	\$
Liabilities					
Accounts payable	5,566,780	5,566,780	5,566,780	-	-
Accrued expenses	224,250	224,250	224,250	-	-
Other payables	1,933	1,933	1,933	-	-
Interest payable- bonds payable	49,766	49,766	49,766	-	-
Bonds payable	<u>794,518,228</u>	<u>865,842,680</u>	<u>11,887,409</u>	<u>47,549,635</u>	<u>806,405,637</u>
December 31, 2015	<u>800,360,957</u>	<u>871,685,409</u>	<u>17,730,138</u>	<u>47,549,635</u>	<u>806,405,637</u>

	2014				
	Carrying amount	Contractual Cash flows	Up to one years	Two to five years	Over five years
	\$	\$	\$	\$	\$
Liabilities					
Accounts payable	2,893,155	2,893,155	2,893,155	-	-
Accrued expenses	224,250	224,250	224,250	-	-
Other payables	1,433	1,433	1,433	-	-
Interest payable- bonds payable	58,264	58,264	58,264	-	-
Bonds payable	<u>984,500,761</u>	<u>1,089,428,104</u>	<u>14,989,620</u>	<u>59,958,482</u>	<u>1,014,480,002</u>
December 31, 2014	<u>987,677,863</u>	<u>1,092,605,206</u>	<u>18,166,722</u>	<u>59,958,482</u>	<u>1,014,480,002</u>

PORTFOLIO CREDIT MANAGEMENT LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

16. Financial Risk Management (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Company is exposed to currency risk on revenue, purchases and borrowings that are denominated in a currency other than the respective functional currency of the Company, which is the Trinidad and Tobago dollar (TTD). The major foreign currency transactions are denominated in the United States Dollar (USD).

The Company ensures that the risk is kept to an acceptable level by monitoring their risk exposure and by maintaining funds in US dollars as a hedge against adverse fluctuations in exchange rates.

Exposure to currency risk:

The Company's exposure to foreign currency risk at the reporting date was as follows:

Year ended December 31, 2015

	<u>TT\$</u>	<u>TTS Equivalent of US\$ Values</u>	<u>Total</u>
Monetary Assets			
Cash and cash equivalents	86,307,850	123,985,482	210,293,332
Loans	125,067,782	249,761,815	374,829,597
	211,375,632	373,747,297	585,122,929
Monetary Liabilities			
Bonds payable	(188,021,864)	(606,496,364)	(794,518,228)
Net Exposure	<u>23,353,768</u>	<u>(232,749,067)</u>	<u>(209,395,299)</u>

PORTFOLIO CREDIT MANAGEMENT LIMITED

Notes to the Financial Statements

December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

16. Financial Risk Management (continued)

Market risk (continued)

Year ended December 31, 2014

	TTS	TTS Equivalent of US\$ Values	Total
Monetary Assets			
Cash and cash equivalents	75,088,407	134,078,086	209,166,493
Loans	<u>135,153,410</u>	<u>325,673,111</u>	<u>460,826,521</u>
	210,241,817	459,751,197	669,993,014
Monetary Liabilities			
Bonds payable	<u>(193,021,862)</u>	<u>(791,478,899)</u>	<u>(984,500,761)</u>
Net Exposure	<u>17,219,955</u>	<u>(331,727,702)</u>	<u>(314,507,747)</u>

The exchange rate as at December 31, 2015 was USD1: TT\$6.4196 (2014: USD1: TT\$6.3585).

Sensitivity analysis:

A one percent weakening of the Trinidad and Tobago dollar against the USD at December 31, 2015 would have decreased profit by \$2,327,491 (2014: \$3,317,277). This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014.

PORTFOLIO CREDIT MANAGEMENT LIMITED

Notes to the Financial Statements

December 31, 2015

*(Expressed in Trinidad and Tobago Dollars)***16. Financial Risk Management (continued)****Fair value of financial assets and liabilities**

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Carrying Value		Fair Value	
	2015	2014	2015	2014
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	210,293,332	209,166,493	210,293,332	209,166,493
Accounts receivable	899,878	888,655	899,878	888,655
Interest receivable	217,870	746,676	217,870	746,676
Loans	<u>374,829,597</u>	<u>460,826,521</u>	<u>374,829,597</u>	<u>460,826,521</u>
Financial Liabilities				
Accounts payable	5,566,780	2,893,155	5,566,780	2,893,155
Interest payable	49,766	58,264	49,766	58,264
Bonds payable	<u>794,518,228</u>	<u>984,500,761</u>	<u>794,518,228</u>	<u>984,500,761</u>