PAN CARIBBEAN FINANCIAL SERVICES LIMITED

and its subsidiaries

Audited Financial Statements for the year ending December 31, 2003

Audited Financial Statements
Year Ended 31 December 2003

These financial statements for the financial year ended 31 Decernber 2003 have been prepared using International Financial Reporting Standards (IFRS), The (comparative numbers for the prior year ended 31 December 2002 have also been restated for comparative purposes based on IFRS standards.

Pan Caribbean reported Net Income of $342.2 million (EPS =$1.34) for the 12-month period ended 31 December 2003, a 20% incrcase over the prior year's results of $284.5 million (EPS = $1.11).

Net Interest Income for 2003 fell by 3% compared to 2002 to $278.6 million. During the first half of 2003, interest margins were negatively impacted by tight liquidity that led to a rapid rise in interest rates. As a result, liability costs increased significantly. However, during the second half of the financial year, interest margin recovered as money market liquidity improved and rates trended down. Non-interest income rose 80% to $233.6 million, driven by favourable translation gains and trading income.

Operating Expenses included a $42.0 million reversal credit provisions required under IFRS, as the carrying value of our loan portfolio has improved. Excluding this reversal, Operating Expenses climbed 47% during the year primarily as a result of charges associated with our relocation to new premises to accommodate growth, the new banidng software installation and systems conversion, marketing expenditure for the re-branding campaign and our 20th anniversary celebrations. Some of these charges are non-recurring.

The consolidated balance sheet reflects a $4.4 billion or 31% increase in assets to $18.3 billion. This growth reflects the impact of our re-branding campaign and increased selling efforts. At year-end, non-performing loans were $205.4 million, down from $394.1 million in 2002. As a result of improved earnings, our equity base has also strengthened substantially to $1.5 billion at year-end.

On 31 December 2003, Pan Caribbean executed a binding agreement to merge with Manufacturers Investments Limited (MIL) subject to regulatory approval. In February 2004, our shareholders authorized the creation of 275 million new shares to consummate the MIL transaction. In March 2004, the Minister of Finance granted his approval and PCFS has issued shares to MIL's shareholders thereby legally concluding the merger. MIL's subsidiaries include Manufacturers Sigma Merchant Bank Limited, Manufacturers Sigma investment Managers Limited, Sigma Unit Trust Managers Limited and Manufacturers Credit & Information Services Limited. The operational merger is expected to be completed during the second quarter 2004.

Consolidated Balance Sheet

		Restated
	2003	**2002**
	$'000	**$'000**
ASSETS		
Cash and balances due from other banks	143,497	159,970
Cash reserve at Bank of Jarnaica	16,941	11,055
Trading securities	487,398	59,384
Securities purchased under agreement to resell	6,513,511	4,274,750
Loans, net of provision for credit losses	1,116,346	1,208,750
Lease receivables, net of provision for credit losses	26,150	49,035
Investment securities	8,499,378	7,200,560
Intangible assets	14,097	12,274
Property, plant and equipment	39,969	34,222
Interest Receivable & Other Assets	1,481,004	949,667

	18,338,291	13,959,667
LIABILITIES		
Due to Banks and Other Financial Institutions	1,219,816	1,267,625
Customer deposits	724,892	497,482
Securities sold under agreement to repurchase	13,718,164	10,431,277
Other Liabilities	1,170,882	681,302
Total liabilities	16,833,754	12,877,686
STOCKHOLDERS' EQUITY		
Share Capital	255,661	255,661
Other Reserves	526,538	394,124
Retained Earnings	722,338	432,196
Total stockholder's equity	1,504,537	1,081,981
Total equity and liabilities	18,338,291	13,959,667

Approved on behalf of the board

Richard O. Byles
Director

Donovan H. Perkins
Director

Consolidated Profit and Loss Account

	2003	Restated 2002
	$'000	**$'000**
Net Interest Income and Other Revenue		
Totalinterest income	2,800,936	1,733,512

Interest expense	(2,522,358)	(1,447,182)
Net interest income	278,578	286,330
other operating income	233,617	129,931
	512,195	416,261
Expenses		
Operating expenses	174,582	147,744
Profit before Taxtion	337,613	268,517
Taxation	4,557	15,971
Net Proflt	342,170	284,488
	===========	===========
EARNINGS PER STOCK UNIT	$1.34	$1.11

Statement of Consolidated Cash Flows

	2003	Restated 2002
Cash Resources were provided by		
Net profit	342,170	284,488
Cash flows from Operating Activities	1,286,783	3,306,558
Cash flows from Investing Activities	(1,460,717)	(3,318,379)
Cash flows from Financing Activities	(27,299)	(122,158)
Effect of exchange rate changes on cash and cash equivalents	(18,189)	(3,565)
Net (decrease)/increase in cash and cash equivalents	122,748	146,944
Cash and cash equivalents at beginning of year	238,408	91,464
CASH AND CASH EQUIVALENTS AT END OF YEAR	361,156	238,408
	===========	===========
Comprising		
Cash and balances due from other banks	143,497	159,970

Investment securities	223,437	170,986
Due to banks and other financial institutions	(5,778)	(92,548)
	361,156	238,408
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Consolidated Statement of Changes in Stockholders' Equity

Retained

Share Fair Value Loan Loss Capital

Earnings Dividend Retained

Capital Reserves Reserve Reserve Reserve Fund

Reserve Proposed Earnings Total

$'000 $'000 $'000 $'000 $'000

$'000 $'000 $'000 $'000

Balance at 1 January 2002 as restated 255,661 49,712 76,129 111,397 20,000
52,000 25,566 389,702 979,157
Unrealised losses an available for sale
net of tax (131,821)
(131,821)

Reclassified and reported in profit

Net losses not recognised in Consolidated
Profit and Loss Account (131,821)
(131,921)
Adjustment between regulatory loan
provisioning and IFRS 48,419
(49,419)
Net profit as restated
284,488 284,488

Dividends paid
(25,566) (24,288) (49,853)
Dividends proposed
(24,288) (24,288)

Transfer to reserve fund 24,000
(24,000) -
Transfer to retained earnings reserve
120,000 (120,000) -
Balance at 31 December 2002, as
restated 255,661 (82,109) 124,548 111,397 44,000
172,000 24,288 432,196
Unrealised gains on available for sale
investments- net of taxes 124,640
124,641

Reclassified and reported in profit (24)
(24)
124,616
124,616
Adjustment between regulatory loan
provisioning and IFRS 12,086
- (12,086)
Net profit
342,170 342,170
Dividends paid
(24,288) (19,942) (44,230)
Transfer to reserve fund (20,000)
(20,000)
Balance at 31 Deamber 2003 255,661 42,507 136,634 111,397 64,000
172,000 - 722,338 1,504,537

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Notes

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities, investment securities for trading and derivatives contracts.

The Group adopted IFRS as its accounting standards effective 1 January 2002. The financial statements for the year ended 31 Doccinber 2003 have therefore been prepared in accordance with IFRS and comparative information has been restated to conform with the provisions of IFRS. The effects of adopting IFRS on the equity and net profit are reported in the Statement of Changes in Equity.

(b) Consolidation

The consolidated financial statements comprise those of the Bank and its subsidiaries presented as a single economic entity. Intra-group transactions, balances and unrealized gains and losses are eliminated in preparing the consolidated financial statements.

(c) Investment

Investments are classified into the following two categories:trading securities, originated loans and available-for sale securities. Management determines the appropriate classification of investments at the time of purchase.

(d) Loans and allowance for impairment losses

Loans are recognised when cash is advanced to borrowers.They are initially recorded at cost, which is the cash given to originate the loan including any transaction costs, and are sub sequently measured at amortised cost.

A provision for credit losses is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due according to the orginal contractual terms will not bo collected. When a loan has been identified as impaired, the carrying amount of the loan is reduced by recording specific provisions for credit losses to its estimated recoverable amount,

Statutory and other regulatory loan loss reserve requirements that are different from these amounts are dealt within a non-distributable loan loss reserve as an adjustment to retained earnings.

(e) Property, plant and equipment

All property, plant and equipment are stated at, historical cost Ioss accuumulated depreciation and impairment losses. Property, plant and equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

(f) Borrowings

Borrowings are recognised initially at cost, being their issue proceeds, net of transaction costs incurred. Subsequently, borrowings are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective yield method.

(g) Employee benets

(i) Pension asset

The company participates in a defined contribution pension scheme and the subsidiary is one of a number of
participating employers in a defined benefit plan, the assets of which are hold in separate trustee-administered funds. The plans are funded by payments from employees and the companies, takings into account the recommendations of independent qualified actuaries.

The asset or liability in respect of the defined benefit plan is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of plan assets, adjusted for unrecogoized actuarial gains/losses and past service cost,

The pension cost are assessed using the projected unit credit method so as to spread the regular cost over the service lives of the employees in accordance with the advice of the actuaries, who carry out a full valuation of the plans every year.

The pension obligation is measured at the present value of the estimated future cash outflows using discount estimated rates based on market yields on government securities which have terms to maturity approximating the terms of the related liability.

Actuarial gains and losses are recognized in the profit and loss account over the average remaining service lives of the participating employees.

(ii) Other post-retirement obligations

The subsidiary provides post-retirment health care benefit to their retires. The entitlement for the benefits is usually based on the employee remaining is service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans. Independent qualified actuaries carry out valuations of these obligations annually.

(iii) Share options

Share options are granted to eligible employees. The cost of this benefit is recordod in staff costs in the profit and loss loss account.

(h) Deferred income taxes

Deferred tax liabilities are recognized for temporary differences between the carrying amount of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods, Deferred tax assets are recognized for temporary differences which will result in deductable amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realized or the liability will be settled based on enacted rates.

Current and deferred tax assets and liabilities are offset when they arise from the same taxable entity, relate to the same tax authority and when the legal right of offset exists.

Current and deferred taxes are recognised as income tax expenses or benefit in the profit and loss account except, where they relate to items recorded in stockholders' equity, they are also charged or credited to stockholders' equity

(i) Provisions

Provisions are recognized when there is a present legal constructive obligation as a result of a past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

(j) Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these finanical statements where the Bank or its subsidiaries act in a fiduciary capacity such as norminee, trustee or agent

(k) Comparative Information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, comparatives have been adjusted or extended to take into account the requirements of IFRS