NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED

Annual Report and Accounts for 1999

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Board of Directors

Ms. Anne Edwards, B.A, DIP.(Education),Masters (Education)

Mr. Cecil Niles, B.A(Mathematics), M.B.A(Project Management)

Mr. Fabian M.Fahie, B.S.c (Economics), M.A.(Economics), Acc. Director

Mr. Vivien Vanterpool, B.PHIL (Education), DIP.(Education)

Mrs. Vida Lloyd, B.S.c Medicine

Mr. George L. Kentish, TELECOM Management

Rev. John A. Gumbs (Minister of Religion)

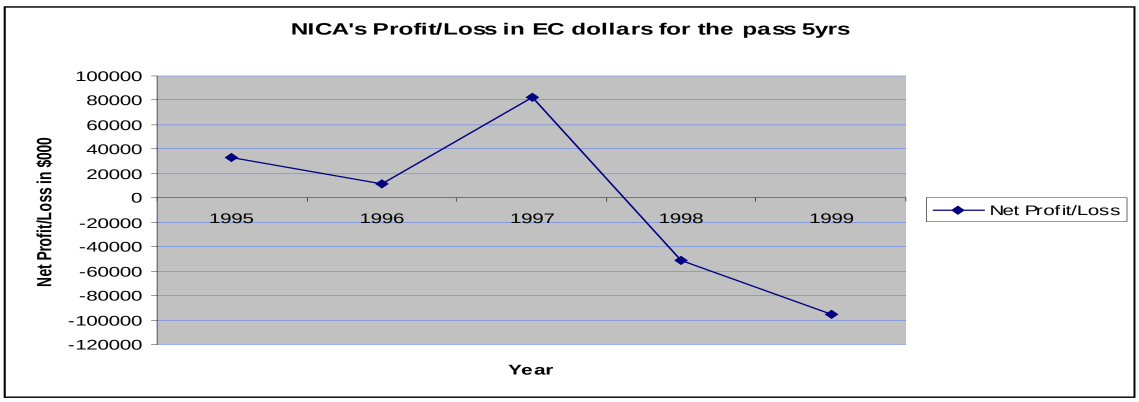
DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors submitted their annual report and the financial statements for the National Investment Company of Anguilla Ltd (NICA) and its 100% owned subsidiary, the National Bookstore Ltd, for the 12 months (ended) ending 31 Dec., 1999.

The principal business activities of the company during 1999 were the operation of the National Bookstore, leasing of the Sandy Ground warehouse property and the management of investment in marketable securities. The year 1999 can be (interpreted) described as a year of mixed financial outcomes, (accompanied by) a year in which a natural disaster, hurricane Lenny, (which) hit the Island causing considerable damage to residential and business properties. Despite this, however, NICA's reported net loss for the year was triggered mainly by the mixed performance of the company's portfolio of marketable securities and the plummeting of sales of National Bookstore. Nonetheless, in spite of these disappointments, directors are confident that overall, NICA can operate at a profit, given its history which can be seen in Figure 1.1. The challenge now is to return the company to profitability, and quickly increase the level of profitability to a point where shareholders can receive meaningful returns (dividends) on their investments.

Figure 1.1



Business Review

NICA's sales as at 31 Dec., 1999 stood at $318,368 compared with $439,659 in the previous year. This represents a decrease of $121,291 (28%) which is mainly attributable to the economic downturn after Hurricane Lenny hit the Island. Cost of Sales also decreased from $285,746 in 1998 to $206,924 as a result of (the) Hurricane Lenny. However, Other Income increased by 3.5% from (prior) the previous year, (this points to) as a result of the rental income received from the leasing of Sandy Ground warehouse property. Further gross profit declined by 15% when compared to 1998; the fall in gross profit was directly linked to the weak performance (by) of (the) National Bookstore.

Operating expenses almost doubled with an increase of $184,145 (56%). This increase resulted from increases in impairment loss and other administrative expenses of 143% and 56% respectively. Impairment loss was incurred by the fall in stock prices, thus decreasing the company's investment portfolio and generating a loss of $328,593.

Finance Income and expenses stood at $197,307, an increase of $178,590 when compared to (prior) the previous year. The increase (pointed to) showed an impressive gain on the sale of marketable securities of $192,210 and dividend income of $10,000 received from stock holding in Solomon Smith Barney. There were also slight increases in interest income and interest expense reported during 1999.

In relation to operating ratios (;), the return on Assets was (2.33%) and the Return on Equity was (2.04%), down 1.1% and 0.94% respectively from the previous year. Earning per share at the end of the year was -$.041 in 1999, as compared to -$.022 in 1998. These results are reflective of the deficit position reported during the year.

Cash and Cash Equivalent which include certificates of deposits and bank overdraft decreased to $255,779 (23%). The improvement in cash resource was achieved through using the significant cash generated from the sale of marketable securities, (being applied) to reduce the bank overdraft level.

Accumulative deficit as at Dec. 31, 1999 stood at EC$1,365,452 an increase of 8%. The increase resulted from the absorption of the net loss of $95,752 (being absorbed) in 1999.

Dividends

No dividend was declared during the year, and share capital remained at 47000205 $1 ordinary shares; this decision enabled the company to retain sufficient funds for the following year.

Chart of No. of Shares held by directors (to be) reported for 1999.

As at Dec. 31. 1999, Directors of the company held/controlled the following shareholdings in NICA

NAMES	TITLE	NO. OF SHARES
Anne Edwards	Secretary	1,000
Cecil Niles	Chairman	1,900
Fabian Fahie	Director	78,000
Vivien Vanterpool	Director	3,600
Kennedy Hodge	Director	54,100
Vida Lloyd	Director	1,600
George Kentish	Director	1,900
Johnny Gumbs	Director	23,400

There were no changes to the board of directors (to be) reported for 1999. All directors continued to serve the board (on a voluntary basis) voluntarily.

Signed by,

…………………………
Directors

AUDITED FINANCIAL STATEMENTS
(KPMG)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
National Investment Company of Anguilla Limited

We were engaged to audit the accompanying financial statements of National Investment Company of Anguilla Limited (the "Company"), which comprise the balance sheet as at 31 December 1999 and the related statements of operations, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the generally accepted accounting principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. Because of the matters described in the Bases for Disclaimer of Opinion paragraphs, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an opinion.

Bases for Disclaimer of Opinion

We were appointed as auditors of the Company on 26 June 2008, thus, we were not able to observe the counting of the physical inventories stated at EC$326,072 and EC$203,959 as at 31 December 1999 and 1998. We were unable to satisfy ourselves by alternative means concerning inventory quantities held as at 31 December 1999 and 1998. Since physical inventories enter into the determination of the financial position, performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of inventories and accumulated deficit in the balance sheet, cost of operating revenues and net loss for the years reported in the statement of operations and the net cash flows from operating activities reported in the statement of cash flows.

Moreover, we were not able to obtain sufficient appropriate evidence to substantiate the Company's gross operating revenue, other income, personnel expenses and occupancy expenses amounting to EC$318,368, EC$108,054, EC$43,466 and EC$20,551, respectively, due to limitations on the scope of our work as a result of missing documents due to flood suffered by the Company during 1995 caused by Hurricane Lenny. Accordingly, we were not able to determine whether any adjustments might be necessary to the amounts shown in the financial statements for accounts payable and accrued expenses, gross operating revenue, other income, personnel expenses, occupancy expenses, net loss and accumulated deficit.

Disclaimer of Opinion

Because of the significance of the matters described in the Bases for Disclaimer of Opinion paragraphs, we do not express an opinion on the financial statements.

KPMG LLC

Chartered Accountants
19 October 2010
The Valley, Anguilla, B.W.I.

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Balance Sheet
As at 31 December 1999

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	1999	1998
Assets			
Non-current assets			
Property and equipment – net	*3*	**$2,152,428**	$2,191,115
Investment securities – net	*4*	**1,083,151**	1,245,970
Whether secured or not.		**3,235,579**	3,437,085
Current assets			
Accounts receivable		**37,140**	-
Inventories		**326,072**	203,959
Prepayments		**1,400**	4,817
Cash and cash equivalents	*6*	**500,000**	500,000
		864,612	708,776
		$4,100,191	$4,145,861
Shareholders' Equity and Liabilities			
Shareholders' equity			
Share capital	*7*	**$4,700,205**	$4,700,205
Unrealized gain	*4*	**329,720**	250,251
Accumulated deficit		**(1,365,452)**	(1,269,700)
		3,664,473	3,680,756
Liabilities			
Accounts payable and accrued expenses		**191,497**	146,154
Bank overdraft	*6*	**244,221**	318,951
		435,718	465,105
		$4,100,191	$4,145,861

These financial statements were approved on behalf
of the Board of Directors on 19 October 2010 by the following:

Calvert Carty
Chairman

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Statement of Operations
For the Year Ended 31 December 1999

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	1999	1998
Gross operating revenue		**$318,368**	439,659
Cost of operating revenue		**(206,924)**	(285,746)
		111,444	153,913
Other income	*8*	**108,054**	104,413
		219,498	258,326
Expenses			
Impairment loss	*5*	**(328,593)**	(135,145)
Personnel		**(43,466)**	(69,314)
Depreciation	*3*	**(38,687)**	(38,687)
Professional fees	*9*	**(38,340)**	(38,340)
Occupancy		**(20,551)**	(19,338)
Other administrative expenses		**(42,920)**	(27,588)
		(512,557)	(328,412)
		(293,059)	(70,086)
Finance income and expenses			
Realized gain on investments	*4*	**192,210**	24,151
Interest income		**33,890**	32,500
Interest expense		**(38,793)**	(37,934)
Dividend income		**10,000**	-
		197,307	18,717
Net loss		**($95,752)**	($51,369)

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Statement of Changes in Shareholders' Equity
For the Year Ended 31 December 1999

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	**1999**	1998
Share capital			
Issued and outstanding	*7*	**$4,700,205**	$4,700,205
Unrealized gain			
Balance at beginning of year		**250,251**	37,584
Fair value movement during the year	*4*	**79,469**	212,667
Balance at end of year		**329,720**	250,251
Accumulated deficit			
Balance at beginning of year		**(1,269,700)**	(1,218,331)
Net loss		**(95,752)**	(51,369)
Balance at end of year		**(1,365,452)**	(1,269,700)
		$3,664,473	$3,680,756

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Statement of Cash Flows
For the Year Ended 31 December 1999

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	**1999**	1998
Cash flows from operating activities			
Net loss		**($95,752)**	($51,369)
Adjustments for:			
Impairment losses	*5*	**328,593**	135,145
Realized gain on investments		**(192,210)**	(24,151)
Interest income		**(33,890)**	(32,500)
Interest expense		**38,793**	37,934
Depreciation	*3*	**38,687**	38,687
Stock dividend	*4*	**(10,000)**	-
Investments written off	*4*	**-**	(135,145)
Operating income/(loss) before working capital changes		**74,221**	(31,399)
(Increase)/decrease in:			
Accounts receivable		**(64,780)**	32,500
Inventories		**(122,113)**	27,245
Prepayments		**3,417**	1,034
Increase in accounts payable and accruals		**45,343**	14,430
Cash (used in)/provided by from operating activities		**(63,912)**	43,810
Interest received		**33,890**	32,500
Interest paid		**(38,793)**	(37,934)
Net cash (used in)/provided by operating activities		**(68,815)**	38,376
Cash flows from investing activities			
Withdrawal of/(additions to) investment securities - net	*4*	**143,545**	(167,598)
Net increase/(decrease) in cash and cash equivalents		**74,730**	(129,222)
Cash and cash equivalents at beginning of year	*6*	**181,049**	310,271
Cash and cash equivalents at end of year	*6*	**$255,779**	$181,049

1. Reporting entity

National Investment Company of Anguilla Limited (the "Company") was incorporated in Anguilla under the provisions of the Companies Act of Anguilla on 27th January 1989.

The Company's principal activity is the operation of a bookstore. The Company is also in the business of leasing out properties.

The registered office and principal place of business of the Company is located at Sandy Ground, Anguilla, British West Indies.

2. Significant accounting policies

a) Accounting convention

The financial statements are prepared under the historical cost convention except for investment securities which is stated at fair value.

b) Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

c) Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation.

Property and equipment with the exception of land on which no depreciation is provided, are depreciated on the straight line basis at annual rates estimated to write off the cost of assets over the estimated useful lives. The depreciation rates are as follows:

Building and improvements	3.33% - 10.00%
Furniture and equipment	6.67% - 33.33%

d) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the periodic method on a first-in-first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. Allowance is made for obsolete and slow moving items.

e) Investment securities

Investments are stated at fair value, less provision for decline in value, as appropriate.

[Expressed in Eastern Caribbean Dollars (EC$)]

3. Property and equipment - net

	Land	Building and improvements	Furniture and equipment	Total
Cost				
31 December 1997	1,607,253	760,931	213,484	2,581,668
Additions	-	-	-	-
31 December 1998	1,607,253	760,931	213,484	2,581,668
Additions	-	-	-	-
31 December 1999	**1,607,253**	**760,931**	**213,484**	**2,581,668**
Accumulated depreciation				
31 December 1997	-	196,061	155,805	351,866
Depreciation	-	27,051	11,636	38,687
31 December 1998	-	223,112	167,441	390,553
Depreciation	-	27,051	11,636	38,687
31 December 1999	**-**	**250,163**	**179,077**	**429,240**
Net book values				
31 December 1998	1,607,253	537,819	46,043	2,191,115
31 December 1999	**1,607,253**	**510,768**	**34,407**	**2,152,428**

4. Investment securities - net

	1999	1998
Solomon Smith Barney	**709,474**	828,293
Iridium Company Limited	**300,953**	-
Eastern Caribbean Home Mortgage Bank	**200,000**	200,000
Anguilla National Insurance Company Limited	**150,000**	150,000
Anguilla Mortgage Company Limited	**30,000**	30,000
National Bank of Anguilla	**30,000**	20,000
Cable and Wireless Anguilla Limited	**8,677**	8,677
Investment in partnership	-	54,000
	1,429,104	1,290,970
Less allowance for decline in value	**(345,953)**	(45,000)
	1,083,151	1,245,970

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Notes to the Financial Statements *(continued)*
For the Year Ended 31 December 1999

[Expressed in Eastern Caribbean Dollars (EC$)]

4. Investment securities– net *(continued)*

The movements of the fair value of investment securities is as follows:

	1999	1998
Fair value at beginning of year	**1,290,970**	886,554
(Withdrawal)/acquisition of investment securities	**(143,545)**	167,598
Realized gain	**192,210**	24,151
Stock dividend	**10,000**	-
Should be fair value	**1,349,635**	1,087,303
Fair value at end of year	**1,429,104**	1,290,970
Change in fair value recognized in equity	**79,469**	212,667

5. Allowance for impairment losses

The movement of the allowance for impairment losses follow:

	1999	1998
Balance at beginning of year		
Investment securities	**45,000**	45,000
Accounts receivable	**-**	-
	45,000	45,000
Impairment loss during the year		
Investment securities	**300,953**	135,145
Accounts receivable	**27,640**	-
	328,593	135,145
Write-off during the year		
Investment securities	-	(135,145)
Accounts receivable	-	-
	-	(135,145)
Balance at end of year		
Investment securities	**345,953**	45,000
Accounts receivable	**27,640**	-
	373,593	45,000

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Notes to the Financial Statements *(continued)*
For the Year Ended 31 December 1999

[Expressed in Eastern Caribbean Dollars (EC$)]

6. Cash and cash equivalents

Cash and cash equivalents are composed of certificates of deposit and overdrafts held with National Bank of Anguilla that earns an interest rate of 6% to 6.50% and 3% to 4% per annum, respectively. The Company also maintains unsecured overdraft facilities with the said Bank. Details of the account are as follows:

	1999	1998
Certificates of deposit	**500,000**	500,000
Bank overdraft	**(244,221)**	(318,951)
Cash and cash equivalents in the statement of cashflows	**255,779**	181,049

7. Share capital

	1999	1998
Authorized		
100,000 founders shares at EC$1.00 each	**100,000**	100,000
4,900,000 ordinary shares at EC$1.00 each	**4,900,000**	4,900,000
Issued		
100,000 founders shares at EC$1.00 each	**100,000**	100,000
4,600,455 ordinary shares at EC$1.00 each	**4,600,455**	4,600,455
	4,700,455	4,700,455
Less call in arrears	**(250)**	(250)
	4,700,205	4,700,205

8. Other income

This account pertains to the income earned by the Company from the rental of its property to Anguilla Rums Limited.

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Notes to the Financial Statements *(continued)*
For the Year Ended 31 December 1999

[Expressed in Eastern Caribbean Dollars (EC$)]

9. Professional fees

	1999	1998
Audit fee	**27,000**	27,000
Accounting fee	**11,340**	11,340
	38,340	38,340

10. Commitments and guarantees

The Company does not have any outstanding commitments and guarantees as at 31 December 1999 and 1998.

11. Approval of financial statements

The Company's financial statements as at and for the year ended 31 December 1999 were approved and authorized for issue by the Board of Directors on 17 October 2010.