NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED

Annual Report and Accounts for 2000

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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., 2000.
The (principle) principal business activities of the company during 2000 were the operation of the National Bookstore, the leasing of Sandy Ground warehouse property and the management of investment in marketable securities.

During the year, NICA recovered financially, (thereby) reporting net profits of EC$116,739 year's losses. The increased profit (has) placed the company in a stable financial position, especially when compared to (prior) the previous year. (change in word order)

However, company Directors forecast substantial increases in operating costs in the immediate future. These costs will result from the increased level of regulation (within) in the financial service industry, and legislation imposing tougher corporate compliance. In the wake of the new regulations and legislations governing (how) the manner in which financial data is presented to shareholders, NICA will have to employ highly-skilled management and accounting professionals; thus professional fees and other administrative costs are expected to double.
(Audits cost are also expected to increase). Given the increasingly prominent issue of liability on the part of company auditors worldwide, (; this will result in) audit firms are also expected to increase their fees to (account for) to cope with the increased business risk they will face.

In light of the aforementioned increases, directors are now faced with the (challenges) challenge (to increase) of increasing profitability levels to cover expected increases in operating costs, and to generate meaningful returns on shareholders' investments.

Business Review

Gross Operating Revenue (Sales generated from the National Bookstore) recovered strongly with an increase of 53% from (prior) the previous (Year) year. This, coupled with a 42% increase in Costs of Sales and a slight decrease in Rental Income, increased Gross Profit by EC $83,095, up 38% from 1999 results.

Figure 1.1

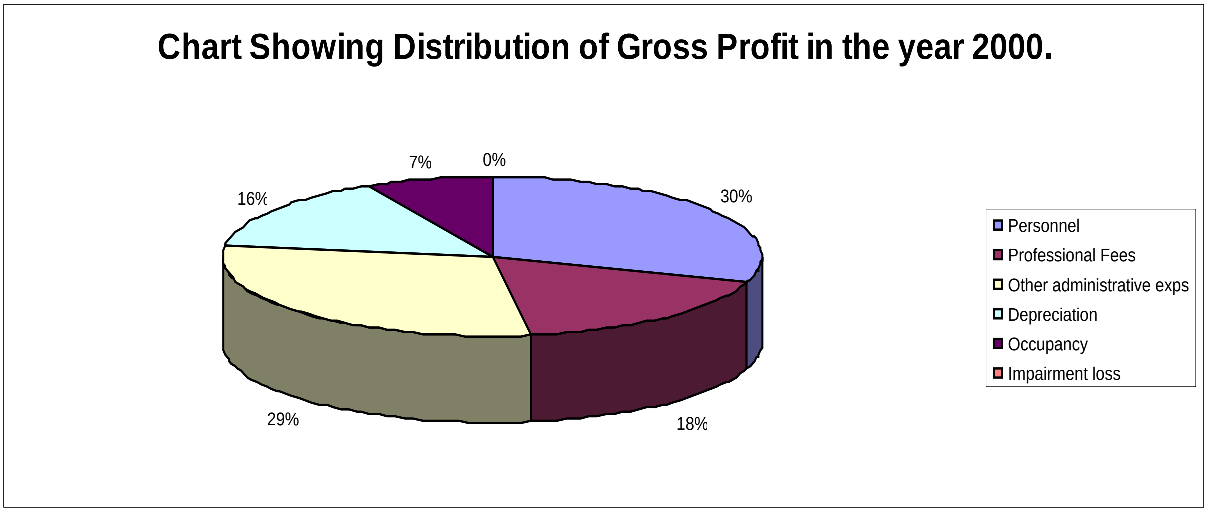

Figure 1.2

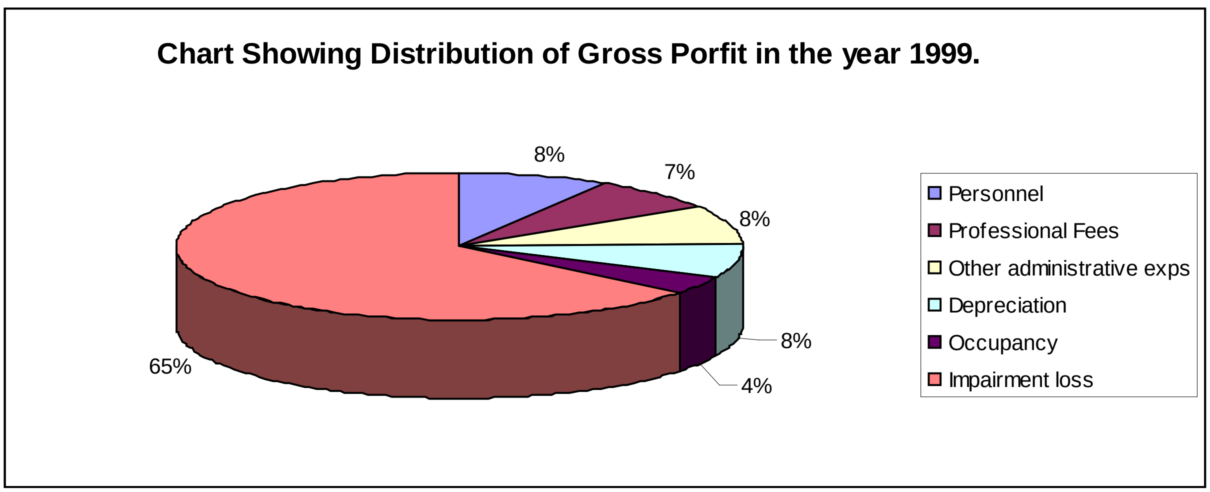

Figure 1.1 and Figure 1.2 show how gross profit distribution changed in 2000. Personnel cost, (Professional) professional fees and other administrative expenses increased 60%, 6% and 57% respectively, with the implementation of regulation and legislation (within) in the financial and audit industry. These costs have absorbed 77% of Gross profit in 2000 when compared to 24% in 1999, while all other costs decreased marginally.

Finance income and expenses stood at $44,188 a decrease of 77% when compared to (prior) the previous year. The decrease resulted mainly from a sharp decrease in realised gain from the sale of marketable securities, coupled with decreases in Interest Income and Interest Expense of 7% and 14% respectively. Dividend Income increased by EC$5,000; this income was generated from investments held in Eastern Caribbean Home Mortgage Bank.

In relation to operating ratios; the return on Asset was 2.81% and the return on (equity) Equity was 2.48% up from (2.34%) and (2.03%) respectively in the previous year. Earnings per share at the end of the year was $.05 in 2000, as compared to ($.04) in 1999. These results are reflective of the net profit generated during the year.

Cash and Cash Equivalent which include certificates of deposit and bank overdraft increased to $288,880 (13%). The improved cash position resulted primarily from the sale of marketable securities, which was used to decrease bank overdraft facility.

Accumulative deficit as at Dec. 31, 2000 stood at $1,248,713 a decrease of 8.55%. The decrease resulted from the net profit of EC $116,739 being absorbed in 2000.

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 2000.

As at Dec. 31, 2000, Directors of the company held/controlled the following shareholdings in NICA		
NAMES	**TITLE**	**NO. OF SHARES**
Anne Edwards	Secretary	1000
Cecil A. Niles	Chairman	1900
Fabian M. Fahie	Director	78000
Vivien A. Vanterpool	Director	3600
Kennedy W. Hodge	Director	54100
Viva C. Lloyd	Director	1600
George Kentish	Director	1900
Rev. John A. Gumbs	Director	23400

Mr. George Kentish and Rev. John A. Gumbs resigned as directors from the board with effect from Dec. 2000. We thank Mr. George Kentish and Rev. John A Gumbs for the excellent service they provided during (there) their term of office. All other Directors continue to serve the Board (on a voluntary basis) voluntarily.

Signed by,

………………………
Directors

AUDITED FINANCIAL STATEMENTS
(KPMG)

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 2000 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$471,791 and EC$326,072 as at and for the years ended 31 December 2000 and 1999. We were unable to satisfy ourselves by alternative means concerning inventory quantities held as at 31 December 2000 and 1999. 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 income/(loss) for the years reported in the statement of operations and the net cash flows used in operating activities reported in the statement of cash flows.

Moreover, we were not able to satisfy and obtain sufficient appropriate evidence to substantiate the Company's gross operating revenue, other income, personnel expenses and occupancy expenses amounting to EC$488,575, EC$107,217, EC$69,343 and EC$16,953, respectively, due to limitations on the scope of our work as a result of missing documents. 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 income/(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 2000

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	**2000**	1999
Assets			
Non-current assets			
Property and equipment – net	*3*	**$2,131,676**	$2,152,428
Investment securities – net	*4*	**1,026,931**	1,083,151
		3,158,607	3,235,579
Current assets			
Inventories		**471,791**	326,072
Prepayments		**1,400**	1,400
Accounts receivable		**3,027**	37,140
Cash and cash equivalents	*6*	**517,659**	500,000
		993,877	864,612
		$4,152,484	$4,100,191
Shareholders' Equity and Liabilities			
Shareholders' equity			
Share capital	*7*	**$4,700,205**	$4,700,205
Unrealized gain	*4*	**242,376**	329,720
Accumulated deficit		**(1,248,713)**	(1,365,452)
		3,693,868	3,664,473
Liabilities			
Accounts payable and accrued expenses		**229,837**	191,497
Bank overdraft	*6*	**228,779**	244,221
		458,616	435,718
		$4,152,484	$4,100,191

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 2000

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	**2000**	1999
Gross operating revenue		**$488,575**	$318,368
Cost of operating revenue		**(293,199)**	(206,924)
		195,376	111,444
Other income	*8*	**107,217**	108,054
		302,593	219,498
Expenses			
Personnel		**(69,343)**	(43,466)
Professional fees	*9*	**(40,452)**	(38,340)
Depreciation	*3*	**(35,794)**	(38,687)
Occupancy		**(16,953)**	(20,551)
Impairment loss	*5*	**-**	(328,593)
Other administrative expenses		**(67,500)**	(42,920)
		(230,042)	(512,557)
		72,551	(293,059)
Finance income and expenses			
Interest income		**31,365**	33,890
Realized gain on investment securities	*4*	**31,124**	192,210
Cash dividend income		**15,000**	-
Stock dividend income		**-**	10,000
Interest expense		**(33,301)**	(38,793)
		44,188	197,307
Net income/(loss)		**$116,739**	($95,752)

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Statement of Changes in Shareholders' Equity
For the Year Ended 31 December 2000

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	**2000**	1999
Share capital			
Issued and outstanding	*7*	**$4,700,205**	$4,700,205
Unrealized gain			
Balance at beginning of year		**329,720**	250,251
Fair value movement during the year	*4*	**(87,344)**	79,469
Balance at end of year		**242,376**	329,720
Accumulated deficit			
Balance at beginning of year		**(1,365,452)**	(1,269,700)
Net income/(loss)		**116,739**	(95,752)
Balance at end of year		**(1,248,713)**	(1,365,452)
		$3,693,868	$3,664,473

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Statement of Cash Flows
For the Year Ended 31 December 2000

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	**2000**	1999
Cash flows from operating activities			
Net income/(loss)		**$116,739**	$(95,752)
Adjustments for:			
Depreciation	*3*	**35,794**	38,687
Interest expense		**33,301**	38,793
Interest income		**(31,365)**	(33,890)
Realized gain on investment securities	*4*	**(31,124)**	(192,210)
Cash dividend		**(15,000)**	-
Stock dividend	*4*	**-**	(10,000)
Impairment losses	*5*	-	328,593
Operating income before working capital changes		**108,345**	74,221
(Increase)/decrease in:			
Inventories		**(145,719)**	(122,113)
Prepayments		**-**	3,417
Accounts receivable		**34,113**	(64,780)
Accounts payable and accrued expenses		**38,340**	45,343
Cash provided by/(used in) operating activities		**35,079**	(63,912)
Interest paid		**(33,301)**	(38,793)
Interest received		**31,365**	33,890
Net cash provided by/(used in) operating activities		**33,143**	(68,815)
Cash flows from investing activities			
Withdrawal of investment securities	*4*	-	143,545
Cash dividend received		**15,000**	-
Acquisition of property and equipment	*3*	**(15,042)**	-
Net cash (used in)/provided by investing activities		**(42)**	143,545
Net increase in cash and cash equivalents		**33,101**	74,730
Cash and cash equivalents at beginning of year	*6*	**255,779**	181,049
Cash and cash equivalents at end of year	*6*	**$288,880**	$255,779

[Expressed in Eastern Caribbean Dollars (EC$)]

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 27 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

Investment securities 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 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
Additions	-	-	15,042	15,042
31 December 2000	**1,607,253**	**760,931**	**228,526**	**2,596,710**
Accumulated depreciation				
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
Depreciation	-	26,408	9,386	35,794
31 December 2000	**-**	**276,571**	**188,463**	**465,034**
Net book values				
31 December 1999	1,607,253	510,768	34,407	2,152,428
31 December 2000	**1,607,253**	**484,360**	**40,063**	**2,131,676**

4. Investment securities - net

		2000	1999
Solomon Smith Barney		**653,254**	709,474
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**	30,000
Cable and Wireless Anguilla Limited		**8,677**	8,677
Iridium Company Limited		**-**	300,953
		1,071,931	1,429,104
Less allowance for decline in value	*5*	**(45,000)**	(345,953)
		1,026,931	1,083,151

4. Investment securities - net *(continued)*

The changes in the fair value of investment securities are as follows:

	2000	1999
Fair value at beginning of year	**1,429,104**	1,290,970
Written off investment securities	**(300,953)**	(143,545)
Realized gain	**31,124**	192,210
Stock dividend	**-**	10,000
Should be fair value	**1,159,275**	1,349,635
Fair value at end of year	**1,071,931**	1,429,104
Changes in fair value recognized in equity	**(87,344)**	79,469

5. Allowance for impairment losses

The movement of the allowance for impairment losses follow:

	2000	1999
Balance at beginning of year		
Investment securities	**345,953**	45,000
Accounts receivable	**27,640**	-
	373,593	45,000
Impairment loss during the year		
Investment securities	**-**	300,953
Accounts receivable	**-**	27,640
	-	328,593
Write-off during the year		
Investment securities	**300,953**	-
Accounts receivable	**-**	-
	300,953	-
Balance at end of year		
Investment securities	**45,000**	345,953
Accounts receivable	**27,640**	27,640
	72,640	373,593

[Expressed in Eastern Caribbean Dollars (EC$)]

6. Cash and cash equivalents

	2000	1999
Fixed deposit	**500,000**	500,000
Cash in bank	**17,659**	-
	517,659	500,000
Less bank overdraft	**(228,779)**	(244,221)
Cash and cash equivalents in the statement of cash flow	**288,880**	255,779

Cash and cash equivalents are composed of certificates of deposit held with National Bank of Anguilla that earns an interest rate of 6% to 6.50% per annum. The Company also maintains unsecured overdraft facilities with the said Bank.

7. Share capital

	2000	1999
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.

9. Professional fees

	2000	1999
Audit fee	**27,000**	27,000
Accounting fee	**13,452**	11,340
	40,452	38,340

10. Commitments and guarantees

The Company does not have any outstanding commitments and guarantees as at 31 December 2000 and 1999.

11. Approval of financial statements

The Company's financial statements as at and for the year ended 31 December 2000 were approved and authorized for issue by the Board of Directors on 17 October 2010.