

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED



Annual Report and Accounts for 2002

Table of Contents

<i>Board of Directors</i>	<i>2</i>
<i>Director's Report</i>	<i>3</i>
<i>Independent Auditor's Report</i>	<i>7</i>
<i>Balance Sheet</i>	<i>9</i>
<i>Statement of Operations</i>	<i>10</i>
<i>Statement of Changes in Shareholders' Equity</i>	<i>11</i>
<i>Statement of Cash Flows</i>	<i>12</i>
<i>Notes to the Financial Statements</i>	<i>13</i>

Board of Directors

Ms. Anne Edwards, BA, DIP.(Education), Masters (Education)

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

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

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

Mr. Kennedy W. Hodge, B ENG, TELECOM

Mrs. Vida Lloyd, B.S.c Medicine



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 ending 31 Dec., 2002.

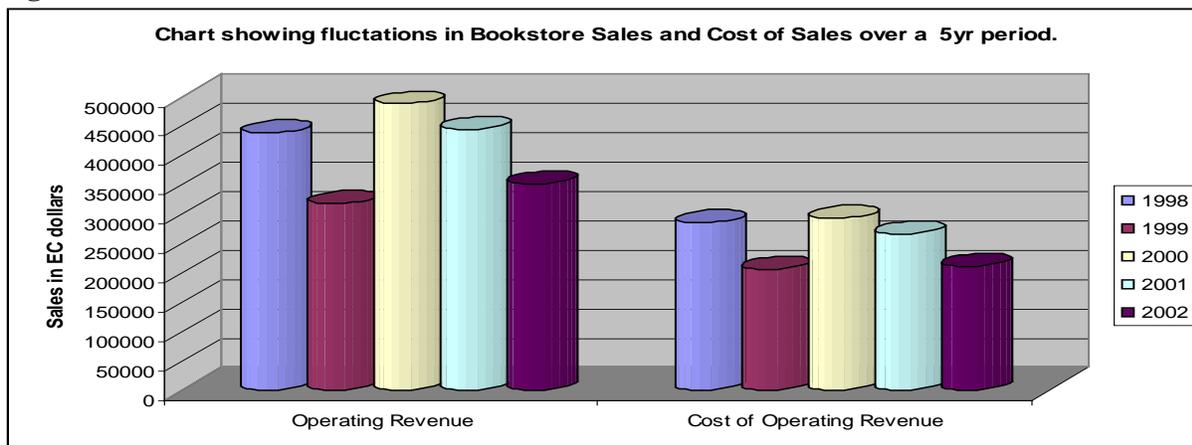
The principal business activities of the company during 2002 were the operation of the National Bookstore, leasing of Sandy Ground warehouse property and the management of investment in marketable securities.

In 2002 The National Investment Company Anguilla Ltd saw a decline in overall performance, thereby reporting a net loss of EC \$13,669. This poor performance was linked to the decrease in demand for the National Bookstore products and services, and the write off of obsolete inventory. NICA investment securities portfolio was also indirectly affected (fair value of shares) by the continued decline of share prices on the international stock market, which was made worse by the financial scandals engulfing some of the major traded companies. Directors' new challenge is to restore the National Bookstore to profitability and to invest with care and continued diversity in investment securities to enable the company to remain on a path of financial stability.

Business Review

In 2002 there was a further decline in Gross Operating Revenue of 21%; this resulted from the continued decrease in demand for the National Bookstore products and Services. Cost of Operating Revenue also decreased to EC \$211,275 from EC \$266,968 in 2001, while Other Income remained constant. Figure 1.1 shows how Sales and Cost of Sales have fluctuated over the past 5yrs. It also shows that there has not been a constant increase in sales. Directors are eager to refocus their attention in 2003 on implementing a new strategy to combat the fluctuated sales trends of the past 5yrs.

Figure 1.1



Operating Expenses increased to EC \$306,468 in 2002, up 36% from the previous year; thus resulting in an operating loss of EC \$48,835. The largest increase in Operating Expenses was the EC \$46,892 spent in professional fees. This cost was related to/due to the increases in legal fees

(Holding Company) and Accounting Fees. There was also a provision for the write off of EC \$34,864 for inventory obsolescence. Additionally, an increase of EC \$25,471 in the cost of stationery and printing was incurred by the National Bookstore.

Finance Income and Expense increased by EC \$18,128 when compared to the previous financial year. The increase was linked to increases in Dividend Income and gains on the sale of investment securities. Interest Income remained constant and Interest Expense increased by 38%, This was due to the interest cost of financing part of the company's EC \$370,000 investment in the 2001 Public Offering of Shares in the National Bank of Anguilla, via its bank overdraft facility.

NICA's investment portfolio did not perform as well as the previous year. There were significant falls; a situation which resulted from uncertainties in the international stock markets.

In the area of operating ratios, the return on Assets was (.32%) and the Return on Equity was (.29%), down from .68% and .97% respectively in the previous year. NICA's earning per share at the end of the year was (\$.006), compared to \$.038 in the previous year.

NICA's Cash and Cash Equivalent which included certificates of deposit and bank overdraft stood at EC \$102,095 as at Dec. 31, 2002. This represents an increase of \$77,157 which resulted from a reduction in the bank overdraft facility.

Accumulative deficit as at Dec. 31, 2002, increased by EC \$1. 3,669 the net loss reported for the year.

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 showing the No. of Shares held by Directors during 2002.

As at Dec. 31, 2002, 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

There were no changes to the board of directors reported for 2002. All directors continued to serve the board

Signed by,

.....
Directors



**AUDITED
FINANCIAL
STATEMENTS
(KPMG)**



KPMG LLC
Caribbean Commercial Centre
P.O. Box 136
The Valley AI-2640
Anguilla

Telephone 264 497 5500
Fax 264 497 3755
e-Mail cvromney@kpmg.ai

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 2002 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\$567,700 and EC\$604,052 as at 31 December 2002 and 2001. We were unable to satisfy ourselves by alternative means concerning inventory quantities held as at 31 December 2002 and 2001. 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, inventory obsolescence and net income 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 obtain sufficient appropriate evidence to substantiate the Company's gross operating revenue, other income, personnel expenses, occupancy expenses and dividend income amounting to EC\$351,944, EC\$116,964, EC\$50,327, EC\$22,512 and EC\$41,087, 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 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 2002

[Expressed in Eastern Caribbean Dollars (EC\$)]

	<i>Notes</i>	2002	2001
Assets			
Non-current assets			
Property and equipment – net	3	\$2,069,866	\$2,104,531
Investment securities – net	4	1,080,700	1,308,190
		3,150,566	3,412,721
Current assets			
Inventories		567,700	604,052
Prepayments		1,400	1,400
Accounts receivable		3,570	35,527
Cash and cash equivalents	5	500,000	500,000
		1,072,670	1,140,979
		\$4,223,236	\$4,553,700
Shareholders' Equity and Liabilities			
Shareholders' equity			
Share capital	6	\$4,700,205	\$4,700,205
Unrealized gain	4	23,789	178,365
Accumulated deficit		(1,171,538)	(1,157,869)
		3,552,456	3,720,701
Liabilities			
Accounts payable and accrued expenses		272,875	264,937
Bank overdraft	5	397,905	475,062
Subscription payable		-	93,000
		670,780	832,999
		\$4,223,236	\$4,553,700

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 2002

[Expressed in Eastern Caribbean Dollars (EC\$)]

	<i>Notes</i>	2002	2001
Gross operating revenue		\$351,944	\$444,946
Cost of operating revenue		(246,139)	(266,968)
		105,805	177,978
Other income	7	116,964	116,964
		222,769	294,942
Expenses			
Professional fees	8	(81,992)	(35,100)
Personnel		(50,327)	(60,395)
Depreciation	3	(34,665)	(35,388)
Stationery and printing		(25,970)	(499)
Occupancy		(22,512)	(38,394)
Other administrative expenses		(56,138)	(54,940)
		(271,604)	(224,716)
		(48,835)	70,226
Finance income and expenses			
Dividend income		41,087	22,959
Interest income		32,500	32,514
Realized gain on investment securities	4	9,642	-
Interest expense		(48,063)	(34,855)
		35,166	20,618
Net (loss)/income		(\$13,669)	\$90,844

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED

Statement of Changes in Shareholders' Equity

For the Year Ended 31 December 2002

[Expressed in Eastern Caribbean Dollars (EC\$)]

	<i>Notes</i>	2002	2001
Share capital			
Issued and outstanding	6	\$4,700,205	\$4,700,205
Unrealized gain			
Balance at beginning of year		178,365	242,376
Fair value movement during the year	4	(154,576)	(64,011)
Balance at end of year		23,789	178,365
Accumulated deficit			
Balance at beginning of year		(1,157,869)	(1,248,713)
Net (loss)/income		(13,669)	90,844
Balance at end of year		(1,171,538)	(1,157,869)
		\$3,552,456	\$3,720,701

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED

Statement of Cash Flows

For the Year Ended 31 December 2002

[Expressed in Eastern Caribbean Dollars (EC\$)]

	<i>Notes</i>	2002	2001
Cash flows from operating activities			
Net (loss)/income		(\$13,669)	\$90,844
Adjustments for:			
Interest expense		48,063	34,855
Inventory obsolescence		34,864	-
Depreciation	3	34,665	35,388
Interest income		(32,500)	(32,514)
Realized gain on investment securities	4	(9,642)	-
Operating income before working capital changes		61,781	128,573
(Increase)/decrease in:			
Inventories		1,488	(132,261)
Accounts receivable		31,957	(32,500)
Increase in accounts payable and accruals		7,938	35,100
Cash provided by/(used) in operating activities		103,164	(1,088)
Interest received		32,500	32,514
Interest paid		(48,063)	(34,855)
Net cash provided by/(used in) operating activities		87,601	(3,429)
Cash flows from investing activities			
Acquisition of investment securities	4	-	(372,000)
Withdrawal of investment securities	4	82,556	26,730
Acquisition of property and equipment	3	-	(8,243)
Decrease/(increase) in subscription payable		(93,000)	93,000
Net cash used in investing activities		(10,444)	(260,513)
Net increase/(decrease) in cash and cash equivalents		77,157	(263,942)
Cash and cash equivalents at beginning of year	5	24,938	288,880
Cash and cash equivalents at end of year	5	\$102,095	\$24,938

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Notes to the Financial Statements
31 December 2002

[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.

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Notes to the Financial Statements (continued)
31 December 2002

[Expressed in Eastern Caribbean Dollars (EC\$)]

3. Property and equipment - net

	Land	Building and improvements	Furniture and Equipment	Total
Cost				
31 December 2000	1,607,253	760,931	228,526	2,596,710
Additions	-	-	8,243	8,243
31 December 2001	1,607,253	760,931	236,769	2,604,953
Additions	-	-	-	-
31 December 2002	1,607,253	760,931	236,769	2,604,953
Accumulated depreciation				
31 December 2000	-	276,571	188,463	465,034
Depreciation	-	24,485	10,903	35,388
31 December 2001	-	301,056	199,366	500,422
Depreciation	-	24,485	10,180	34,665
31 December 2002	-	325,541	209,546	535,087
Net book values				
31 December 2001	1,607,253	459,875	37,403	2,104,531
31 December 2002	1,607,253	435,390	27,223	2,069,866

4. Investment securities - net

	2002	2001
National Bank of Anguilla Limited	402,000	402,000
Solomon Smith Barney	335,023	562,513
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
Cable and Wireless Anguilla Limited	8,677	8,677
	1,125,700	1,353,190
Less allowance for decline in value	(45,000)	(45,000)
	1,080,700	1,308,190

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Notes to the Financial Statements *(continued)*
31 December 2002

[Expressed in Eastern Caribbean Dollars (EC\$)]

4. Investment securities - net *(continued)*

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

	2002	2001
Fair value at beginning of year	1,353,190	1,071,931
Acquisition of investment securities	-	372,000
Withdrawal of investment securities	(82,556)	(26,730)
Realized gain	9,642	-
Should be fair value	1,280,276	1,417,201
Fair value at end of year	1,125,700	1,353,190
Changes in fair value recognized in equity	(154,576)	(64,011)

5. Cash and cash equivalents

	2002	2001
Fixed deposit	500,000	500,000
Less bank overdraft	(397,905)	(475,062)
Cash and cash equivalents in the statement of cash flows	102,095	24,938

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.

6. Share capital

	2002	2001
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

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Notes to the Financial Statements *(continued)*
31 December 2002

[Expressed in Eastern Caribbean Dollars (EC\$)]

7. Other income

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

8. Professional fees

	2002	2001
Accounting fee	32,667	8,100
Audit fee	27,000	27,000
Legal fee	22,325	-
	81,992	35,100

9. Commitments and guarantees

The Company does not have any outstanding commitments and guarantees as at 31 December 2002 and 2001.

10. Approval of financial statements

The Company's financial statements as at and for the year ended 31 December 2002 were approved and authorized for issue by the Board of Directors on 17 October 2010.