NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED

Annual Report and Accounts for 2008

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Board of Directors

Ms. Anne Edwards, BA, 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)

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) for the 12 months ending Dec. 31, 2008. The principal business activities of the company during 2008 were leasing of Sandy Ground warehouse property, the management of investment in marketable securities and the management of a container of books for sale.

In 2008, a series of bank and insurance company failures in the United States triggered a financial crisis that effectively halted global credit markets and required unprecedented government intervention. This crisis further escalated into a global recession in which there was a sharp drop in international trading, rising unemployment and slumping commodity prices.

The Directors of the National Investment Company of Anguilla were proactive in forecasting the global economic downturn, and so were able to withdraw/sell all NICA's investments on the United States stock market before the recession unfolded. This swift action enabled the company to sell its marketable securities at a profit, report a gain on sale of marketable securities of EC$97,000, and lead the company into a record net profit of EC$102,771.

Even though the global financial crisis had a profound effect on individuals and institutions at large, the Directors remained positive that NICA's investment portfolio and real estate portfolio were positioned to realise positive returns during the tough times.

Business Review

Gross profit increased to EC$158,690 (36%) over the previous year as a result of an increase in net sales of 301%, and in rental income of 24%.

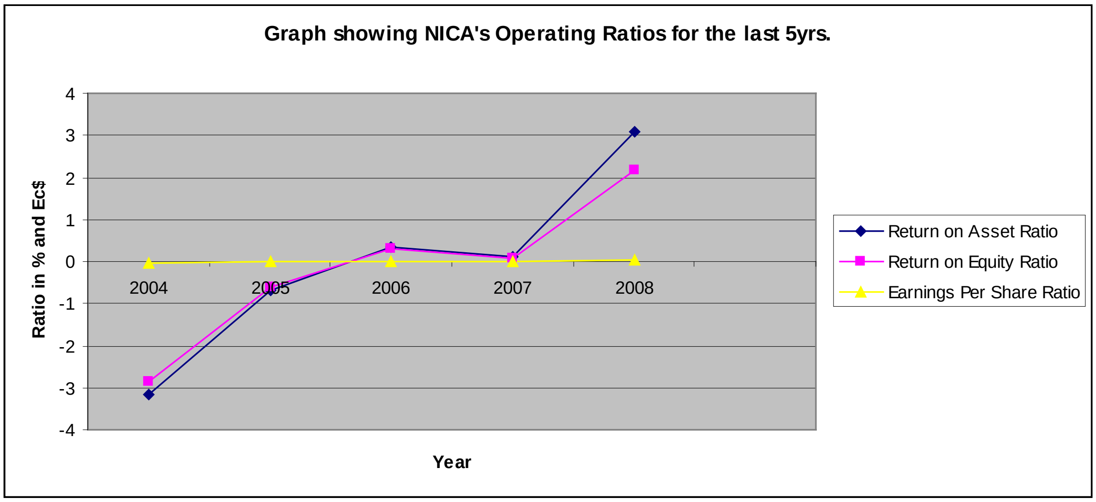
Total expenses also increased by 11% over the previous year, owing mainly to increases in professional fees, specifically accounting fees which more than doubled, and audit fees which increased by 20%. All other expenses increased or decreased marginally.

Finance Income and Expenses more than doubled as a result of realized gain on the sale of investment securities of EC$97,465. While Dividend Income, Interest Income and Interest Expenses decreased by 40%, 67% and 63% respectively.

During the year, total asset decreased by EC$1,006,762; the decrease was attributable mainly to Inventory and Available for Sale marketable securities. Decrease in marketable securities resulted from the withdrawal of all shares held in the United States stock market. The decrease in Inventory resulted from a physical count of inventory conducted by our Accountant, which revealed that inventory had been overstated by EC$342,153.This overstatement resulted from the observation damaged books. The balance sheet has been adjusted to reflect the overstatement.

On the matter of operating ratios, the return on Asset was 3.07%; the return on equity was 2.19% up from .009% and .092% respectively in the previous year. NICA's earning per share at the end of the year was $.0437, compared to $.0018 in the previous year. These results reflected an improvement in the overall performance of all the company's business portfolios, as can be seen in Figure 1.1 below which shows the performance of the company for the last 5yrs.

Figure 1.1



NICA's cash and cash equivalent, which included cash at bank, stood at EC$349,161 as at Dec. 31, 2008. This represented a decrease from the previous year of 19% in cash resources.

Accumulative deficit as at Dec. 31, 2008, increased by EC$239,382, an increase of 17.4% which captured the previous year's overstatement of inventory and the net profit of EC$102,771 generated during the year.

Dividends

No dividend was declared during the year and share capital remained at 100000 $1 founders' shares and 46,000,205 $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 2008.

As at Dec. 31, 2008, Directors of the company held/controlled the following shareholdings in NICA		
NAMES	**TITLE**	**NO. OF SHARES**
Anne Edwards	Secretary	1,000
Cecil A. Niles	Chairman	1,900
Fabian M. Fahie	Director	78,000
Vivien A. Vanterpool	Director	3,600
Kennedy W. Hodge	Director	54,100
Viva C. Lloyd	Director	1,600

There were no changes to the board of Directors in 2008. All Directors continued to serve the board voluntarily.

Signed by,

…………………………
Directors

AUDITED FINANCIAL STATEMENTS
(KPMG)

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Anguilla

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of National Investment Company of Anguilla Limited ("the Company"), which comprise the balance sheets as at 31 December 2008 and 2007, and the statements of income, changes in shareholders' equity and cash flow statements for the years 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 these financial statements in accordance with International Financial Reporting Standards. 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 these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 principles 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 opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2008 and 2007, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 16 to the financial statements. We have issued a disclaimer of opinion on the 31 December 2007 and 2006 financial statements dated 19 October 2010 because of the following:

a. We were not able to observe the counting of physical inventories as at 31 December 2007 and prior years as we were appointed auditors of the Company on 26 June 2008;

b. We were not able to satisfy and obtain sufficient appropriate evidence to substantiate gross operating revenue, other income, personnel expenses and occupancy expenses amounting to $8,305, $116,964, $10,331 and $42,538, respectively, as a result of missing documents.

As at 31 December 2008, we were able to observe the counting of physical inventories as at said date. Based on the results of such count, the Company has restated its 31 December 2007 beginning balance of accumulated deficit to record the actual physical inventories.

The gross operating revenue, other income, personnel expenses and occupancy expenses aggregating to $178,138 were closed to retained earnings as at 31 December 2007. As such, these items of the statement of income no longer need to be adjusted.

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 2008

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	2008	2007 (As Restated - Note 16)
Assets			
Non-current assets			
Property and equipment – net	7	**$73,901**	$23,659
Investment properties - net	8	**1,895,735**	1,920,220
Available-for-sale investment securities – net	9	**865,693**	1,373,911
		2,835,329	3,317,790
Current assets			
Inventories		**124,279**	141,085
Prepayments		**-**	1,400
Receivables		**42,954**	130,297
Cash and cash equivalents	10	**352,183**	428,782
		519,416	701,564
		$3,354,745	$4,019,354
Shareholders' Equity and Liabilities			
Shareholders' Equity			
Share capital	11	**$4,700,205**	$4,700,205
Fair value reserve		**-**	197,000
Accumulated deficit		**(1,608,710)**	(1,711,481)
		$3,091,495	$3,185,724
Liabilities			
Accounts payable and accrued expenses		**263,250**	412,630
Bank overdraft	10	**-**	421,000
		263,250	833,630
		$3,354,745	$4,019,354

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 Income
For the Year Ended 31 December 2008

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	**2008**	2007 (As Restated - Note 16)
Gross operating revenue		**$30,120**	$8,305
Cost of operating revenue		**(16,805)**	(4,983)
		13,315	3,322
Other income	*12*	**145,375**	116,964
		158,690	120,286
Expenses			
Professional fees	*13*	**(96,959)**	(67,129)
Depreciation	*7, 8*	**(32,527)**	(25,551)
Personnel		**(24,022)**	(10,331)
Occupancy		**(5,526)**	(42,538)
Other administrative expenses	*14*	**(37,070)**	(31,498)
		(196,104)	(177,047)
		(37,414)	(56,761)
Finance income and expenses			
Realized gain on sale of investment securities	*9*	**97,465**	-
Dividend income		**50,513**	83,555
Interest income		**9,066**	23,436
Interest expense		**(16,859)**	(45,892)
		140,185	61,099
Net income		**$102,771**	$4,338

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Statement of Changes in Shareholders' Equity
For the Year Ended 31 December 2008

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	**2008**	2007 (As Restated - Note 16)
Share capital			
Issued and outstanding	*11*	**$4,700,205**	$4,700,205
Fair value reserve			
Balance at beginning of year		**197,000**	179,172
Fair value movement during the year	*9*	**(99,535)**	17,828
Realized gain on sale of investment securities	*9*	**(97,465)**	-
Balance at end of year		**-**	197,000
Accumulated deficit			
Balance at beginning of year			
As previously reported		**(1,374,266)**	(1,378,604)
Prior period adjustment of inventories	*16*	**(337,215)**	(337,215)
As restated		**(1,711,481)**	(1,715,819)
Net income		**102,771**	4,338
Balance at end of year		**(1,608,710)**	(1,711,481)
		$3,091,495	$3,185,724

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Statement of Cash Flows
For the Year Ended 31 December 2008

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	**2008**	2007 (As Restated - Note 16)
Cash flows from operating activities			
Net income		**$102,771**	$4,338
Adjustments for:			
Realized gain on sale of investment securities	*9*	**(97,465)**	-
Dividend income		**(50,513)**	(83,555)
Depreciation	*7, 8*	**32,527**	25,551
Interest expense		**16,859**	45,892
Interest income		**(9,066)**	(23,436)
Operating loss before working capital changes		**(4,887)**	(31,210)
Decrease (increase) in:			
Receivables		**87,343**	(4,344)
Inventories		**16,806**	4,982
Prepayments		**1,400**	-
(Decrease)/increase in accounts payable and accrued expenses		**(149,380)**	34,964
Cash (used in)/provided by operating activities		**(48,718)**	4,392
Interest received		**9,066**	-
Interest paid		**(16,859)**	(45,892)
Net cash used in operating activities		**(56,511)**	(41,500)
Cash provided by investing activities			
Proceeds from sale of investment securities	*9*	**408,683**	-
Dividend received		**50,513**	88,675
Acquisition of property and equipment	*8*	**(58,284)**	(19,635)
Net cash provided by investing activities		**400,912**	69,040
Net increase in cash and cash equivalents		**344,401**	27,540
Cash and cash equivalents at beginning of year	*10*	**7,782**	(19,758)
Cash and cash equivalents at end of year	*10*	**$352,183**	$7,782

[Expressed in Eastern Caribbean Dollars (EC$)]

1. Reporting entity

National Investment Company of Anguilla Limited (the "Company") was incorporated in Anguilla under the provision 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. Basis of preparation

a) Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board (IASB).

The financial statements were approved and authorized for issue by the Board of Directors on 17 October 2010.

b) Basis of measurement

The financial statements are prepared under the historical cost basis except for available-for-sale investment securities which are measured at fair value.

c) Functional and presentation currency

These financial statements are presented in Eastern Caribbean Dollars (EC$) which is the Company's functional and presentation currency. Except as otherwise indicated, financial information presented in EC$ has been rounded to the nearest dollar.

d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2. Basis of preparation *(continued)*

d) Use of estimates and judgments *(continued)*

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

a. Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in the statement of income.

b. Financial instruments

i. Non-derivative financial instruments

Non-derivative financial instruments comprise of cash and cash equivalents, receivables and accounts payable and accrued expenses.

Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

3. Significant accounting policies *(continued)*

b. Financial instruments *(continued)*

i. Non-derivative financial instruments (continued)

Cash and cash equivalents
Cash and cash equivalents are comprise of cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash on hand and in bank for the purpose of the statement of cash flows.

Available-for-sale investment securities
Available-for-sale investment securities are non-derivative investments that are not designated as another category of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign currency differences on available-for-sale equity instruments, if any, are recognized in the statement of changes in shareholders' equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in the statement of shareholders' equity is transferred to the statement of income.

Trade and other receivables
Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. Subsequent to initial recognition, trade and other receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Other
Other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.

ii. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity.

c. Property and equipment

i. Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and impairment losses, if any.

3. Significant accounting policies *(continued)*

c. Property and equipment *(continued)*

i. Recognition and measurement (continued)

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets is recognized in the statement of income as incurred.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within "other income" in the statement of income.

ii. Subsequent costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the statement of income as incurred.

iii. Depreciation

Depreciation is recognized in the statement of income on a straight line basis over the estimated useful lives of each part of an item of property and equipment.

The estimated useful lives are as follows:

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

The assets' useful lives and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

3. Significant accounting policies *(continued)*

d. Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. The investment property, principally comprising of land and building, is held by the Company for capital appreciation and for rental. It is carried at cost less accumulated depreciation and impairment losses, if any. Any change in the impairment therein is recognized in the statements of income. Investment property is derecognized when it has either been disposed of or the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

e. 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.

f. Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses, if any, are recognized in the statement of income.

g. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Revenue from sale of books
Revenue from sales of book are recognized when the entity has transferred to the buyer the significant risks and rewards of ownership of goods sold.

Revenue from rental
Revenue from rental of premises is recognized when the services are rendered.

Interest income
Revenue is recognized as interest accrues and takes into account the yield on the assets.

Dividend income
Revenue is recognized when the Company’s right to receive payment is established.

3. Significant accounting policies *(continued)*

h. Taxation

No provision is made for income tax since Anguilla does not have any form of income tax.

i. Related party transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

j. Events after the balance sheet date

Post year-end events that provide additional information about the Company's financial position at balance sheet date (adjusting events) are reflected in the financial statements when material. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

k. Amendments to standards and interpretations effective in 2008

Amendments to standards effective in 2008
IAS 39, *Financial Instruments: Recognition and Measurement* and IFRS 7, *Financial Instruments: Disclosures, Reclassification of Financial Assets* (Amendments), permits an entity to reclassify non-derivative financial assets, other than those designated as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss (i.e., held for trading) category if they are no longer held for the purpose of being sold or repurchased in the near term, as follows:

- If the financial asset would have met the definition of loans and receivables, if the financial asset had not been required to be classified as held for trading at initial recognition, then it may be reclassified if the entity has the intention to hold the financial asset for the foreseeable future or until maturity;
- If the financial asset would not have met the definition of loans and receivables, then it may be reclassified out of the held for trading category only in "rare circumstances";
- If the financial asset would have met the definition of loans and receivables, if the financial asset had not been designated as available-for-sale, then it may be reclassified if the entity has the intention to hold the financial asset for the foreseeable future or until maturity.

3. Significant accounting policies *(continued)*

k. Amendments to standards and interpretations effective in 2008 *(continued)*

Amendments to standards effective in 2008 *(continued)*
The amendment to IFRS 7 introduces additional disclosure requirements if an entity has reclassified financial assets in accordance with the amendment to IAS 39. The amendments are effective retrospectively from 1 July 2008. The adoption of these amendments to standards did not affect the Company's reported net income or financial position during the year.

Interpretations effective in 2008 but not relevant
The following interpretations are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the Company's operations:

- IFRIC 12, *Service Concession Arrangements*, provides guidance on the accounting by operators of public-to-private service concession arrangements.

- IFRIC 14*, IAS 19 – The Limited on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, addresses how to assess the limit, under IAS 19, *Employee Benefits*, on the amount of the surplus that can be recognized as an asset particularly when a minimum funding requirement exists.

l. New standards, amendments to standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008 have not yet been applied in preparing these financial statements. These new standards, amendments to standards and interpretations will either be applicable or are not applicable to the Company. These are as follows:

	Accounting standards	Effective date
Amended IFRS 1 and IAS 27	*Amendments to IFRS 1 First-time Adoption of International Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*	1 January 2009
Amended IFRS 2	*Share-based Payment – Vesting Conditions and Cancellations*	1 January 2009
Revised IFRS 3	*Business Combinations*	1 July 2009
IFRS 8	*Operating Segments*	1 January 2009
Revised IAS 1	*Presentation of Financial Statements*	1 January 2009
Revised IAS 23	*Borrowing Costs*	1 January 2009
Amended IAS 27	*Consolidated and Separate Financial Statements*	1 July 2009

3. Significant accounting policies *(continued)*

l. New standards, amendments to standards and interpretations not yet adopted *(continued)*

	Accounting standards	*Effective date*
Amended IAS 32 and IAS 1	*Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*	1 January 2009
Amended IAS 39	*Financial Instruments: Recognition and Measurement – Eligible Hedged Items*	1 July 2009
Various	*Improvements to IFRSs 2008*	1 January 2009
IFRIC 13	*Customer Loyalty Programmes*	1 July 2008

- Amended IFRS 1 and IAS 27, *Amendments to IFRS 1 First-time Adoption of International Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*, permits a first-time adopter of IFRSs, at the date of transition, to measure the cost of its investment in a subsidiary, jointly controlled entity or associate at a deemed cost in its separate financial statements rather than having to determine cost under IFRSs. Amended IFRS 1 and IAS 27, which will become mandatory for 2009 financial statements, will have no impact on the Company's financial statements.

- Amended IFRS 2, *Share-based Payment – Vesting Conditions and Cancellations*, clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The Amended IFRS 2, which will become mandatory for 2009 financial statements, will not have any impact on the Company's financial statements.

- Revised IFRS 3, *Business Combinations*, incorporates changes as to (a) the definition of business has been broadened; (b) contingent consideration will be measured at fair value, with subsequent changes in fair value recognized in the statement of income; (c) transaction costs, other than share and debt issue costs, will be expensed as incurred; (d) any pre-existing interest in an acquiree will be measured at fair value, with the related gain or loss recognized in the statement of income; (e) any non-controlling interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. Revised IFRS 3, which will become mandatory for 2009 financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Company's financial statements.

3. Significant accounting policies *(continued)*

l. New standards, amendments to standards and interpretations not yet adopted *(continued)*

- Revised IAS 1, *Presentation of Financial Statements*, introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income" (i.e., changes in equity during a period, other than those changes resulting from transactions with owners in their capacity as owners), which is presented either in : (a) one statement (i.e, a statement of comprehensive income); or (b) two statements (i.e., an income statement and a statement beginning with profit or loss and displaying components of other comprehensive income). The revised standard also prohibits presenting components of comprehensive income in the statement of changes in shareholders' equity.

  Other requirements in the revised standard that are not current IAS 1 requirement includes: (a) a statement of financial position (formerly "balance sheet") is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements; (b) reclassification adjustments to profit or loss of amounts previously recognized in other comprehensive income (formerly "recycling") are disclosed for each component of other comprehensive income; (c) income tax is disclosed for each component of other comprehensive income; (d) dividends and related per-share amounts are disclosed either on the face of the statement of changes in shareholders' equity or in the notes.

  Revised IAS 1 will become mandatory for 2009 financial statements, will require adjustments and additional disclosures in the Company's financial statements.

- Revised IAS 23, *Borrowing Costs*, removes the option of immediately recognising all borrowing costs as an expense, which was the benchmark treatment in the previous standard. The revised standard requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Revised IAS 23, which will become mandatory for 2009 financial statements, is not expected to have any impact on the Company's financial statements.

- Amended IAS 27, *Consolidated and Separate Financial Statements*, requires accounting for changes in ownership interests in a subsidiary that occur without loss of control, to be recognized as an equity transaction. When the Company loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the statement of income. The amended IAS 27, which will become mandatory for 2009 financial statements, will have no impact in the Company's financial statements since the Company does not have any ownership interests in any subsidiary.

3. Significant accounting policies *(continued)*

l. New standards, amendments to standards and interpretations not yet adopted *(continued)*

- Amended IAS 32 and IAS 1, *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*, requires puttable instruments and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity if certain conditions are met. The amendments, which will become mandatory for 2009 financial statements with retrospective application required, are not expected to have any impact on the Company's financial statements.

- Amendments to IAS 39, *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*, clarify the application of existing principles in a hedging relationship. The amendments, which will become mandatory for 2009 financial statements, with retrospective application required, are not expected to have an impact on the Company's financial statements.

- IFRIC 13, *Customer Loyalty Programmes*, addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13 will become mandatory for 2009 financial statements and will be applicable retrospectively. This interpretation is not expected to have an impact on the Company's financial statements.

4. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

(a) Available-for-sale investment securities
The fair value of investment securities is equivalent to the price of the money market fund as at the balance sheet date.

(b) Receivables
The fair values of receivables approximate their carrying amounts due to the short-term nature of the related transactions.

(c) Cash and cash equivalents
Due to the short-term nature of the transactions, the fair values of cash and cash equivalents approximate their carrying amounts as at balance sheet date.

4. Determination of fair values *(continued)*

(d) Accounts payable and accrued expenses
Due to the short-term nature of the related transactions, the fair values of accounts payable and accrued expenses approximate their carrying amounts as at balance sheet date.

5. Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note represents information about the Company's exposure to each of the above risks, the Company's objective, policies and processes for measuring and managing risk and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

- **Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

Investments
The Company limits its exposure to credit risk by only investing in liquid companies and short term securities. Management does not expect any counterparty to fail to meet its obligations.

- **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

5. 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 holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Currency risk
All transactions are made in Eastern Caribbean Dollars (EC$) and United States Dollars (US$). EC$ is fixed to the US$ at the rate of 2.70. The Company is not exposed to any significant currency risk.

Interest rate risk
The Company is subject to pay monthly interest on its bank overdraft and also earns interest on fixed deposits with a financial institution with fixed interest rate. The Company is not exposed to any significant interest rate risk.

- **Capital management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as total shareholders' equity and the level of dividends to shareholders. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

6. Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The following are the critical estimates and judgements used in applying accounting policies that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year and/or in future periods:

Determination of fair values

The fair values of financial and non-financial assets and liabilities have been determined for measurement and/or disclosure purposes based on the methods described in Note 4 to the financial statements. The carrying and fair values of financial are presented in Note 15 to the financial statements.

7. Property and equipment - net

	Building and improvements	Furniture and equipment	Total
Cost			
31 December 2006	$-	236,769	236,769
Additions	19,635	-	19,635
31 December 2007	19,635	236,769	256,404
Additions	58,284	-	58,284
31 December 2008	**77,919**	**236,769**	**314,688**
Accumulated depreciation			
31 December 2006	-	231,679	231,679
Depreciation	-	1,066	1,066
31 December 2007	-	232,745	232,745
Depreciation	6,976	1,066	8,042
31 December 2008	**6,976**	**233,811**	**240,787**
Net book values			
31 December 2007	19,635	4,024	23,659
31 December 2008	**$70,943**	**2,958**	**73,901**

8. Investment properties - net

	Land	Building and improvements	Total
Cost			
31 December 2006	$1,607,253	760,931	2,368,184
Additions	-	-	-
31 December 2007	1,607,253	760,931	2,368,184
Additions	-	-	-
31 December 2008	**1,607,253**	**760,931**	**2,368,184**
Accumulated depreciation			
31 December 2006	-	423,479	423,479
Depreciation	-	24,485	24,485
31 December 2007	-	447,964	447,964
Depreciation	-	24,485	24,485
31 December 2008	**-**	**472,449**	**472,449**
Net book values			
31 December 2007	$1,607,253	312,967	1,920,220
31 December 2008	**$1,607,253**	**288,482**	**1,895,735**

Total rental income and repairs and maintenance expenses recognized in the statement of income in relation to the leased out property as at and for the year ended 31 December 2008 amounted to EC$145,375 (2007 - EC$116,964) and EC$1,625 (2007 - nil), respectively.

9. Available-for-sale investment securities - net

	2008	2007
National Bank of Anguilla Limited	**$402,000**	402,000
Eastern Caribbean Home Mortgage Bank	**200,000**	200,000
Anguilla National Insurance Company Limited	**150,000**	150,000
Anguilla Electricity Company Limited	**120,000**	120,000
Anguilla Mortgage Company Limited	**30,000**	30,000
Cable and Wireless Anguilla Limited	**8,677**	8,677
Solomon Smith Barney	**16**	508,234
	910,693	1,418,911
Less allowance for decline in value	**(45,000)**	(45,000)
	$865,693	1,373,911

9. Available-for-sale investment securities - net *(continued)*

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

	2008	2007
Fair value at beginning of year	**$1,418,911**	1,401,083
Withdrawal of investment securities	**(311,218)**	-
Realized gain on sale of investment securities	**(97,465)**	-
Should be fair value	**1,010,228**	1,401,083
Fair value at end of year	**910,693**	1,418,911
	$99,535	(17,828)

10. Cash and cash equivalents

	2008	2007
Cash in bank	**$352,183**	428,782
Less bank overdraft	-	(421,000)
	$352,183	7,782

The Company maintained unsecured overdraft facilities with the National Bank of Anguilla in 2007.

11. Share capital

	2008	2007
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
	5,000,000	5,000,000
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

12. Other income

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

13. Professional fees

	2008	2007
Accounting fee	**$49,506**	21,634
Audit fee	**32,400**	27,000
Legal fee	**15,053**	18,495
	$96,959	67,129

14. Other administrative expenses

	2008	2007
Utilities	**$14,019**	16,496
Taxes and licenses	**6,078**	8,451
Office supplies	**3,336**	810
Advertising	**3,290**	756
Repairs and maintenance	**1,625**	-
Others	**8,722**	4,985
	$37,070	31,498

15. Financial instrument risks

(a) Credit risk

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2008	2007
Available-for-sale investment securities	**$865,693**	1,373,911
Receivables	**42,954**	130,297
Cash and cash equivalents	**352,183**	7,782
	$1,260,830	1,511,990

15. Financial instrument risks *(continued)*

(b) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	2008			
	Carrying amount	**Contractual cash flows**	**6 months or less**	**6-12 months**
Accounts payable and accrued expenses	$263,250	263,250	263,250	-
	$263,250	263,250	263,250	-

	2007			
	Carrying amount	Contractual cash flows	6 months or less	6-12 months
Accounts payable and accrued expenses	$412,630	412,630	412,630	-
Bank overdraft	421,000	421,000	421,000	-
	$833,630	833,630	833,630	-

(c) Market risk

Market risk consists of interest and foreign exchange risks.

Interest risk
Interest risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is affected where there is a mismatch between interest-earning assets and interest-bearing liabilities, which are subject to interest rate adjustments within a specified period. The Company's financial instruments are not exposed to interest rate risk since only time deposits which is included in cash and cash equivalents earned interest.

Foreign exchange risk
The Company is not exposed to any significant foreign exchange risk since most of the Board's transactions are in EC Dollars and United States Dollars (US Dollars). EC Dollar is fixed to US Dollar at the rate of EC$2.70.

15. Financial instrument risks *(continued)*

(d) Fair values

As at 31 December 2008 and 2007, the fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	2008		2007	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Available-for-sale investment securities	**$865,693**	**865,693**	1,373,911	1,373,911
Receivables	**42,954**	**42,954**	130,297	130,297
Cash and cash equivalents	**352,183**	**352,183**	7,782	7,782
Accounts payable and accrued expenses	**(263,250)**	**(263,250)**	(412,630)	(412,630)
	$997,580	**997,580**	1,099,360	1,099,360

16. Related party transaction

The Company Secretary, who is also a director of the Company, received EC$24,022 as compensation for performing the secretarial function of NICA. The Company Secretary, like the other directors, did not receive any director's fee during the year, as agreed from the inception of their appointment.

17. Prior period adjustment

The Company did not conduct year-end inventory count prior to the appointment of the auditors on 26 June 2008. As such, the Company and the auditors were not able to satisfy themselves by alternative means as to the inventory quantities as at year ends prior to December 31, 2008.

An actual inventory was conducted on 15 December 2008 to establish the inventory balance as at 31 December 2008. Based on the results of such count, inventory was overstated by $337,215. As such, the Company adjusted such overstatement by restating the beginning balance of accumulated deficit as at 31 December 2007.

[Expressed in Eastern Caribbean Dollars (EC$)]

17. Prior period adjustment *(continued)*

The effect of the said adjustments follows:

	Accumulated deficit	
	2008	2007
As previously reported	**(1,374,266)**	(1,378,604)
Inventory adjustment	**(337,215)**	(337,215)
As restated	**(1,711,481)**	(1,715,819)

18. Commitments and guarantees

The Company does not have any outstanding commitments and guarantees as at 31 December 2008 and 2007.

19. Subsequent events

Board of Directors Plan
The Company's operations had been stalled for a number of years resulting to continued operating losses which resulted to the depletion of the shareholders' interest in the Company, which resulted to the Company's inability to return value to its shareholders. As such, it was imperative for the Company's Board of Directors to arrest this situation thereby, leading to the immediate determination of the Company's future plans.

The Board of Directors came up with the following options:

1. Continuous but limited operations;
2. Outright and complete sale of the Company to interested investors;
3. Partial sale of the Company's shares; and
4. Voluntary liquidation.

As of the report date, there is no concrete decision yet on which option to take. The Board of Directors intends to present the possible options at the Company's annual general meeting scheduled to be held during the year.

However, further inquiries with the Company revealed that there are ongoing negotiations with an interested buyer of the Company wherein the former expressed interest to develop the Company's properties.

19. Subsequent events (*continued)*

Lease of Rhum Factory

The lease of the rhum factory which is the Company's main source of income had been terminated by the lessee However, as of report date, the Company is still receiving rental payments despite of the termination since most of the equipment used by the lessor is still in the factory premises. The appropriate notice to terminate the lease agreement and to vacate the premises had already been made by the lessor and the Company's Board of Directors had already advertised the vacancy for prospective tenants.