

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED



Annual Report and Accounts for 1998

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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

DIRECTOR'S REPORT

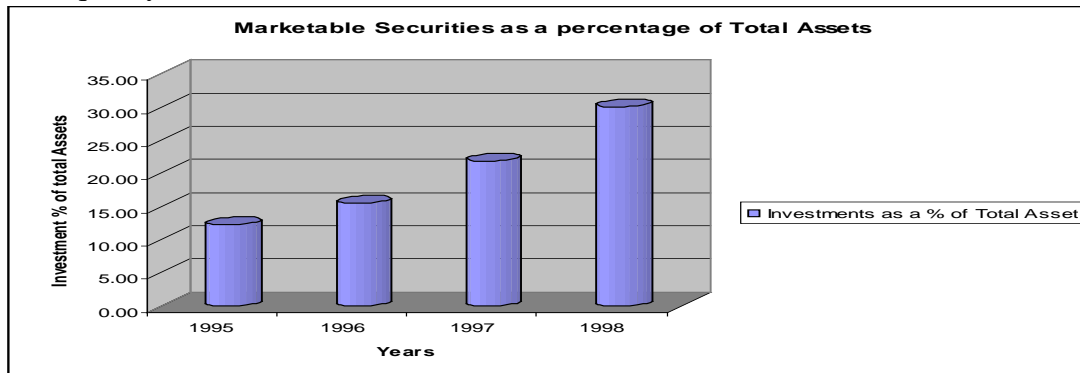
The Directors submit their annual report and the financial statements for the National Investment Company of Anguilla Ltd (NICA) and its 100% owned subsidiary the National Bookstore Ltd for the 12 months ended 31 Dec 1998.

The principle business activities of the company during 1998 were the operation of the National Bookstore, leasing of Sandy Ground Warehouse Property and the expansion of investments in marketable securities. In relation to the National Bookstore, 1998 was a profitable year and this business entity showed that it is on track to becoming self-sustainable. During the year Directors focused on expanding NICA's investment portfolio; whereby additional investments were made in Solomon Smith Barney and GEM Homes Limited. Altogether NICA's investment portfolio performed well in terms of financial returns, thus coinciding with Directors forecast of the benefits of investing in marketable securities.

Business Review

During 1998 gross profit increased by \$23,776. This increase was attributable to increases in sale, cost of sales and rental income of 8.26%, 9.04% and 15.04% respectively. Operating expenses increased by 95% when compared to the previous years. This significant increase is mainly due to the write off of shares bought in Gem Home Ltd; a company that went bankrupt after trading for less than one year. All other expenses increased or decreased marginally. Finance Income stood at EC \$18,717, an increase of 9.48% from 1997. This increase resulted from a gain on sale of marketable securities (shares) in Solomon Barney; and 143% increase in interest expense. Interest expense was incurred as part of an effort to rebalance the company's asset portfolio, such as to achieve higher returns by the investment in revenue-generating marketable securities.

NICA's total assets increased by \$304,950 (7.94%); this increase points to additional investments in Solomon Barney and Malliouhana- ANICO Insurance Company. The amounts invested in marketable securities increased from EC \$404,416 to \$1,245,970, an increase of 48.1% of the EC \$841,554 invested at the end of 1997. Altogether NICA's investment portfolio grew to over EC \$1 million, which accounts for 30.05% of the company's total assets now being in liquid securities. Figure 1.1 shows 4yr growth of investment securities as a percentage of NICA's Total Assets. The increase in marketable securities is expected to increase the revenue and liquidity.



In terms of operating ratios; the return on Asset was (1.24) % and the return on equity was (1.09) % down 3.4% and 2.9% respectively from previous years. Earnings per share at the end of the year was $-.022$ in 1998, as compared to $$.035$ in the previous year. This was a result of the deficit position recorded in 1998.

NICA's cash and cash equivalent which included cash on hand/in bank and certificates of deposit remained static; thereby reporting no movement in cash or cash equivalent in 1998.

Accumulative deficit as at Dec 31 1998 stood at EC \$1,269,700, an increase of 4.2%. The increase resulted from the net loss of EC \$51,369 absorbed in 1998.

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 share held by directors to be reported for 1998.

As at Dec 31 1998, 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
Rev. John A. Gumbs	Director	23,400

There were no changes to the board of directors to be reported for 1998. All directors continued to serve the board on a voluntary basis.

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 1998 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\$203,959 and EC\$231,204 as at 31 December 1998 and 1997. We were unable to satisfy ourselves by alternative means concerning inventory quantities held as at 31 December 1998 and 1997. 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)/ income 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\$439,659, EC\$104,413, EC\$69,314 and EC\$19,338, respectively, due to limitations on the scope of our work imposed by missing documents. Accordingly, we were not able to determine whether any adjustments might be necessary to the amounts shown in the financial statements for 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

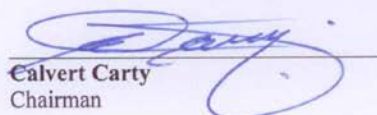
Balance Sheet

As at 31 December 1998

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

	<i>Notes</i>	1998	1997
Assets			
Non-current assets			
Property and equipment – net	3	\$2,191,115	\$2,229,802
Investment securities – net	4	1,245,970	841,554
		3,437,085	3,071,356
Current assets			
Accounts receivable		-	32,500
Inventories		203,959	231,204
Prepayments		4,817	5,851
Cash and cash equivalents	5	500,000	500,000
		708,776	769,555
		\$4,145,861	\$3,840,911
Shareholders' Equity and Liabilities			
Shareholders' equity			
Share capital	6	\$4,700,205	\$4,700,205
Unrealized gain	4	250,251	37,584
Accumulated deficit		(1,269,700)	(1,218,331)
		3,680,756	3,519,458
Liabilities			
Accounts payable and accrued expenses		146,154	131,724
Bank overdraft		318,951	189,729
		465,105	321,453
		\$4,145,861	\$3,840,911

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 1998

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

	<i>Notes</i>	1998	1997
Gross operating revenue		\$439,659	\$406,122
Cost of operating revenue		(285,746)	(262,049)
		153,913	144,073
Other income	7	104,413	90,477
		258,326	234,550
Expenses			
Investment loss	4	(135,145)	-
Personnel		(69,314)	(49,810)
Depreciation	3	(38,687)	(39,409)
Professional fees	8	(38,340)	(38,340)
Occupancy		(19,338)	(20,065)
Other administrative expenses		(27,588)	(21,145)
		(328,412)	(168,769)
		(70,086)	65,781
Finance income and expenses			
Realized loss on investments	4	24,151	-
Interest income		32,500	32,677
Interest expense		(37,934)	(15,580)
		18,717	17,097
Net (loss)/income		(\$51,369)	\$82,878

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED

Statement of Changes in Shareholders' Equity

For the Year Ended 31 December 1998

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

	<i>Notes</i>	1998	1997
Share capital			
Issued and outstanding	6	\$4,700,205	\$4,700,205
Unrealized gain			
Balance at beginning of year		37,584	9,865
Fair value movement during the year		212,667	27,719
Balance at end of year		250,251	37,584
Accumulated deficit			
Balance at beginning of year		(1,218,331)	(1,301,209)
Net (loss)/income		(51,369)	82,878
Balance at end of year		(1,269,700)	(1,218,331)
		\$3,680,756	\$3,519,458

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED

Statement of Cash Flows

For the Year Ended 31 December 1998

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

	<i>Notes</i>	1998	1997
Cash flows from operating activities			
Net (loss)/income		(\$51,369)	\$82,878
Adjustments for:			
Depreciation	3	38,687	39,409
Interest income		(32,500)	(32,677)
Interest expense		37,934	15,580
Realized income on investments	4	(24,151)	-
Investment losses	4	135,145	-
Investments written off	4	(135,145)	-
Operating (loss)/income before working capital changes		(31,399)	105,190
(Increase)/decrease in:			
Accounts receivable		32,500	27,339
Inventories		27,245	(42,416)
Prepayments		1,034	(5,851)
Increase in accounts payable and accrued expenses		14,430	41,943
Net cash from operating activities		43,810	126,205
Interest received		32,500	32,677
Interest paid		(37,934)	(15,580)
Net cash provided by operating activities		38,376	143,302
Cash flows from investing activities			
Additions to investment securities	4	(167,598)	(248,797)
Net decrease in cash and cash equivalents		(129,222)	(105,495)
Cash and cash equivalents at beginning of year	5	310,271	415,766
Cash and cash equivalents at end of year	5	\$181,049	\$310,271

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED

Notes to the Financial Statements

For the Year Ended 31 December 1998

[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 P.O. Box 1401, The Valley, 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.

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Notes to the Financial Statements (continued)
For the Year Ended 31 December 1998

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

3. Property and equipment - net

	Land	Building and improvements	Furniture and equipment	Total
Cost				
31 December 1996	1,607,253	760,931	213,484	2,581,668
Additions	-	-	-	-
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
Accumulated depreciation				
31 December 1996	-	169,011	143,446	312,457
Depreciation	-	27,050	12,359	39,409
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
Net book values				
31 December 1997	1,607,253	564,870	57,679	2,229,802
31 December 1998	1,607,253	537,819	46,043	2,191,115

4. Investment securities - net

	1998	1997
Solomon Smith Barney	828,293	468,877
Eastern Caribbean Home Mortgage Bank	200,000	200,000
Anguilla National Insurance Company Limited	150,000	125,000
Investment in partnership	54,000	54,000
Anguilla Mortgage Company Limited	30,000	30,000
National Bank of Anguilla	20,000	-
Cable and Wireless Anguilla Limited	8,677	8,677
	1,290,970	886,554
Less allowance for decline in value	(45,000)	(45,000)
	1,245,970	841,554

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED

Notes to the Financial Statements *(continued)*

For the Year Ended 31 December 1998

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

4. Investment securities - net *(continued)*

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

	1998	1997
Fair value at beginning of year	886,554	610,038
Additional investments	167,598	248,797
Realized gain	24,151	-
Should be fair value	1,078,303	858,835
Fair value at end of year	1,290,970	886,554
Changes in fair value recognized in equity	212,667	27,719

During the year, the Company made an investment to GEM Homes Limited, a newly established company in the State of Florida, United States of America amounting to EC\$135,145. This company went bankrupt on the same year, thus the Board of Directors decided to provide allowance for impairment losses and subsequently wrote it off.

5. 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:

	1998	1997
Certificates of deposit	500,000	500,000
Bank overdraft	(318,951)	(189,729)
Cash and cash equivalents in the statement of cashflows	181,049	310,271

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Notes to the Financial Statements *(continued)*
For the Year Ended 31 December 1998

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

6. Share capital

	1998	1997
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

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

	1998	1997
Audit fee	27,000	27,000
Accounting fee	11,340	11,340
	38,340	38,340

9. Commitments and guarantees

The Company does not have any outstanding commitments and guarantees as at 31 December 1998 and 1997.

10. Approval of financial statements

The Company's financial statements as at and for the year ended 31 December 1998 were approved and authorized for issue by the Board of Directors on 17 October 2010.