

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED



Annual Report and Accounts for 2003

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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) and its 100% owned subsidiary, the National Bookstore Ltd, for the 12 months ending 31 Dec., 2003.

The principal business activities of the company during 2003 were the operation of the National Bookstore, leasing of Sandy Ground warehouse property and the management of investment in marketable securities.

In 2003 NICA saw a further decline in overall performance, thereby reporting a net loss of EC \$62,466; the weak performance is mainly linked to the National Bookstore operation. Analysis of the correlation between the National Bookstore Sales, Account Receivable and Inventory shows that the Assets of the Bookstore are not being managed effectively. Figure 1.1 below shows that the problem began in 2001 when Revenue decreased by 9%, while Account Receivable increased 1073% and Inventory went up 28%. Before 2001, the Bookstore was able to grow Revenue at a faster rate than Account Receivable and Inventory, but from 2001 onwards the correlation worsened until 2003, when we saw that if things did not change immediately this business entity was bound to fall apart. Directors were aware of the National Bookstore financial situation and would endeavour in 2004 to reverse the negative trend of this operation.

Figure 1.1

Correlation of National Bookstore Sales, Account Receivable and Inventory.				
	2000	2001	2002	2003
Revenue	488,575.00	444946.00	351944.00	177044.00
% change in Revenue	53% up	9% down	21% down	50% down
Account receivable	3027.00	35527.00	3570.00	45320.00
% change in Account receivable	92% down	1073% up	90% down	1169% up
Inventory	471791.00	604052.00	567700.00	528488.00
% change in Inventory	44% up	28% up	6% down	7% down

Business Review

During 2003 Gross Profit declined to EC \$177,090 (31%) when compared to the previous year. Leasehold rental income accounted for 64% of gross profit, while income from The National Bookstore operation accounted for only 36% of gross profit - a decrease of 19% from the 2002 Bookstore operation.

Operating expenses decreased to EC \$272,028 (31%); Directors were able to decrease all other costs except professional fees and provision for slow moving stock. The larger component of professional fees resulted from investigation fees of EC \$61,830. used to cover the costs of an investigation undertaken by the High Court into the affairs of NICA. Provision for slow moving stock remained at EC \$34,864 in anticipation of stock becoming obsolete.

Finance Income and Expenses decreased slightly (8%), thereby showing an increase in Dividend Income from marketable securities of 2% and a decrease in Interest Expense of 12%. Interest Income remained constant at EC \$32,500.

NICA's marketable securities performed satisfactorily in 2003, compared to 2002. The international stock markets reversed their declining trend in 2003, returning to growth from approximately three years of continuous decline. In the light of the stock markets' positive movement, NICA recorded unrealised gains on marketable securities of EC \$96264, thus increasing NICA shareholders' equity.

In the area of operating ratios, the return on Asset was (1.42%) and the return on Equity was (1.33%), down from (.32%) and (.29%) respectively in the previous year. NICA's earning per share at the end of the year was (\$.027), compared to (\$.006) in the previous year.

NICA's Cash and Cash Equivalent which included certificates of deposit and bank overdraft stood at EC \$22,022 as at Dec. 31, 2003. This represents an increase of £80,073 in bank overdraft, which was used to finance investments in marketable securities.

Accumulative deficit as at Dec. 31, 2003, increased by EC \$62,466, the net loss reported during 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 2003.

As at Dec. 31, 2003, Directors of the company held/controlled the following shareholdings in NICA		
NAMES	TITLE	NO. OF SHARES
Anna Richardson	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 2003. All Directors continued to serve the board voluntarily.

Signed by,

.....
Directors



**AUDITED
FINANCIAL
STATEMENTS
(KPMG)**



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INDEPENDENT AUDITORS' REPORT

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

We were engaged to audit the accompanying financial statements of National Investment Company of Anguilla Limited (the "Company"), which comprise the balance sheet as at 31 December 2003 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\$528,164 and EC\$567,700 as at 31 December 2003 and 2002. We were unable to satisfy ourselves by alternative means concerning inventory quantities held as at 31 December 2003 and 2002. 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 and occupancy expenses amounting to EC\$177,044, EC\$113,193, EC\$39,791 and EC\$22,512, 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

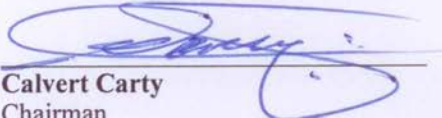
Balance Sheet

As at 31 December 2003

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

	<i>Notes</i>	2003	2002
Assets			
Non-current assets			
Property and equipment – net	3	\$2,035,201	\$2,069,866
Investment securities – net	4	1,273,175	1,080,700
		3,308,376	3,150,566
Current assets			
Inventories		528,488	567,700
Prepayments		1,400	1,400
Receivables		45,320	3,570
Cash and cash equivalents	5	500,000	500,000
		1,075,208	1,072,670
		\$4,383,584	\$4,223,236
Shareholders' Equity and Liabilities			
Shareholders' equity			
Share capital	6	\$4,700,205	\$4,700,205
Unrealized gain		96,264	23,789
Accumulated deficit		(1,234,004)	(1,171,538)
		3,562,465	3,552,456
Liabilities			
Accounts payable and accrued expenses		343,141	272,875
Bank overdraft	5	477,978	397,905
		821,119	670,780
		\$4,383,584	\$4,223,236

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 2003

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

	<i>Notes</i>	2003	2002
Gross operating revenue		\$177,044	\$351,944
Cost of operating revenue		(148,011)	(246,139)
		29,033	105,805
Other income	7	113,193	116,964
		142,226	222,769
Expenses			
Professional fees	8	(108,316)	(81,992)
Personnel		(39,791)	(50,327)
Depreciation	3	(34,665)	(34,665)
Occupancy		(22,512)	(22,512)
Stationery and printing		(1,309)	(25,970)
Other administrative expenses		(30,571)	(56,138)
		(237,164)	(271,604)
		(94,938)	(48,835)
Finance income and expenses			
Dividend income		42,110	41,087
Interest income		32,500	32,500
Realized gain on investment securities	4	-	9,642
Interest expense		(42,138)	(48,063)
		32,472	35,166
Net loss		\$(62,466)	\$(13,669)

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED

Statement of Changes in Shareholders' Equity

For the Year Ended 31 December 2003

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

	<i>Notes</i>	2003	2002
Share capital			
Issued and outstanding	6	\$4,700,205	\$4,700,205
Unrealized gain			
Balance at beginning of year		23,789	178,365
Fair value movement during the year	4	72,475	(154,576)
Balance at end of year		96,264	23,789
Accumulated deficit			
Balance at beginning of year		(1,171,538)	(1,157,869)
Net loss		(62,466)	(13,669)
Balance at end of year		(1,234,004)	(1,171,538)
		\$3,562,465	\$3,552,456

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED

Statement of Cash Flows

For the Year Ended 31 December 2003

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

	<i>Notes</i>	2003	2002
Cash flows from operating activities			
Net loss		(\$62,466)	(\$13,669)
Adjustments for:			
Interest expense		42,138	48,063
Inventory obsolescence		34,864	34,864
Depreciation	3	34,665	34,665
Interest income		(32,500)	(32,500)
Realized gain on investment securities	4	-	(9,642)
Operating income before working capital changes		16,701	61,781
(Increase)/decrease in:			
Inventories		4,348	1,488
Receivables		(9,250)	31,957
Increase in accounts payable and accruals		70,266	7,938
Cash provided by operating activities		82,065	103,164
Interest received		-	32,500
Interest paid		(42,138)	(48,063)
Net cash provided by operating activities		39,927	87,601
Cash flows from investing activities			
Acquisition of investment securities	4	(120,000)	-
Withdrawal of investment securities	4	-	82,556
Decrease in subscription payable		-	(93,000)
Net cash used in investing activities		(120,000)	(10,444)
Net (decrease)/increase in cash and cash equivalents		(80,073)	77,157
Cash and cash equivalents at beginning of year	5	102,095	24,938
Cash and cash equivalents at end of year	5	\$22,022	\$102,095

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Notes to the Financial Statements
31 December 2003

[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 27th January 1989.

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

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

2. Significant accounting policies

a) Accounting convention

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

b) Revenue

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

c) Property and equipment

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

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

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

d) Inventories

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

e) Investment securities

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 2003

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

3. Property and equipment - net

	Land	Building and improvements	Furniture and equipment	Total
Cost				
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
Additions	-	-	-	-
31 December 2003	1,607,253	760,931	236,769	2,604,953
Accumulated depreciation				
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
Depreciation	-	24,484	10,181	34,665
31 December 2003	-	350,025	219,727	569,752
Net book values				
31 December 2002	1,607,253	435,390	27,223	2,069,866
31 December 2003	1,607,253	410,906	17,042	2,035,201

4. Investment securities - net

	2003	2002
Solomon Smith Barney	407,498	335,023
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	-
Anguilla Mortgage Company Limited	30,000	30,000
Cable and Wireless Anguilla Limited	8,677	8,677
	1,318,175	1,125,700
Less allowance for decline in value	(45,000)	(45,000)
	1,273,175	1,080,700

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Notes to the Financial Statements *(continued)*
31 December 2003

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

4. Investment securities - net *(continued)*

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

	2003	2002
Fair value at beginning of year	1,125,700	1,353,190
Acquisition of investment securities	120,000	-
Withdrawal of investment securities	-	(82,556)
Realized gain	-	9,642
Should be fair value	1,245,700	1,280,276
Fair value at end of year	1,318,175	1,125,700
Changes in fair value of investment securities	72,475	(154,576)

5. Cash and cash equivalents

	2003	2002
Fixed deposit	500,000	500,000
Less bank overdraft	(477,978)	(397,905)
Cash and cash equivalents in the statement of cash flows	22,022	102,095

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

	2003	2002
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 2003

[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

	2003	2002
Investigation fee	61,830	-
Audit fee	27,000	27,000
Accounting fee	13,500	32,667
Legal fee	5,986	22,325
	108,316	81,992

9. Commitments and guarantees

The Company does not have any outstanding commitments and guarantees as at 31 December 2003 and 2002.

10. Approval of financial statements

The Company's financial statements as at and for the year ended 31 December 2003 were approved and authorized for issue by the Board of Directors on 17 October 2010.