NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED

Annual Report and Accounts for 2004

Table of Contents

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

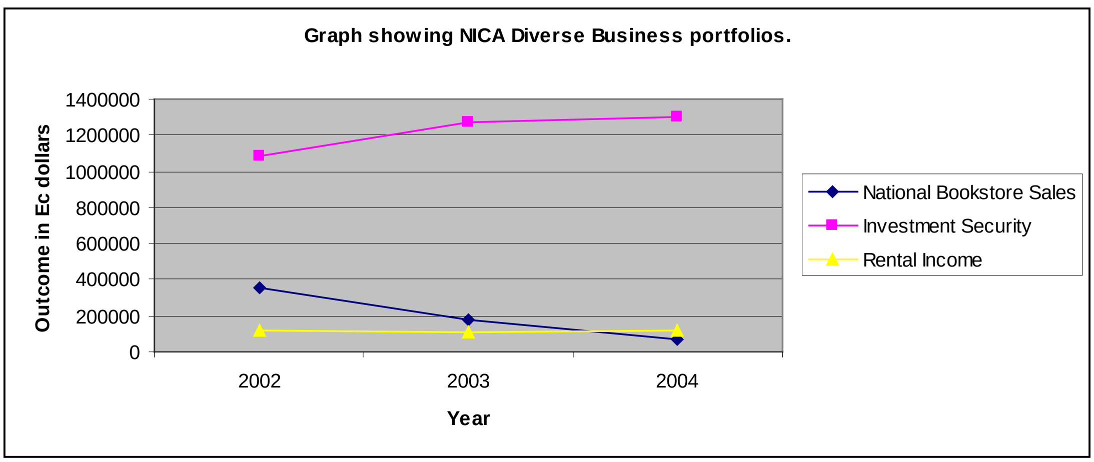
DIRECTORS' REPORT

DIRECTOR'S 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., 2004.
The principal business activities of the company during 2004 were the operation of the National Bookstore, leasing of Sandy Ground warehouse property and the management of investment in marketable securities.

National Investment Company of Anguilla suffered another disappointing year in 2004. After reporting two consecutive years of net losses, NICA reported a further increase in Net Loss to the tune of EC $134,771. This net loss was mainly attributable to the National Bookstore operation's continued unsatisfactory performance. Nonetheless, despite the depressive results of the National Bookstore, Directors are confident that NICA will remain a going concern. This assumption is based on the results of the company's diverse portfolio of businesses as illustrated in Figure 1.1. Figure 1.1 shows that even with the decreasing sales in the National Bookstore, the returns on investments in marketable securities are increasing; rental income is also increasing slightly and is guaranteed for the next two years by contractual agreement.

Figure 1.1



Business Review

Gross Operating Revenue decreased to $71,080 (60%).This resulted after considerable effort by the Directors to reverse the declining sales trends of the National Bookstore. Cost of Operating Revenue also declined to $43,311, while Rental Income increased slightly from the previous year.

Total Operating Expenses increased to $302,743, up (11.3%) from the previous year's results. The largest component of Operating Expense was for an obsolete inventory write off of EC $85,150, an increase of (144%). All other expenses decreased or increased marginally.

Finance Income and Expenses stood at EC $24,387, a decrease of (25%) from 2003. The decrease resulted from increases in Dividend Income and Interest Expense of 30% and 29% respectively. Interest Income decreased to EC$23,965 from EC$32,500 in 2003.

NICA's investment portfolio sustained another year of improved performance, thereby recording unrealised gains of EC$128,537, an increase of 34%. However, this increase was counterbalanced by the net loss of EC$134,771, resulting in a decrease in shareholders' equity of 3%.

In relation to operating ratios, the return on Asset was (3.18) and the return on Equity was (2.87%), down from (1.42%) and (1.33%) respectively from the previous year. Earning per share at the end of the year was -$.057 in 2004, as compared to -$.027 in 2003. These results were reflective of the deficit position reported during the year.

Cash and Cash Equivalent which included certificates of deposit and bank overdraft decreased to -EC$61,646 (41%). The decrease in cash resource resulted from a decrease in certificates of deposit.

Accumulative deficit as at Dec. 31, 2004, stood at EC$1,363,975. an increase of 11%. The increase resulted from the net loss of EC$129,971 being absorbed in 2004.

Dividends

No dividend was declared during the year, and share capital remained at 100,000 $1 founders' shares and 46000205 $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 2004.

As at Dec. 31, 2004, 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 2004. All directors continued to serve the board voluntarily.

Signed by,

…………………………
Directors

AUDITED FINANCIAL STATEMENTS
(KPMG)

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 2004 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$497,380 and EC$528,488 as at 31 December 2004 and 2003. We were unable to satisfy ourselves by alternative means concerning inventory quantities held as at 31 December 2004 and 2003. 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$71,080, EC$115,816, EC$35,521, 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 2004

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	2004	2003
Assets			
Non-current assets			
Property and equipment – net	4	$2,005,156	$2,035,201
Investment securities – net	5	1,305,448	1,273,175
		3,310,604	3,308,376
Current assets			
Inventories		497,380	528,488
Prepayments		1,400	1,400
Receivables		40,464	45,320
Cash and cash equivalents	6	390,602	500,000
		929,846	1,075,208
		$4,240,450	$4,383,584
Shareholders' Equity and Liabilities			
Shareholders' equity			
Share capital	7	$4,700,205	$4,700,205
Fair value reserve		128,537	96,264
Accumulated deficit		(1,363,975)	(1,234,004)
		3,464,767	3,562,465
Liabilities			
Accounts payable and accrued expenses		323,436	343,141
Bank overdraft	6	452,247	477,978
		775,683	821,119
		$4,240,450	$4,383,584

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 2004

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	2004	2003
Gross operating revenue		**$71,080**	$177,044
Cost of operating revenue		**(128,461)**	(148,011)
		(57,381)	29,033
Other income	*8*	**115,816**	113,193
		58,435	142,226
Expenses			
Professional fees	*9*	**(68,785)**	(108,316)
Personnel		**(35,521)**	(39,791)
Depreciation	*4*	**(30,045)**	(34,665)
Stationery and printing		**(28,402)**	(1,309)
Occupancy		**(22,512)**	(22,512)
Other administrative expenses		**(32,328)**	(30,571)
		217,593	237,164
		(159,158)	(94,938)
Finance income and expenses			
Dividend income		**59,420**	42,110
Interest income		**23,965**	32,500
Interest expense		**(54,198)**	(42,138)
		29,187	32,472
Net loss		**($129,971)**	($62,466)

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Statement of Changes in Shareholders' Equity
For the Year Ended 31 December 2004

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	2004	2003
Share capital			
Issued and outstanding	7	**$4,700,205**	$4,700,205
Fair value reserve			
Balance at beginning of year		**96,264**	23,789
Fair value movement during the year	5	**32,273**	72,475
Balance at end of year		**128,537**	96,264
Accumulated deficit			
Balance at beginning of year		**(1,234,004)**	(1,171,538)
Net loss		**(129,971)**	(62,466)
Balance at end of year		**(1,363,975)**	(1,234,004)
		$3,464,767	$3,562,465

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Statement of Cash Flows
For the Year Ended 31 December 2004

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	2004	2003
Cash flows from operating activities			
Net loss		**($129,971)**	($62,466)
Adjustments for:			
Interest expense		**54,198**	42,138
Inventory obsolescence		**85,150**	34,864
Depreciation	*4*	**30,045**	34,665
Interest income		**(23,965)**	(32,500)
Operating income before working capital changes		**15,457**	16,701
(Increase)/decrease in:			
Inventories		**(54,042)**	4,348
Receivables		**(44,668)**	(9,250)
(Decrease) increase in accounts payable and accruals		**(19,705)**	70,266
Cash (used in)/provided by operating activities		**(102,958)**	82,065
Interest received		**73,489**	-
Interest paid		**(54,198)**	(42,138)
Net cash (used in)/provided by operating activities		**(83,667)**	39,927
Cash flows from investing activities			
Acquisition of investment securities	*5*	**-**	(120,000)
Net decrease in cash and cash equivalents		**(83,667)**	(80,073)
Cash and cash equivalents at beginning of year	*6*	**22,022**	102,095
Cash and cash equivalents at end of year	*6*	**($61,645)**	$22,022

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, The Valley, Anguilla, British West Indies.

2. Basis of preparation

a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) and interpretations issued by the International Accounting Standards Board (IASB).

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$) which is the Company's functional and presentation currency. Except as indicated, financial information presented in EC$ has been rounded to the nearest dollar.

d) Use of estimates

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 *(continued)*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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. Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The initial cost of property and equipment comprises its purchase price, including any directly attributable costs of bringing the assets to their working condition and location for their intended use. Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the items can be measured reliably. All other repairs and maintenance are charged to the statement of operations during the financial period in which they were incurred.

Depreciation is charged to the statement of operations on the straight line basis over the estimated useful lives of items of property and equipment. Land is carried at cost, less any impairment in value.

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.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of operations in the year the item is derecognized.

3. Significant accounting policies *(continued)*

b) 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.

c) Cash and cash equivalents

Cash and cash equivalents comprise of cash balances in bank that have maturities of less than 3 months and are not subject to a significant risk of change in value. 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 and cash equivalents for the purpose of the statement of cash flows.

d) Financial assets

a. Classification

Financial assets are recognized initially at fair value, including transaction costs.

Subsequent to initial recognition, financial assets are classified into the following categories: financial asset at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale investments. The Company determines the classification at initial recognition and re-evaluates this designation at every reporting date. The Company's financial assets are loans and receivables and available-for-sale investments.

Available-for-sale investments are non-derivative investments that are either designated in this category or not classified in any of other categories.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

3. Significant accounting policies *(continued)*

d) Financial assets *(continued)*

b. Recognition

The Board recognizes a financial asset in the balance sheet when it becomes a party to the contractual provisions of the instrument.

Subsequent to initial recognition, available-for-sale investments are carried at fair value in the balance sheet. Changes in the fair value of such assets are reported as a separate component of equity until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity is transferred to the statement of operations.

Loans and receivables are carried at cost or amortized cost in the balance sheet. Amortization is determined using the effective interest rate method. Gains and losses are recognized in statement of operations when the loans and receivables are derecognized or impaired, as well as through the amortization process.

c. Derecognition

A financial asset is derecognized when it no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed to an independent party. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using the settlement date accounting.

d. Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques where feasible.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is at market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

3. Significant accounting policies *(continued)*

e) Accounts payable and accrual

Accounts payable and accruals are stated at cost.

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 operations.

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 effective yield on the assets.

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

h) Taxation

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

i) Subsequent events

Post year-end events that provide additional information about the Company’s position at balance sheet date (adjusting events) is reflected in the financial statements. Post year-end events that are non-adjusting events are disclosed in the notes when material.

4. Property and equipment - net

	Land	Building and improvements	Furniture and equipment	Total
Cost				
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
Additions	-	-	-	-
31 December 2004	**1,607,253**	**760,931**	**236,769**	**2,604,953**
Accumulated depreciation				
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
Depreciation	-	24,485	5,560	30,045
31 December 2004	**-**	**374,510**	**225,287**	**599,797**
Net book values				
31 December 2003	1,607,253	410,906	17,042	2,035,201
31 December 2004	**1,607,253**	**386,421**	**11,482**	**2,005,156**

5. Investment securities - net

	2004	2003
Solomon Smith Barney	**439,771**	407,498
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
	1,350,448	1,318,175
Less allowance for decline in value	**(45,000)**	(45,000)
	1,305,448	1,273,175

5. Investment securities - net *(continued)*

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

	2004	2003
Fair value at beginning of year	**1,318,175**	1,125,700
Acquisition of investment securities	**-**	120,000
Should be fair value	**1,318,175**	1,245,700
Fair value at end of year	**1,350,448**	1,318,175
Changes in fair value recognized in equity	**32,273**	72,475

6. Cash and cash equivalents

	2004	2003
Fixed deposit	**390,602**	500,000
Less bank overdraft	**(452,247)**	(477,978)
Cash and cash equivalents in the statement of cash flow	**(61,645)**	22,022

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

7. Share capital

	2004	2003
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

[Expressed in Eastern Caribbean Dollars (EC$)]

8. Other income

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

9. Professional fees

	2004	2003
Accounting fee	**30,318**	13,500
Audit fee	**27,000**	27,000
Legal fee	**11,467**	5,986
Investigation fee	**-**	61,830
	68,785	108,316

10. Commitments and guarantees

The Company does not have any outstanding commitments and guarantees as at and for the year ended 31 December 2004 and 2003.

11. Approval of financial statements

The Company's financial statements as at and for the year ended 31 December 2004 were approved and authorized for issue by the Board of Directors on 17 October 2010.