

**NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED**

Financial Statements

31 December 2011

**NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED**  
**Financial Statements**  
**31 December 2010**

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**KPMG LLC**  
1<sup>st</sup> Floor MAICO Headquarters  
P.O. Box 136  
Cosley Drive, The Valley AI-2640  
Anguilla, BWI

Telephone 264 497 5500  
Fax 264 497 3755  
e-Mail [cvromney@kpmg.ai](mailto:cvromney@kpmg.ai)

## INDEPENDENT AUDITORS' REPORT

### To the Shareholders of 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 statement of financial position as at 31 December 2011, and the related statement of comprehensive loss, statement of changes in shareholders' equity and statement of 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 these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit 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 from 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 controls 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 policies 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 audit opinion.



**INDEPENDENT AUDITORS' REPORT (CONTINUED)**

**To the Shareholders of  
National Investment Company of Anguilla Limited**

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Emphasis of Matter*

We draw attention to Note 2 to the financial statements which describes the preparation of these financial statements on the basis that the Company will continue as a going concern. Our opinion is not qualified in respect of this matter.

*KPMG LLC*

Chartered Accountants  
28<sup>th</sup> December 2012  
The Valley  
Anguilla  
B.W.I.

**NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED**  
**Statement of Financial Position**  
**As at 31 December 2011**

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

	<i>Notes</i>	2011	2010
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment – net	8	\$94,215	\$104,040
Investment properties – net	9	8,559,000	8,559,000
Available-for-sale investment securities	10	947,729	1,011,225
		<b>9,600,944</b>	<b>9,674,265</b>
<b>Current assets</b>			
Receivables		390	13,484
Cash and cash equivalents	12	158,267	354,140
		<b>158,657</b>	<b>367,624</b>
<b>Total Assets</b>		<b>\$9,759,601</b>	<b>\$10,041,889</b>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>			
Share capital	13	\$4,700,205	\$4,700,205
Accumulated deficit		(1,681,541)	(1,557,020)
Revaluation surplus	9	6,687,750	6,687,750
Unrealized gain on available-for-sale investment securities	10	26,037	89,533
		<b>9,732,451</b>	<b>9,920,468</b>
<b>Current liabilities</b>			
Trade and other payables		27,150	121,421
<b>Total Shareholders' Equity and Liabilities</b>		<b>\$9,759,601</b>	<b>\$10,041,889</b>

These financial statements were approved on behalf of the Board of Directors on 28<sup>th</sup> December 2012 by the following:

  
**Calvert Carty**  
 Director

*The notes on pages 10 to 33 are an integral part of these financial statements.*

**NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED**  
**Statement of Operations**  
**For the Year Ended 31 December 2011**

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

	<i>Notes</i>	2011	2010
<b>Revenues</b>		3,488	\$1,555
<b>Cost of sales</b>		(2,093)	(933)
		1,395	622
<b>Other income</b>			
Lease income	15	-	148,500
Recovery of inventory obsolescence	11	2,093	-
		3,488	149,122
<b>Expenses</b>			
Professional fees	16	(73,693)	(116,843)
Annual general meeting		(50,614)	-
Depreciation	8, 9	(14,302)	(12,302)
Inventory obsolescence	11	-	(48,205)
Other administrative expenses	17	(19,151)	(26,889)
		(157,760)	(204,239)
<b>Loss from operating activities</b>		(154,272)	(55,117)
<b>Finance income and expenses</b>			
Dividend income	18	28,031	106,032
Interest income		1,720	3,241
		29,751	109,273
<b>Net (loss)/income for the year</b>		(\$124,521)	\$54,156
<b>Attributable to the shareholders</b>		(\$124,521)	\$54,156

*The notes on pages 10 to 33 are an integral part of these financial statements.*

**NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED**  
**Statement of Comprehensive Losses**  
**For the Year Ended 31 December 2011**

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

	<i>Notes</i>	2011	2010
<b>Net (loss)/income for the year</b>		<b>(\$124,521)</b>	\$54,156
<b>Other comprehensive loss</b>			
Net change in fair values of investment properties	9	-	(2,646,000)
Net change in fair values of available-for-sale investment securities	10	<b>(63,496)</b>	(171,512)
<b>Total comprehensive losses</b>		<b>(63,496)</b>	(2,817,512)
<b>Attributable to the shareholders</b>		<b>(\$188,017)</b>	(\$2,763,356)

*The notes on pages 10 to 33 are an integral part of these financial statements.*

**NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED**  
**Statement of Changes in Shareholders' Equity**  
**For the Year Ended 31 December 2011**

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

	<i>Notes</i>	2011	2010
<b>Share capital – EC\$1 par value</b>			
Authorized – 5,000,000 shares			
Issued and fully paid	<i>13</i>	<b>\$4,700,205</b>	\$4,700,205
<b>Unrealized gain on available-for-sale investment securities</b>			
Balance at beginning of year		<b>89,533</b>	261,045
Other comprehensive loss			
Net change in fair values of available-for-sale investment securities	<i>10</i>	<b>(63,496)</b>	(171,512)
Balance at end of year		<b>26,037</b>	89,533
<b>Revaluation surplus</b>			
Balance at beginning of year		<b>6,687,750</b>	9,333,750
Other comprehensive loss			
Net change in fair values of investment properties		-	(2,646,000)
Balance at end of year		<b>6,687,750</b>	6,687,750
<b>Accumulated deficit</b>			
Balance at beginning of year		<b>(1,557,020)</b>	(1,611,176)
Net (loss)/income		<b>(124,521)</b>	54,156
Balance at end of year		<b>(1,681,541)</b>	(1,557,020)
		<b>\$9,732,451</b>	\$9,920,468
<b>Book value per share</b>			
	<i>14</i>	<b>\$2.07</b>	\$2.11

*The notes on pages 10 to 33 are an integral part of these financial statements.*



**NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED**  
**Statement of Cash Flows**  
**As at 31 December 2011**

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

	<i>Notes</i>	2011	2010
<b>Cash flows from operating activities</b>			
Net (loss)/income for the year		(\$124,521)	\$54,156
Adjustments for:			
Cash dividend income	18	(28,031)	(64,600)
Depreciation	8,9	14,302	12,302
Interest income		(1,720)	(3,241)
Recovery of inventory obsolescence	11	(2,093)	-
Stock dividend income	18	-	(41,432)
Inventory obsolescence	11	-	48,205
		(142,063)	5,390
Decrease/(increase) in:			
Receivables		(390)	-
Inventories	11	2,093	932
Decrease in trade and other payables		(94,271)	(93,229)
Cash used in operating activities		(234,631)	(86,907)
Interest received		1,720	3,241
<b>Net cash used in operating activities</b>		<b>(232,911)</b>	<b>(83,666)</b>
<b>Cash provided by investing activities</b>			
Dividend received		41,515	27,948
Acquisition of property and equipment	8	(4,477)	(51,300)
<b>Net cash provided by/(used in) investing activities</b>		<b>37,038</b>	<b>(23,352)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(195,873)</b>	<b>(107,018)</b>
Cash and cash equivalents at beginning of year	12	354,140	461,158
<b>Cash and cash equivalents at end of year</b>	12	<b>\$158,267</b>	<b>\$354,140</b>

*The notes on pages 10 to 33 are an integral part of the financial statements.*

**NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED**  
**Notes to the Financial Statements**  
**31 December 2011**

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

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**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 27<sup>th</sup> January 1989.

The Company's primary focus is to carry and provide a wide range of financial, commercial, trading, professional and other services in Anguilla. For the past years, the Company's principal activity is leasing of properties. The Company operated a wholesale business and a bookstore.

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

**2. Going concern**

These financial statements have been prepared on the basis of accounting principles applicable to a "going concern" which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company commenced operations in 1989 with the intention of developing 38 acres of land purchased. The concept to develop the land was drawn up but nothing progressed since then. Instead, the Company operated a wholesale business and a bookstore which were closed in 1994 and 2006, respectively, due to continued operating losses. After this, the Company's main source of income is the leasing of its investment properties. However, the lease of the Company's building was terminated by the lessor on 31 October 2010 and to date there is no new lessor.

The Company incurred a net loss of EC\$124,521 for the year ended 31 December 2011 and as of this date, the Company's accumulated deficit amounted to EC\$1,681,541. As a result of the continuous accumulated deficit, the Company has temporarily stalled its operations.

Currently, there are ongoing negotiations with interested land developers expressing interest to develop the Company's properties. The Company is also negotiating a lease option with St. George University Centre in Grenada. The Company continued existence is therefore dependent on current negotiations.

The directors are of the view that if the negotiations push through they will have sufficient resources to allow the Company to be able to continue in business for the foreseeable future.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption is not appropriate. If the going concern assumption were not appropriate for these financial statements, then adjustments would be required to the carrying values of assets and liabilities and reported expenses and the balance sheet classifications used.

**NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED**  
**Notes to the Financial Statements (continued)**  
**31 December 2011**

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

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**3. Basis of preparation**

**(a) Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements as at and for the year ended 31 December 2011 were authorized for issue by the Board of Directors on 28<sup>th</sup> December 2012.

**(b) Basis of measurement**

The financial statements of the Company have been prepared on the historical cost basis, except for available-for-sale securities and investment properties which are measured at fair value.

**(c) Functional and presentation currency**

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

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

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in Note 7.

**NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED**  
**Notes to the Financial Statements (continued)**  
**31 December 2011**

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

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**3. Basis of preparation (continued)**

**(e) Change in accounting policies and disclosures**

The accounting policies adopted are consistent with those of the previous financial year except that the Company has adopted the following new and amended IFRS and IFRIC (International Financial Reporting Interpretations Committee) interpretations as of 1 January 2011:

- *IAS 24, Related Party Disclosures (revised 2009)*
- Improvements to IFRS 2010

Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Company.

**4. Significant accounting policies**

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

**(a) Foreign currency transactions**

Transactions in foreign currencies are translated to the Company's functional currency at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the Company's functional currency at the exchange rate ruling 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 the foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the Company's functional currency at the exchange rate at the date the fair value was determined. Foreign currency differences arising from re-translation are recognized in the profit or loss except for differences arising on re-translation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

**(b) Financial instruments**

**i. Non-derivative financial instruments**

Non-derivative financial instruments comprise cash and cash equivalents, available-for-sale investment securities, receivables, and trade and other payables.

**NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED**  
**Notes to the Financial Statements (continued)**  
**31 December 2011**

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

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**4. Significant accounting policies (continued)**

**(b) Financial instruments (continued)**

*i. Non-derivative financial instruments (continued)*

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

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances on hand and in bank. Cash and cash equivalents are measured at amortized cost.

*Receivables*

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, receivables are measured at amortized cost using the effective interest method, less any impairment losses.

*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 directly in other comprehensive loss and presented within the statement of changes in shareholders' equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive loss is transferred to the profit or loss.

*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.

**NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED**  
**Notes to the Financial Statements (continued)**  
**31 December 2011**

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

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**4. Significant accounting policies (continued)**

**(c) Property and equipment**

**i. Recognition and measurement**

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

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 labour, 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, and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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 within the carrying amount of property and equipment and are recognized net in profit or loss.

**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 recognised in profit or loss as incurred.

**iii. Depreciation and amortization**

Depreciation is recognized in profit or loss on the straight line basis over the estimated useful lives of each part of an item of property and equipment. Leasehold improvements are amortized over the shorter of the lease term and their estimated useful lives. The estimated useful lives for the current and comparative years are as follows:

Building and improvements	10 years
Furniture and fixtures	3-4 years
Office equipment	3 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

**NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED**  
**Notes to the Financial Statements (continued)**  
**31 December 2011**

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

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**4. Significant accounting policies (continued)**

**(d) Investment properties**

Investment properties are properties held either to earn rental income or for capital appreciation or for both. The investment properties, principally comprising of land and building, are held by the Company for capital appreciation and for rental. It is carried at fair market value. A gain or loss arising from a change in the fair market values of investment properties is recognized in the profit or loss for the period in which it arises. Investment properties are derecognized when it has either been disposed of or the investment properties are permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses from derecognition of investment properties are recognized in profit or loss in the year of derecognition.

Any revaluation surplus is credited to the assets revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the statement of comprehensive loss, in which case the increase is recognized in the statement of comprehensive loss. A revaluation deficit is recognized in the statement of comprehensive loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

**(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) Leases**

Revenues under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease unless otherwise a systematic basis is more representative of the time pattern of the Company's benefits.

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED  
Notes to the Financial Statements (continued)  
31 December 2011

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

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4. Significant accounting policies (continued)

(g) Impairment

i. Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in other comprehensive loss, and presented in the fair value reserve in the statement of changes in shareholders' equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in the profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in other comprehensive loss.

ii. Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in the profit or loss.



**NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED**  
**Notes to the Financial Statements (continued)**  
**31 December 2011**

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

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**4. Significant accounting policies (continued)**

**(g) Impairment (continued)**

**ii. Non-financial assets (continued)**

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**(h) Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**(i) Revenues**

*Revenue from goods sold*

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.

*Revenue from rental*

Revenue from rental of premises is recognized at the time the right to received payment is established.

*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.

**NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED**

**Notes to the Financial Statements (continued)**

**31 December 2011**

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

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**4. Significant accounting policies (continued)**

**(j) 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.

**(k) Subsequent events**

Post year-end events that provide additional information about the Company's financial position at the reporting 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.

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

A number of new standards, amendments to standards and interpretations that have been issued but are not yet effective as at 31 December 2011 or not relevant to the Company's operations. These are as follows:

- *Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)* effective 1 July 2012.
- *IFRS 9, Financial Instruments* effective 1 January 2013.
- *IFRS 13 Fair Value Measurement* effective 1 January 2013.
- *IAS 19 Employee Benefits (amended 2011)* effective 1 January 2013.

**5. 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) Investment properties**

The fair value of investment properties is recognized based on market values. The market value of the property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

**NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED**  
**Notes to the Financial Statements (continued)**  
**31 December 2011**

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

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**5. Determination of fair values (continued)**

**(b) Available-for-sale investment securities**

The fair value of available-for-sale investment securities is determined by reference to their quoted market price as at the reporting date.

**(c) Receivables**

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

**(d) 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 the reporting date.

**6. Financial risk management**

**a. Overview**

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

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, 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 (the "Board") 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.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Board oversees the compliance of the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in the relation to the risks faced by the Company.

**NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED**  
**Notes to the Financial Statements** *(continued)*  
**31 December 2011**

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

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**6. Financial risk management** *(continued)*

**(b) Credit risk**

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

*Available-for-sale investment securities*

The Company limits its exposure to credit risk by only investing in liquid equity securities on various investment companies in the Caribbean.

*Receivables*

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of receivables and investment securities. The main components of this allowance are specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

**(c) 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.

**(d) 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.

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**Notes to the Financial Statements (continued)**  
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**6. Financial risk management (continued)**

**(d) Market risk (continued)**

*Currency risk*

All of the Company's transactions are denominated either in EC Dollars or US Dollars, the EC Dollar being the Company's functional currency. As such, the Company does not have exposure to foreign currency risk in respect of the US Dollars because it is pegged at US\$1 for EC\$2.70

*Market price risk*

The Company's investment securities pertain to investment in equity securities on various companies in the Caribbean which are not subject to market price changes except for the Company's investment in Cable and Wireless Communication Plc. The Company is only exposed to market price risk with regards to these investments.

**(e) 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 monitors return on equity, which the Company defines as net operating income divided by total shareholders' equity. The Board also monitors the level of dividends to shareholders.

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.

**7. Critical accounting estimates and judgments**

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 judgments 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:

**(a) Allowance for impairment losses**

Assets accounted for at amortised cost are evaluated for impairment on a basis described in Note 4 (g) (i).

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**Notes to the Financial Statements (continued)**  
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**7. Critical accounting estimates and judgments (continued)**

**(b) 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 5. The carrying and fair values of financial are presented in Note 19.

**(c) Investment properties**

The fair values of investment properties are recognized based on market values. The market values of the properties are the estimated amount for which such properties could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

**8. Property and equipment - net**

	<b>Building and improvements</b>	<b>Furniture and equipment</b>	<b>Total</b>
<b>Cost</b>			
31 December 2009	77,919	236,769	314,688
Additions	-	51,300	51,300
31 December 2010	77,919	288,069	365,988
Additions	-	4,477	4,477
<b>31 December 2011</b>	<b>77,919</b>	<b>292,546</b>	<b>370,465</b>
<b>Accumulated depreciation</b>			
31 December 2009	14,769	234,877	249,646
Depreciation	7,792	4,510	12,302
31 December 2010	22,561	239,387	261,948
Depreciation	6,510	7,792	14,302
<b>31 December 2011</b>	<b>29,071</b>	<b>247,179</b>	<b>276,250</b>
<b>Net book values</b>			
31 December 2011	55,358	48,682	104,040
<b>31 December 2012</b>	<b>48,848</b>	<b>45,367</b>	<b>94,215</b>

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**Notes to the Financial Statements (continued)**  
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**9. Investment properties - net**

Movements in this account at revalued amount are as follows:

	<b>Land</b>	<b>Building and improvements</b>	<b>Total</b>
31 December 2009	9,855,000	1,350,000	11,205,000
Change in fair values of investment properties	(2,415,857)	(230,143)	(2,646,000)
31 December 2010	7,439,143	1,119,857	8,559,000
Change in fair values of investment properties	-	-	-
<b>31 December 2011</b>	<b>7,439,143</b>	<b>1,119,857</b>	<b>8,559,000</b>

Movements in this account at cost are as follows:

	<b>Land</b>	<b>Building and improvements</b>	<b>Total</b>
<b>At cost</b>			
31 December 2009	1,607,253	760,931	2,368,184
Additions	-	-	-
31 December 2010	1,607,253	760,931	2,368,184
Additions	-	-	-
<b>31 December 2011</b>	<b>1,607,253</b>	<b>760,931</b>	<b>2,368,184</b>

**Accumulated depreciation**

31 December 2009	-	496,934	496,934
Depreciation	-	24,484	24,484
31 December 2010	-	521,418	521,418
Depreciation	-	24,484	24,484
<b>31 December 2011</b>	<b>-</b>	<b>545,902</b>	<b>545,902</b>

**Net book values**

31 December 2010	1,607,253	239,513	1,846,766
<b>31 December 2011</b>	<b>1,607,253</b>	<b>215,029</b>	<b>1,822,282</b>

**NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED**  
**Notes to the Financial Statements** *(continued)*  
**31 December 2011**

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

**9. Investment properties** *(continued)*

Movements in the revaluation surplus account are as follows:

	<b>Land</b>	<b>Building and improvements</b>	<b>Total</b>
31 December 2009	8,247,747	1,086,003	9,333,750
Change in fair values of investment properties	(2,415,857)	(230,143)	(2,646,000)
31 December 2010	5,831,890	855,860	6,687,750
Change in fair values of investment properties	-	-	-
<b>31 December 2011</b>	<b>5,831,890</b>	<b>855,860</b>	<b>6,687,750</b>

As at 31 December 2010, the Company's investment properties were revalued by an independent and qualified appraiser, Richards Architecture Development and Survey Co. Ltd., who used the cost approach method of valuation.

Fair value is determined by reference to market-based evidence. This means that valuations performed by the valuer are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. No revaluation done for 2011, as the Company believes that the value of the property remains almost the same as the previous year.

Total rental income and repairs and maintenance expenses recognized in the profit or loss in relation to the leased properties for the year ended 31 December 2011 amounted to nil (2010 - EC\$148,500) and nil (2010 - EC\$1,032), respectively.

The lease of the Company's building was terminated by the lessor on 31 October 2010.



**NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED**  
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**10. Available-for-sale investment securities**

	2011	2010
National Bank of Anguilla Limited	402,000	402,000
Anguilla National Insurance Company Limited	214,600	214,600
Eastern Caribbean Home Mortgage Bank	200,000	200,000
Anguilla Electricity Company Limited	120,000	120,000
Anguilla Mortgage Company Limited	30,000	30,000
Cable and Wireless Communications Plc	26,129	89,625
	<b>992,729</b>	1,056,225
Less allowance for impairment loss	<b>(45,000)</b>	(45,000)
	<b>947,729</b>	1,011,225

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

	<i>Notes</i>	2011	2010
Fair value at beginning of year		1,056,225	1,163,137
Share dividend received		-	64,600
Withdrawal of investment securities		-	-
Should be fair value		1,056,225	1,227,737
Fair value at end of year		992,729	1,056,225
Change in fair value		63,496	171,512

The movements of the "Unrealized gain on available-for-sale investment securities" account as a result of changes in the fair values of these investments are as follows:

	2011	2010
Unrealized gain beginning of year	89,533	261,045
Change in fair value	(63,496)	(171,512)
Unrealized gain end of year	26,037	89,533

**NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED**  
**Notes to the Financial Statements (continued)**  
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**11. Inventories - net**

	2011	2010
Books	106,636	108,729
Other	13,183	13,183
	<b>119,819</b>	121,912
Inventory obsolescence	<b>(119,819)</b>	(121,912)
	-	-

In 2010, the Company had written down the value of its inventories amounting to EC\$48,205 due to damages and obsolescence.

Movement of inventory obsolescence follow:

	2011	2010
Balance at beginning of year	121,912	73,707
Inventory obsolescence	-	48,205
Recovery of inventory obsolescence	<b>(2,093)</b>	-
Balance at end of year	<b>119,819</b>	121,912

**12. Cash and cash equivalents**

	2011	2010
Cash in bank	157,876	353,620
Petty cash fund	391	520
	<b>158,267</b>	354,140

**NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED**  
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**13. Share capital**

	2011	2010
<b>Authorized</b>		
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
	<b>5,000,000</b>	<b>5,000,000</b>
<b>Issued and fully paid</b>		
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
	<b>4,700,455</b>	<b>4,700,455</b>
Less call in arrears	(250)	(250)
	<b>4,700,205</b>	<b>4,700,205</b>

**14. (Loss)/earnings and book value per share**

**(a) (Loss)/earnings per share**

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

	<i>Note</i>	2011	2010
Net (loss)/income for the year		(124,521)	54,156
Weighted average number of shares	13	4,700,205	4,700,205
		<b>(0.0265)</b>	<b>0.0115</b>

**NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED****Notes to the Financial Statements (continued)****31 December 2011**

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

**14. (Loss)/earnings and book value per share (continued)****(b) Book value per share**

The Company also presents book value per share data for its ordinary shares. Book value per share is calculated by dividing the total shareholders' equity by the total number of ordinary shares outstanding during the period.

	<i>Note</i>	<b>2011</b>	<b>2010</b>
Shareholders' equity		<b>9,732,451</b>	9,920,468
Total number of shares	<i>13</i>	<b>4,700,205</b>	4,700,205
		<b>2.07</b>	2.11

**15. Lease income**

This account pertains to the income earned by the Company from the rental of its property to Anguilla Rums Limited. The lease of the Company's building was terminated by the lessor on 31 October 2010.

**16. Professional fees**

	<b>2011</b>	<b>2010</b>
Accounting fee	<b>40,500</b>	51,030
Audit fee	<b>26,800</b>	34,830
Legal fee	<b>1,080</b>	2,093
Directors' report fee	-	27,405
Other	<b>5,313</b>	1,485
	<b>73,693</b>	116,843

**NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED**  
**Notes to the Financial Statements (continued)**  
**31 December 2011**

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**17. Other administrative expenses**

	<i>Note</i>	2011	2010
Utilities		6,347	7,140
Travel and entertainment		4,967	757
Taxes and licenses		3,686	3,774
Repairs and maintenance		1,350	1,031
Advertising		1,184	1,091
Office supplies		78	2,038
Secretarial fee	20	-	9,251
Other		1,539	1,807
		<b>19,151</b>	<b>26,889</b>

**18. Dividend income**

	2011	2010
Cash dividend		
Eastern Caribbean Home Mortgage Bank	20,000	20,000
Anguilla Electricity Company Limited	4,800	4,800
Anguilla Mortgage Company	3,000	3,000
Malliouhana-Anico Insurance Company Limited	-	10,484
National Bank of Anguilla Limited	-	2,880
Others	231	268
	<b>28,031</b>	<b>41,432</b>
Stock dividend		
Malliouhana-Anico Insurance Company Limited	-	64,600
	<b>28,031</b>	<b>106,032</b>

**NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED**  
**Notes to the Financial Statements (continued)**  
**31 December 2011**

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

**19. Financial instruments**

**(a) Credit risk**

*Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure of the Company. The maximum exposure to credit risk as at 31 December 2011 and 2010 are as follows:

	<i>Notes</i>	<b>2011</b>	<b>2010</b>
Available-for-sale investment securities	<i>10</i>	<b>947,729</b>	1,011,225
Receivables		<b>390</b>	13,484
Cash and cash equivalents	<i>12</i>	<b>158,267</b>	354,140
		<b>1,106,386</b>	1,378,849

The maximum exposure to credit risks by geographic location is as follows:

	<b>2011</b>	<b>2010</b>
Caribbean region	<b>1,080,257</b>	1,289,224
Other	<b>26,129</b>	89,625
	<b>1,106,386</b>	1,378,849

**(b) Liquidity risk**

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

	<b>2011</b>			
	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>6 months or less</b>	<b>6-12 months</b>
Trade and other payables	27,150	27,150	27,150	-
	27,150	27,150	27,150	-

**NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED**  
**Notes to the Financial Statements (continued)**  
**31 December 2011**

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

**19. Financial instruments (continued)**

**(b) Liquidity risk (continued)**

	2010			
	Carrying amount	Contractual cash flows	6 months or less	6-12 months
Trade and other payables	121,421	121,421	121,421	-
	121,421	121,421	121,421	-

**(c) Market risk**

Market risk consists of interest, price 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 interest is earned from fixed rate time deposit which is included in cash and cash equivalents.

*Price risk*

The Company's financial assets are not exposed to price risk because prices are at pre-agreed rates except for available-for-sale investment securities held with trading companies. Total available-for-sale investment securities that are exposed to price risk as at 31 December 2011 amounted to EC\$26,129 (2010: EC\$89,625).

*Sensitivity analysis*

A ten percent (10%) increase in the market price of the Company's available-for-sale investment securities at 31 December would have increased equity by EC\$2,613 (2010: EC\$8,963). This analysis assumes that all other variables remain constant.

A ten percent (10%) decrease in the market price of the Company's available-for-sale investment securities at 31 December would have had an equal but opposite effect on the same investment securities, on the basis that all other variables remain constant.

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**Notes to the Financial Statements (continued)**  
**31 December 2011**

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**19. Financial instruments (continued)**

**(c) Market risk (continued)**

*Foreign exchange risk*

The Company is not exposed to any significant foreign exchange risk since most of the Company'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.

**(d) Fair values**

As at 31 December 2011 and 2010, the fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Available-for-sale investment securities	947,729	947,729	1,011,225	1,011,225
Receivables	390	390	13,484	13,484
Cash and cash equivalents	158,267	158,267	354,140	354,140
Trade and other payables	(27,150)	(27,150)	(121,421)	(121,421)
	<b>1,079,236</b>	<b>1,079,236</b>	<b>1,257,428</b>	<b>1,257,428</b>

**20. Related party transaction**

The Company Secretary, who is also a member of the Board of Directors, received nil (2010 - EC\$9,251) as compensation for performing secretarial functions for the Company. The Company Secretary, like the other directors, did not receive any director's fee during the year, as agreed from the inception of her appointment.

**21. Commitments and guarantees**

The Company does not have any outstanding commitments and guarantees as at 31 December 2011 and 2010.



**NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED**  
**Notes to the Financial Statements** *(continued)*  
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**22. Income tax**

Income tax has not been provided for in these financial statements as there is no income tax or other forms of direct taxation in Anguilla.