

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
FINANCIAL STATEMENTS
DECEMBER 31, 2012

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Financial Statements
December 31, 2012

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BDO LLC
P.O. Box 136
First Floor MAICO Headquarters
Cosley Drive
The Valley, AI-2640
Anguilla, B.W.I.

Tel: 264-497-5500
Fax: 264-497-3755
e-Mail: claudel.romney@bdo-ec.com
Website: www.bdocaribbean.com

INDEPENDENT AUDITORS' REPORT

The Shareholders National Investment Company of Anguilla Limited

We have audited the accompanying financial statements of National Investment Company of Anguilla Limited (the "Company"), which comprise the statement of financial position as at December 31, 2012, and the related statements of comprehensive income/ (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 information.

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 opinion.



INDEPENDENT AUDITORS' REPORT *(continued)*

The Shareholders
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 December 31, 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The financial statements of the Company as at and for the year ended December 31, 2011 were audited by another auditor who expressed an unqualified opinion on those statements on December 28, 2012.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2 to the financial statements which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

A handwritten signature in black ink that reads 'BDO LLC'. The 'B' and 'D' are stylized and connected.

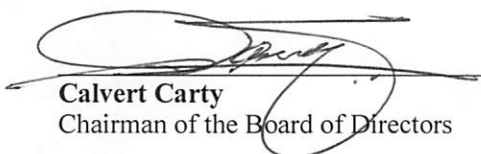
Chartered Accountants
October 9, 2013
The Valley
Anguilla

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Statement of Financial Position
As at December 31, 2012

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

	<i>Notes</i>	2012	2011
Assets			
Non-current assets			
Property and equipment – net	8	81,772	94,215
Investment properties	9	8,667,000	8,559,000
Available-for-sale investment securities	10	945,779	947,729
		9,694,551	9,600,944
Current assets			
Accounts receivable – net		2,121	390
Cash on hand and in bank	12	90,546	158,267
		92,667	158,657
Total Assets		9,787,218	9,759,601
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	13	4,700,205	4,700,205
Accumulated deficit		(1,763,832)	(1,681,541)
Revaluation surplus	9	6,795,750	6,687,750
Unrealized gain on available-for-sale investment securities	10	24,074	26,037
		9,756,197	9,732,451
Current liabilities			
Trade and other payables		31,021	27,150
Total Shareholders' Equity and Liabilities		9,787,218	9,759,601

These financial statements were approved on behalf of the Board of Directors on October 9, 2013 by the following:


Calvert Carty
 Chairman of the Board of Directors


Anne Edwards
 Company Secretary

The notes on pages 10 to 31 are an integral part of these financial statements.

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Statement of Operations
For the Year Ended December 31, 2012

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

	<i>Notes</i>	2012	2011
Revenues		-	3,488
Cost of sales		-	(2,093)
		-	1,395
Other income			
Recovery of inventory obsolescence	<i>11</i>	-	2,093
		-	3,488
Expenses			
Legal, audit and other professional fees	<i>16</i>	(39,836)	(31,277)
Accounting fees		(38,880)	(40,500)
Depreciation	<i>8</i>	(14,975)	(14,302)
Travel and entertainment		(7,022)	(4,967)
Government taxes and duties		(2,144)	(3,087)
Annual general meeting		(1,619)	(50,614)
Other administrative expenses	<i>17</i>	(11,646)	(13,013)
		(116,122)	(157,760)
Loss from operating activities		(116,122)	(154,272)
Finance income and expenses			
Dividend income	<i>18</i>	33,552	28,031
Interest income		279	1,720
		33,831	29,751
Net loss for the year		(82,291)	(124,521)
Attributable to the shareholders		(82,291)	(124,521)

The notes on pages 10 to 31 are an integral part of these financial statements.

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Statement of Comprehensive Income/ (Loss)
For the Year Ended December 31, 2012

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

	<i>Notes</i>	2012	2011
Net loss for the year		(82,291)	(124,521)
Other comprehensive income/ (loss)			
Net change in fair values of investment properties	9	108,000	-
Net change in fair values of available-for-sale investment securities	10	(1,963)	(63,496)
Total comprehensive income/ (loss) for the year		23,746	(188,017)
Attributable to the shareholders		23,746	(188,017)

The notes on pages 10 to 31 are an integral part of these financial statements.

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Statement of Changes in Shareholders' Equity
For the Year Ended December 31, 2012

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

	<i>Notes</i>	2012	2011
Share capital – EC\$1 par value			
Authorized – 5,000,000 shares			
Issued and fully paid	<i>13</i>	4,700,205	4,700,205
Unrealized gain on available-for-sale investment securities			
Balance at beginning of year		26,037	89,533
Net change in fair values of available-for-sale investment securities	<i>10</i>	(1,963)	(63,496)
Balance at end of year	<i>10</i>	24,074	26,037
Revaluation surplus			
Balance at beginning of year		6,687,750	6,687,750
Net change in fair values of investment properties		108,000	-
Balance at end of year	<i>9</i>	6,795,750	6,687,750
Accumulated deficit			
Balance at beginning of year		(1,681,541)	(1,557,020)
Net loss for the year		(82,291)	(124,521)
Balance at end of year		(1,763,832)	(1,681,541)
		9,756,197	9,732,451
Book value per share			
	<i>14</i>	\$2.08	\$2.07

The notes on pages 10 to 31 are an integral part of these financial statements.

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Statement of Cash Flows
As at December 31, 2012

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

	<i>Notes</i>	2012	2011
Cash flows from operating activities			
Net loss for the year		(82,291)	(124,521)
Adjustments for:			
Dividend income	<i>18</i>	(33,552)	(28,031)
Depreciation	<i>8</i>	14,975	14,302
Interest income		(279)	(1,720)
Recovery of inventory obsolescence	<i>11</i>	-	(2,093)
		(101,147)	(142,063)
Decrease/(increase) in:			
Accounts receivable		(1,731)	(390)
Inventories	<i>11</i>	-	2,093
Increase/ (Decrease) in:			
Trade and other payables		3,871	(94,271)
Cash used in operating activities		(99,007)	(234,631)
Interest received		266	1,720
Net cash used in operating activities		(98,741)	(232,911)
Cash provided by investing activities			
Dividend received	<i>18</i>	33,552	41,515
Acquisition of property and equipment	<i>8</i>	(2,532)	(4,477)
Net cash provided by investing activities		31,020	37,038
Net decrease in cash on hand and in bank		(67,721)	(195,873)
Cash on hand and in bank at beginning of year	<i>12</i>	158,267	354,140
Cash on hand and in bank at end of year	<i>12</i>	90,546	158,267

The notes on pages 10 to 31 form an integral part of the financial statements.

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Notes to the Financial Statements
December 31, 2012

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

1. Reporting entity

National Investment Company of Anguilla Limited (the “Company”) was incorporated in Anguilla under the provision of the Companies Act of Anguilla on 27th January 1989.

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

The registered office of the Company is at AXA Offshore Management Limited, The Law Building, The Valley, Anguilla, and its principal place of business is 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 little 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 has been 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 \$82,291 (2011: \$124,521) for the year ended 31 December 2012 resulting in accumulated deficit of \$1,763,832 (2011: \$1,681,541) and net cash outflows of \$98,741 (2011: \$232,911). As a result of the continuous accumulated deficit, the Company has temporarily suspended 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’s continued existence is therefore dependent on these current negotiations.

The Board of Directors is 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 is 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*)
December 31, 2012

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

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 December 31, 2012 were authorized for issue by the Board of Directors on October 9, 2013.

(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*)
December 31, 2012

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

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 January 1, 2012:

- *Disclosures - Transfers of Financial Assets (Amendments to IFRS 7)*
- *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS 1)*
- *Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)*

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 on hand and in bank, available-for-sale investment securities, accounts receivable, and trade and other payables.

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Notes to the Financial Statements *(continued)*
December 31, 2012

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

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 on hand and in bank

Cash on hand and in bank are measured at amortized cost.

Accounts Receivable

Accounts receivable 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, accounts receivable 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)
December 31, 2012

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

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)*
December 31, 2012

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

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/or for rental. These properties are carried at their fair market values. 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.

Upon a change from owner-occupied properties to investment properties, the excess of fair values over their carrying values is credited as revaluation reserve 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 income/ (loss), in which case the increase is recognized in the statement of comprehensive loss income/ (loss).

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*)
December 31, 2012

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

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)*
December 31, 2012

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

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 receive 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*)
December 31, 2012

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

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) Comparatives

Where necessary, the comparative figures have been adjusted to conform with changes in presentation in the current year.

(m) 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 December 31, 2012 or not relevant to the Company's operations. These are as follows:

- IAS 1 (Revised), *Presentation of Financial Statements* effective July 1, 2012
- IFRS 9, *Financial Instruments Part 1: Classification and Measurement* effective January 1, 2015
- IFRS 13, *Fair Value Measurement* effective January 1, 2013.
- IAS 19, *Employee Benefits* (amended 2011) effective January 1, 2013.

The Company expects that the impact of the above new and revised standards will not be significant in the preparation of its financial statements as at December 31, 2013, except for IFRS 13, *Fair Value Measurement*, as it relates to its investment properties and financial assets and liabilities. The Company is yet to complete its assessment to determine the impact of these new and revised standards on its financial statements as at and for the year then ending.

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Notes to the Financial Statements (*continued*)
December 31, 2012

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

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.

(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. The costs of available-for-sale investment securities without quoted market price were deemed their fair values.

(c) Accounts receivable

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

(d) Cash on hand and in bank

Due to the short-term nature of the transactions, the fair values of cash on hand and in bank 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.

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Notes to the Financial Statements *(continued)*
December 31, 2012

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

6. Financial risk management *(continued)*

a. Overview *(continued)*

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.

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 accounts receivable.

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.

Accounts 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 accounts receivable 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.

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Notes to the Financial Statements *(continued)*
December 31, 2012

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

6. Financial risk management *(continued)*

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.

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.

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Notes to the Financial Statements (*continued*)
December 31, 2012

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

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).

(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.

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Notes to the Financial Statements (continued)
December 31, 2012

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

8. Property and equipment - net

	Building and improvements	Furniture and equipment	Total
Cost			
December 31, 2010	77,919	288,069	365,988
Additions	-	4,477	4,477
December 31, 2011	77,919	292,546	370,465
Additions	-	2,532	2,532
December 31, 2012	77,919	295,078	372,997
Accumulated depreciation			
December 31, 2010	22,561	239,387	261,948
Depreciation	7,792	6,510	14,302
December 31, 2011	30,353	245,897	276,250
Depreciation	7,792	7,183	14,975
December 31, 2012	38,145	253,080	291,225
Net book values			
31 December 2011	47,566	46,649	94,215
31 December 2012	39,774	41,998	81,772

9. Investment properties

Movements in this account at fair value amount are as follows:

	Land	Building and improvements	Total
December 31, 2010	7,439,143	1,119,857	8,559,000
Change in fair values of investment properties	-	-	-
December 31, 2011	7,439,143	1,119,857	8,559,000
Change in fair values of investment properties	108,000	-	108,000
December 31, 2012	7,547,143	1,119,857	8,667,000

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Notes to the Financial Statements (continued)
December 31, 2012

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

9. Investment properties (continued)

Movements in this account at cost are as follows:

	Land	Building and improvements	Total
At cost			
December 31, 2010	1,607,253	760,931	2,368,184
Additions	-	-	-
December 31, 2011	1,607,253	760,931	2,368,184
Additions	-	-	-
December 31, 2012	1,607,253	760,931	2,368,184
Accumulated depreciation			
December 31, 2010	-	521,418	496,934
Depreciation	-	24,484	24,484
December 31, 2011	-	545,902	545,902
Depreciation	-	24,484	24,484
December 31, 2012	-	570,386	570,386
Net book values			
31 December 2011	1,607,253	215,029	1,822,282
31 December 2012	1,607,253	190,545	1,797,978

Movements in the revaluation surplus account are as follows:

	Land	Building and improvements	Total
December 31, 2010	8,247,747	1,086,003	9,333,750
Change in fair values of investment properties	(2,415,857)	(230,143)	(2,646,000)
December 31, 2011	5,831,890	855,860	6,687,750
Change in fair values of investment properties	108,000	-	108,000
December 31, 2012	5,939,890	855,860	6,795,750

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Notes to the Financial Statements *(continued)*
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(Expressed in Eastern Caribbean Dollars (EC\$))

9. Investment properties *(continued)*

As at December 31, 2012, the fair values of the Company's investment properties were assessed by an independent and qualified appraiser, Richards Architecture Development and Survey Co. Ltd., who used the income and comparative methods 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 the asset does not differ materially from its carrying amount.

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

10. Available-for-sale investment securities

	2012	2011
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	24,179	26,129
	990,779	992,729
Less allowance for decline in value	(45,000)	(45,000)
	945,779	947,729

Effective August 12, 2013, the National Bank of Anguilla Limited (NBA) was placed under conservatorship by virtue of the emergency powers of the Eastern Caribbean Central Bank. The conservatorship aims to restructure NBA and to protect the depositors and its creditors. Management believes that the Company will be able to recover its investments with NBA. As such, no provision for credit loss was provided for during the year.

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

	2012	2011
Fair value at beginning of year	992,729	1,056,225
Fair value at end of year	990,766	992,729
Change in fair value	1,963	63,496

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Notes to the Financial Statements *(continued)*
December 31, 2012

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

10. Available-for-sale investment securities *(continued)*

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:

	2012	2011
Unrealized gain beginning of year	26,037	89,533
Change in fair value	(1,963)	(63,496)
Unrealized gain end of year	24,074	26,037

11. Inventories - net

	2012	2011
Books	106,636	106,636
Other	13,183	13,183
	119,819	119,819
Inventory obsolescence	(119,819)	(119,819)
	-	-

Movement of inventory obsolescence follow:

	2012	2011
Balance at beginning of year	119,819	121,912
Inventory obsolescence	-	-
Recovery of inventory obsolescence	-	(2,093)
Balance at end of year	119,819	119,819

12. Cash on hand and in bank

	2012	2011
Cash in bank	90,234	157,876
Petty cash fund	312	391
	90,546	158,267

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Notes to the Financial Statements (*continued*)
December 31, 2012

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

13. Share capital

	2012	2011
Authorized		
100,000 founders shares at EC\$1.00 each	100,000	100,000
4,900,000 ordinary shares at EC\$1.00 each	4,900,000	4,900,000
	5,000,000	5,000,000
Issued and fully paid		
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

14. Loss and book value per share

(a) Loss 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>	2012	2011
Net loss for the year		(82,291)	(124,521)
Weighted average number of shares	<i>13</i>	4,700,205	4,700,205
		(0.0175)	(0.0265)

(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>	2012	2011
Shareholders' equity		9,756,197	9,732,451
Total number of shares	<i>13</i>	4,700,205	4,700,205
		2.08	2.07

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Notes to the Financial Statements *(continued)*
December 31, 2012

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

16. Legal, audit and other professional fees

	2012	2011
Audit fee	30,500	26,800
Legal fee	1,911	1,912
Property valuation fee	2,546	2,565
Other	4,879	-
	39,836	31,277

17. Other administrative expenses

	2012	2011
Temporary worker	6,750	2,748
Repairs and maintenance	2,534	2,228
Utilities and occupancy	346	3,499
Office supplies	164	78
Advertising	-	1,184
Other	1,852	3,276
	11,646	13,013

18. Dividend income

	2012	2011
Cash dividend		
Eastern Caribbean Home Mortgage Bank	20,000	20,000
Anguilla Mortgage Company	7,500	3,000
Anguilla Electricity Company Limited	4,800	4,800
Cable & Wireless PLC Limited	1,103	-
National Bank of Anguilla Limited	-	-
Other	149	231
	33,552	28,031

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Notes to the Financial Statements (continued)
December 31, 2012

(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 December 31, 2012 and 2011 are as follows:

	<i>Notes</i>	2012	2011
Available-for-sale investment securities	9	945,779	947,729
Accounts receivable		2,121	390
Cash in bank	12	90,234	157,876
		1,038,134	1,105,995

The maximum exposure to credit risks by geographical region is as follows:

	2012	2011
Caribbean region	1,013,955	1,079,866
Other	24,179	26,129
	1,038,134	1,105,995

(b) Liquidity risk

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

	2012			
	Carrying amount	Contractual cash flows	6 months or less	6-12 months
Trade and other payables	31,021	31,021	31,021	-
	31,021	31,021	31,021	-

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Notes to the Financial Statements *(continued)*
December 31, 2012

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

19. Financial instruments *(continued)*

(b) Liquidity risk *(continued)*

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

(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 does not have any significant exposure to interest risk.

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 December 31, 2012 amounted to \$24,179 (2011: \$26,129).

Sensitivity analysis

A ten percent (10%) increase in the market price of the Company's available-for-sale investment securities at December 31 would have increased equity by \$2,422 (2011: \$2,613). 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 December 31 would have had an equal but opposite effect on the same investment securities, on the basis that all other variables remain constant.

NATIONAL INVESTMENT COMPANY OF ANGUILLA LIMITED
Notes to the Financial Statements (continued)
December 31, 2012

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

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 December 31, 2012 and 2011, the fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Available-for-sale investment securities	945,779	945,779	947,729	947,729
Accounts receivable	2,121	2,121	390	390
Cash on hand and in bank	90,546	90,546	158,267	158,267
Trade and other payables	(31,021)	(31,021)	(27,150)	(27,150)
	1,007,425	1,007,425	1,079,236	1,079,236

20. Commitments and guarantees

The Company does not have any outstanding commitments and guarantees as at December 31, 2012 and 2011.

21. 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.