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ACRONYMS AND ABBREVIATIONS

BANDES	Banco de Desarrollo Económico	GDP	Gross Domestic Product
	y Social de Venezuela	IAS	International Accounting Standards
CDB	Caribbean Development Bank	IFRS	International Financial
DAIDB	Dominica Agricultural Industrial		Reporting Standards
	& Development Bank	IFRIC	International Financial Reporting
DBPL	Dominica Banana Producers Ltd.		Interpretations Committee
EC	Eastern Caribbean	NBD	National Bank of Dominica, formerly National Commercial Bank
ECCB	Eastern Caribbean Central Bank	NP	Non-performing
ECCU	Eastern Caribbean Currency Union	SFR-D	Special Fund Resources - Dominica
EU	European Union	SMP	Special Mortgage Programme
EURO	Monetary Unit of the European Union	SPA	Systems and Process Assurance Review
FDSL	Financial Data Systems Limited	US\$	United States Dollars
FEEF	Foreign Exchange Equalization Fund	XCD	Eastern Caribbean Dollars

OUR MISSION

To be a leader and catalyst in the economic and social development of the Commonwealth of Dominica, by being a facilitator for investments, a financier and a partner with the private sector while adhering to the highest principles of good corporate governance, exercising prudent and responsible financial management and promoting environmental sustainability.

OUR VISION

To be a top rated development finance institution.

LETTER OF TRANSMITTAL

Honourable Roosevelt Skerrit Prime Minister and Minister for Finance,

Foreign Affairs and Information Technology

Prime Minister's Office
Financial Centre, Kennedy Avenue
Roseau, Commonwealth of Dominica

March 21, 2012

Dear Honourable Prime Minister,

Pursuant to Section 22[1], Chapter 74:03 of the Laws of the Commonwealth of Dominica [1990 Revised Edition] I have the honour to submit to you, on behalf of the Board of Directors, the Annual Report on the operations and Audited Financial Statements of the Dominica Agricultural Industrial and Development Bank for the Financial Year ended June 30, 2011.

Please accept, Honourable Prime Minister, the assurances of my highest consideration.

Yours sincerely,

DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

MR. AMBROSE M.J. SYLVESTER

CHAIRMAN

BOARD OF DIRECTORS

MEMBERS OF THE BOARD OF DIRECTORS



Mr. Ambrose M.J. Sylvester Chairman



Mr. Martin Charles

Deputy Chairman



Ms. Denise Charles

Director



Simpson Gregoire **Director**



Mr. Elford Henry **Director**



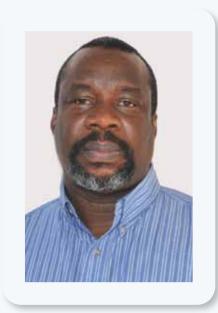
Mr. Hubert Joseph **Director**



Mr. Leon LeBlanc **Director**



Mr. Colbert Pinard **Director**



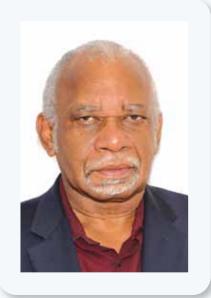
Mr. Reuben Thomas

Director



Ms. Roan Thomas Secretary to the Board

SENIOR MANAGEMENT TEAM AND STAFF



Mr. Kingsley Charles Thomas General Manager/Consultant



Dr. Emaline Harris Collymore
Executive Manager,
Corporate Affairs



Mrs. Mathilda John Rose
Executive Manager,
Credit Operations



Ms. V Elfreda Abraham Senior Manager, Finance and Accounts



Mrs. Avril Coipel
Senior Manager,
Management Information Systems



Mrs. Ursula McDowell Job Senior Manager, Human Resource and Administration



Mr. Ian Williams

Manager, Industrial Estate Unit



Mrs. Martha Abel Manager, Credit



Ms. Patricia Etienne

Manager, Recoveries



DAIDB Members of Staff

MEMBERS OF STAFF AS AT JUNE 30 2011

Office of the General Manager

Mr. K. C. Thomas

General Manager/Consultant

Mrs. Liane Irish-Wade Internal Auditor

Credit Operations Division

Mrs. M. John Rose Executive Manager, Credit Operations

Mrs. M. Abel

Manager Credit

Mrs. P. Shillingford Chambers

Mr. F. Fabien Mrs. N. Faustin Ms. E. Alfred Ms. Patricia Austrie Credit Officers

Ms. M. Royer

Securities Officer (until November 2010)

Mr. A. Thomas

Disbursement Officer

Ms. M. Robinson

Customer Service Rep.

Ms. S. Victor **Receptionist**

Recoveries Unit

Ms. P. Etienne

Manager Recoveries

Ms. G. Shillingford Mrs. R. Xavier Mr. K. Albert Mr. C. Lloyd

Recoveries Officers

Corporate Services Division

Mrs. E. Harris Collymore Executive Manager, Corporate Affairs

Mrs. J. Dechausay Titre Special Projects/

Communications Coordinator

MIS Unit

Mrs. A. Coipel
Senior Manager,
Information Systems

Mrs. L. Gonzalez-Peltier John
Applications Support Analyst, MIS

Mr. K. Sylvester **Technical Officer, MIS**

Industrial Estate Unit

Mr. I. Williams

Manager, IEU

Mr. A. H. LeBlanc

Assistant Manager, IEU/ Technical Advisor

Mrs. R. Hyacinth

Administrative Officer

Mr. John O'garro

Maintenance Officer

Legal Division

Mr. A. Commodore

Legal Counsel (until December 2010)

Ms. N. Winston Legal Secretary

Finance and Accounts Division

Ms. V. E Abraham
Senior Manager,
Finance and Accounts

Mrs. I. Bruno

Assistant Manager, Finance and Accounts

Ms. A. Dupigny Mr. K. Shillingford Ms. H. Sylvester Senior Officer, Finance and Accounts

Mr. M. Allan

Officer Finance and Accounts

Human Resource Division

Mrs. U. McDowell-Job

Senior Manager, Human Resource and Administration

Ms. R. Thomas

Assistant Manager, Human Resource and Administration/ Board Secretary

Ms. G. Edwards
Registry Officer

Mr. G. Nicholls

Office Attendant

CONTACT DETAILS

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Website: www.aidbank.com

Legal Counsels

Alick Lawrence, Chambers, Roseau.

7 Old Street, Roseau, Commonwealth of Dominica

Elijah Law Chambers, Roseau.

70 Cork Street, Roseau, Commonwealth of Dominica

Auditors

KPMG

Cnr Factory Road & Carnival Gardens, P.O Box 3109, St John's, Antigua

Bankers

National Bank of Dominica.

64 Hillsborough St., P.O. Box 271, Roseau, Commonwealth of Dominica

CHAIRMAN'S STATEMENT

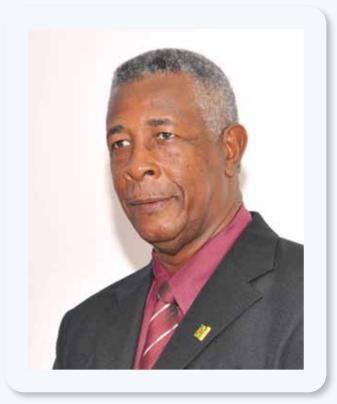
On behalf of the Board of Directors, I am pleased to submit the annual report of the Dominica Agricultural Industrial and Development Bank [the AID Bank] for the financial year ended June 30, 2011.

During the financial year under review the AID Bank continued to execute its medium term Strategic and Operational Plan (2009-2014) guided by policies and programmes aimed at fostering growth and development in the Commonwealth of Dominica through increased lending to the economic and social sectors of the economy.

Notwithstanding the less than conducive international, regional and national economic landscape, the Bank recorded a number of major achievements for the past financial year.

These included:

- ▶ Loan approvals totalling \$36.33 million which was the second highest level recorded in the forty-year history of the institution, surpassed only by the previous year's level;
- ▶ Disbursement of loans totalling \$31.29 million was the highest level of disbursements recorded in any one year in the history of the Bank;
- ▶ A decline in the Non-Performing Loan Ratio to 14.6 per cent, the lowest level recorded in the Bank's recent history and a clear indication of an improvement in the quality of the Bank's loan portfolio;
- ▶ Total Comprehensive Income for the year of \$2.3 million was 47.24 per cent greater than the preceding year's and one of the highest levels recorded in the forty years of the Bank's existence,



- ▶ A significant increase in the assets of the Bank as a result of the transfer of the properties of the Industrial Estate Unit from the Government to the Bank with the concomitant increase in Shareholders' Equity; and,
- ▶ An upgrade in the Bank's credit rating from "BB+" to "BBB-" by CariCRIS, a clear indication of the fact that the Bank has achieved tangible improvements in a number of critical areas of its operations.

The financial year ended June 2011 was also the second full year of the Strategic and Operational Plan of the Bank for the five-year period 2009 to 2014. The Plan, which was approved by the Cabinet, mirrored the Government's medium term development objectives

The Board of Directors and the Senior Management of the Bank, in June 2011, held a two-day retreat to review the Plan after the first two years of its implementation.

The review included an analysis of the institution's achievements in key areas compared with the targets, which were set in the Plan and additionally, re-examined the assumptions on which the Plan was based to determine whether they were still relevant.

A comparison of the actual results of the first two years with the targets set in the Strategic Plan, indicates that the Bank performed creditably achieving, in a number of key areas the targets set.

An even greater indication of the Bank's improved performance is the comparison with the results of the first two years of the Plan compared with the two years – 2007/2008 and 2008/2009- which preceded the implementation of the Plan.

Specifically in the areas of:

- ▶ Loan approvals: For the first two years of the Plan, loan approvals totalled XCD 78.2 million which was 131 per cent greater than the XCD 33.8 million approved in the two years preceding the Plan's implementation and 4.5 per cent less than the XCD 81.9 million which was targeted.
- ▶ **Disbursements:** Disbursements of loans for the first two years of the Plan totalled XCD 52.3 million which was 60 per cent greater than the XCD 32.9 million disbursed in the preceding two years 35.28 per cent less than the targeted amount.
- Funding: For the first two years of the Plan, it was projected that new lines of credit totalling XCD 86.9 million would be obtained. The actual result was that the Bank obtained new lines of credit over the period totalling XCD 72.6 million which was considered a major achievement since for over eight years prior the Bank had not obtained any funding from external funding agencies.
- ▶ Non-Performing Loans: The ratio of Non Performing Loans declined from 20.02 per cent at the end of the financial year 2007/2008 to 14.63 per cent at the end of the financial year 2011. This is the lowest level recorded in the recent history of the institution.

In terms of documentation for loans, significant improvements have been effected in the Loan agreements and security documentation.

Improved credit appraisal and project monitoring have also shown improvements in the first two years of the Plan.

Underlying these notable achievements were the continuing efforts by the Bank to effect improvements to its operational efficiency primarily in the areas of credit administration and internal controls.

Of particular significance, was the appointment of fulltime Internal Auditor during the year, the first time that this position has been filled in the organisation.

The Bank has also intensified the monitoring of projects during their implementation phases through the contracting of independent professionals to undertake the regular evaluation of projects in particular those involving construction.

Notwithstanding the achievements of the past years in terms of increased mobilisation of funding, significant increases in loan approvals and disbursements, a marked reduction in its non-performing loans and improved financial performance, the Bank will continue to pay close attention to regional and international developments and will be relentless in its efforts to ensure that the institution continues on the trajectory to becoming a self sustaining, strong and relevant institution, providing credit for the economic and social development of the Commonwealth of Dominica.

In this regard, the Bank intends to constantly upgrade and improve its operating systems and procedures; strengthen its credit appraisal and risk management techniques; improve its monitoring of projects, especially in the implementation stages and intensify its efforts at ensuring the further reduction of its non-performing loans.

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The achievements recorded by the Bank for the year would not have been possible without the strong support of the Government of the Commonwealth of Dominica, our majority shareholder, which in addition to providing the guarantees for loans obtained from regional and international funding agencies transferred the assets of the Industrial Estate Unit to the Bank.

The principal benefits arising from the transfer of the assets of the IEU to the Bank are:

- a) The strengthening of the capital base of the Bank;
- Allowing the Bank to provide larger loans while maintaining prudential guidelines in terms of exposure;
- c) The assets transferred can be used to collateralise funding obtained from local sources therefore obviating the need for Parliamentary Guarantees.

We express our sincerest appreciation to our customers, our minority shareholder - the Dominica Social Security - and to all our partners in both the public and private sectors for their continued support during the year.

We also express our gratitude to our other stakeholders, our regional and international funding partners, primary among which are: Banco de Desarrollo Económico y Social de Venezuela [BANDES], the Caribbean Development Bank [CDB], the European Investment Bank [EIB] and the Commonwealth Secretariat through the Commonwealth Fund for Technical Cooperation [CFTC] which supported the assignment of the General

Manager/Consultant to the Bank for the initial two years of his assignment and agreed to provide a level of support for the extension of his tenure.

We thank most sincerely the Members of the Board of Directors, the Management and Staff for their devotion to duty and for delivering commendable results in a challenging global environment.

The outlook for the Bank for the succeeding and future years is one marked by challenges as the effects of the continuing difficulties being experienced in the global and Regional economies are projected to impact on the local economy primarily in the areas of private Foreign Direct Investment [FDI] and tourism arrivals.

Notwithstanding this, the Bank pledges its commitment to provide its full support to the efforts at achieving the country's economic growth targets.

Additionally, as we look toward the future and the creation of a single economic and financial space within the Organisation of the Eastern Caribbean States [OECS] scheduled for July 2013, it is imperative that we factor the implications of this milestone in Regional integration in the planning matrix of the Bank.

Finally, on the eve of the Fortieth Anniversary of the Bank which we celebrate in the financial year 2011/2012, we pledge not only to renew our commitment but to continue our quest to achieve greater levels of performance as we strive to make the AID Bank, a world-class development finance institution of which all Dominicans will be justly proud.

DAIDB FIVE-YEAR HIGHLIGHTS 2007-2011

INCC	DME STATEMENT	2011 XCD ('000)	2010 XCD ('000)	2009 XCD ('000)	2008 XCD ('000)	2007 XCD ('000)
	Interest Income	10,843	10,307	10,609	11,685	12,024
	Interest Expense	3,964	3,699	4,076	4,459	4,479
	Net Interest Income	6,879	6,608	6,533	7,226	7,546
+	Other Income Net	1,387	2,417	1,235	626	673
	Operating Income	8,266	9,025	7,768	7,852	8,218
	Staff Costs	3,078	3,126	2,548	2,360	2,292
	Administrative Costs	2,804	1,693	1,516	2,723	2,310
	Provisions	238	2,597	2,418	1,948	1,854
•	Impairment Reversal	15	(15)	-	-	-
•	Negative Goodwill	187	-	-	-	-
	Net Profit for the Year	2,348	1,594	2,418	1,948	1,854
	Foreign Exchange Loss Utilisation	77	-	-	-	-
	Total Comprehensive Income	2,271	1,594			
BALA	ANCE SHEET	2011 XCD\$ ('000)	2010 XCD\$ ('000)	2009 XCD\$ ('000)	2008 XCD\$ ('000)	2007 XCD\$ ('000)
Assets	S					
	Cash and Balances with Central Bank	2	23	3,112	1,039	1,032
+	Deposit with Other Banks	8,961	6,309	3,689	4,935	6,930
+	Investments [Net of Impairment]	4,120	4,648	5,920	5,793	5,648
0	Investment Properties	30,215	-	-	_	-
0	Loans [Net of Impairment]	129,508	116,549	112,686	114,169	111,754
+	Other	9,276	5,009	5,246	5,408	5,687
	Total Assets	182,082	132,538	130,652	131,343	131,050
Liabili	ities					
	Deposits	11,223	10,824	10,167	13,182	12,832
0	Borrowings	103,069	82,888	84,094	83,979	85,154
0	Other Liabilities	6,629	6,259	5,168	3,951	3,240
0	Equity	61,161	32,567	31,222	30,232	29,823
	Total Liabilities and Equity	182,082	132,538	130,652	131,343	131,050
ОТНІ	ER INFORMATION	2011 XCD\$ ('000)	2010 XCD\$ ('000)	2009 XCD\$ ('000)	2008 XCD\$ ('000)	2007 XCD\$ ('000)
Loan A	Approvals	36,333	41,910	13,456	20,357	20,025
	Disbursements	31,293	21,050	14,282	18,683	16,271
Estima	ated Number of Jobs Created	802	805	487	701	780
Return	on Equity	3.84%	4.90%	4.12	2.72	5.91
Return	on Assets	1.29%	1.20%	0.98	0.63	1.38
	Provisions on 0/ of Dortfolio	9.20%	7.48%	7.49	6.46	9.59
Loan F	Provisions as % of Portfolio	9.20/0	7.40/0	1.43	0.40	0.00

PART 1 THE ECONOMY OF DOMINICA

THE ECONOMY OF DOMINICA'

Dominica, like other small, open, vulnerable economies, continues to be affected by the challenges of the protracted slowdown in the global economy, notably in its external trade, tourism industry and the inward flow of remittances.

The economy has nonetheless exhibited an admirable degree of resilience. This resilience has been attributed to Government's ability to undertake counter-cyclical measures during the global slowdown as a result of the gains and policy space created by prudent fiscal management in the years following the Economic Stabilization Programme as well as its successful negotiation of grant resources.

The ECCB released the results of its rebasing of the GDP series to 2006 in February 2011. Real GDP growth rate for 2008 was increased to 7.8 per cent. A contraction in real GDP of 0.74 per cent in 2009 reflected the effects of the global economic and financial crisis.

Preliminary estimates for 2010 indicate a slight but positive increase in real GDP to 0.33 per cent. Growth in 2011 is projected at 1.23 per cent as a result of a further expansion of economic activity.

Agricultural production accounted for 10.57 per cent of total GDP in 2010, though the sector declined by an estimated 10.33 per cent following growth of 1.38 per cent in 2009. In 2010, the performance of the crops sub-sector was severely affected by the extended drought.

In 2011, projections are for a rebound in the sector with a growth rate of 3.56 per cent. The banana subsector

was expected to grow by roughly 3 per cent and other crops by 4.0 per cent, the former, mostly as a result of the XCD 1.0 million investment made by Government in the industry.

The hotels and restaurants sector is estimated to have grown by 0.36 per cent in 2010 in contrast to a decline of 4.05 per cent in 2009. The total number of stay-overs up to December 2010 is estimated to have declined by 0.54 per cent. However, in the same period there was an estimated increase in cruise ship passengers by 0.3 per cent, and an estimated increase in total visitor expenditure. A decline of 9.2 per cent is projected in hotels and restaurants in 2011.

Stay-over visitor arrivals increased by an estimated 0.53 per cent in the first three quarters of 2011 in relation to the same period in the previous year. However, cruise ship passenger arrivals declined by an estimated 41.25 per cent for the same period.

Growth in the construction sector was estimated at 10.15 per cent in 2010 compared to a contraction of 7.27 per cent in 2009. Further growth of 3.5 per cent is projected in 2011 driven mainly by the public sector investment programme and private sector projects.

Education, now identified as an independent sector in the rebased national accounts, accounted for 14.24 per cent of real GDP and grew by 5.36 per cent in 2010. Growth of 2.63 per cent is projected in 2011. Offshore schools account for a large component of this sector.

Banks and financial intermediation accounted for 7.78 per cent of real GDP in 2010. In 2010, this sector grew

¹Sources:

Government of Dominica: "Prime Minister's Budget Presentation 2011- 2012", Roseau, June 29, 2011.

Central Statistical Office, 'Quarterly Economic Indicators', September 2010 – June 2011.

Eastern Caribbean Central Bank, (i) National Accounts Statistics, September 2011.

(ii) Selected Tourism Statistics, June 2011.

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DAIDB Annual Report 2011

by 0.60 per cent and is projected to grow by 1.23 per cent in 2011.

There was a marginal increase of 1.04 per cent in the visible trade deficit in 2010. In the first three quarters of 2011 the trade balance improved by 3.23 per cent as a result of a reduction in the value of imports.

Central Government's current revenue increased by 0.56 per cent in 2010 and in the same period current expenditure increased by 5.04 per cent. As a result, the current account balance declined by 20.01 per cent, to \$49.62 million in 2010 from XCD 62.10 million in 2009.

There was a further decline of 9.25 per cent in the current account balance in the first three quarters of 2011, to XCD 35.99 million from XCD 39.66 million in

the same period of 2010. This decline resulted from a 4.9 per cent increase in current expenditure and a 2.79 per cent increase in current revenue.

In 2010, there was a 3.29 per cent rise in the consumer price index driven mainly by price increases in fuel and light, alcoholic beverages, tobacco and food. In the first six months of 2011, the consumer price index rose by 1.4 per cent, partly as a result of increases in the global price of fuel.

It is in the context of the economic realities at the international, regional and national levels that the financial and operating results of the Bank for the financial year ended June 30,2011, are presented.



Cruise Ship Docked in Roseau

PART 2
THE PERFORMANCE OF DAIDB

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DAIDB Annual Report 2011

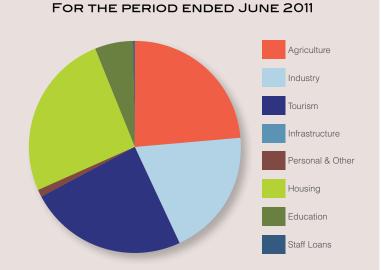
LENDING OPERATIONS

Loan Approvals

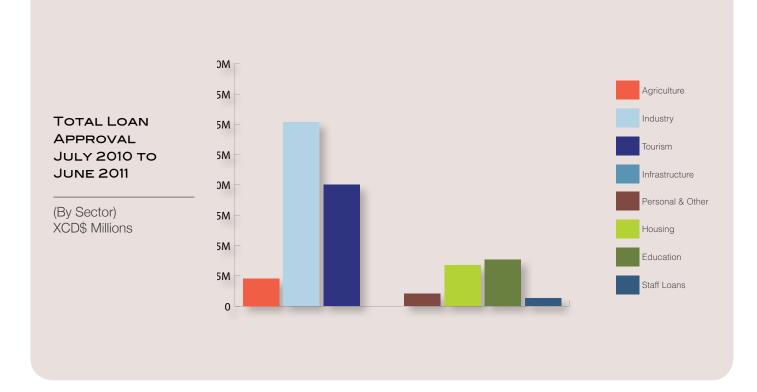
For the period ended June 30, 2011, 379 loans were approved with a total value of XCD 36.33 million. Industry loans valued at XCD 15.18 million and Tourism loans valued at XCD 10.02 million combined accounted for 69.4 per cent of the total approvals for the period. Three loans valued at XCD 80,645 were approved under the Bank's CDB Special Mortgage Programme for the period under review.

During the year, the cumulative loan approvals were below that recorded for the same period ended June 30, 2010 by 13.31 per cent when loans totalling XCD 41.90 million were approved.

Please see Graph 1 and 2 for details on Approvals.



LOAN APPROVALS



Disbursements

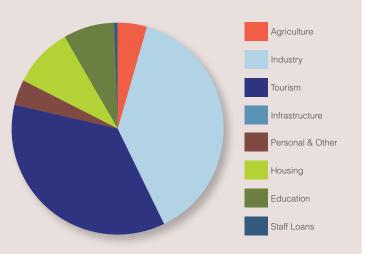
For the twelve-month period ended June 2011, disbursement of loans totalled XCD 31.29 million. This was **148.66** per cent above the total loan disbursements of XCD 21.05 million recorded for the same period in 2010 and the highest level recorded for any year in the Bank's history.

Loan disbursements in the Tourism sector of XCD 11.79 million and in the Industry sector of XCD 11.49 million accounted for the major portion or 74.39 per cent of disbursements for the period ended June 2011. This was followed by the Education and Housing sectors which accounted for 17.08 per cent of the total.

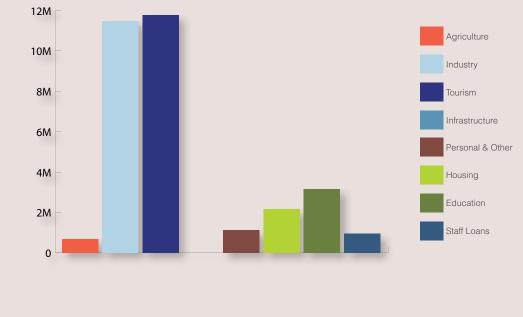
The Bank continued to facilitate disbursements on behalf of the Agricultural Investment Unit (AIU) and the Dominica Banana Recovery Programme. A total of XCD 1.61 million has been disbursed on behalf of the AlU since its inception in November 2009. A total of XCD 0.47 million has been disbursed under the Dominica Banana Recovery Programme since its inception in October 2010, with an equal amount disbursed in grant.

The Bank commenced disbursements on behalf of the Government of Dominica for a Student Loan facility in November 2010. Total disbursements for the Student Loan Facility for the financial year amounted to XCD 0.89 million.

LOAN DUSBURSEMENTS FOR THE PERIOD ENDED JUNE 2011







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Rescheduling

For the period ended June 30, 2011, forty-three (43) loans with a value of XCD 11.57 million were approved to be rescheduled. This compares with seventy-two (72) loans with a total value of XCD 3.06 million approved during the same period in 2010.

For the period ended June 30, 2011, twelve loans were also approved for rescheduling by the Agriculture Investment Unit with a value of XCD 0.38 million. All loans approved for rescheduling required an extension of grace period.

Loan Portfolio

At the end of June, 2011, the principal outstanding in the Bank's loan Portfolio grew by 13.97 per cent to XCD 136.06 million compared to XCD 119.38 million outstanding as at June 30, 2010.

With respect to the sectoral distribution of the Portfolio, Education loans totalling XCD 32.69 million was the largest beneficiary, accounting for 24.02 per cent of the total loan portfolio. This sector was followed by Tourism with 23.98 per cent and Industry with 23.52 per cent of the total loan portfolio.

As at June 30, 2011 non-performing (NP) loans totalled XCD 19.91 million or 14.63 per cent of total loans outstanding of XCD 136.06 million.

For the corresponding period as at June 30, 2010, NP loans totalled XCD 19.02 million or 15.93 per cent of total loans outstanding of XCD 119.37 million.

Total interest outstanding on NP for the month ended June 30, 2011 amounted to XCD 6.02 million as



compared to XCD 5.01 million for the corresponding period last year.

As at June 30, 2011, principal in arrears on NP loans totalled XCD 12.87 million, which represented 68.9 per cent of total principal arrears of XCD 18.68 million.

The Housing, Education and Industry Sectors were the best performing sectors for the Bank, with 9.93 per cent, 10.13 per cent and 12.19 per cent of NP ratios respectively. Agriculture, Tourism and Personal & Other accounted for the highest NP ratios with 52.69 per cent, 20.58 per cent and 17.05 per cent respectively.

Funding

It is reasonable to accept that it is in the area of the mobilisation of funding that the Bank has recorded the greatest achievement during the first two years of the Strategic and Operational Plan.

The target set in the Strategic and Operational Plan is for the mobilization of funding totalling USD 80.0 million over the five-year period. This target is equivalent to an average of USD 16 per annum.

Funding approvals totalling USD 28.04 million were recorded, approximately USD 4.0 million short of the target for the two-year period ended June 30, 2011.

During the year under review the Bank continued drawdowns from its USD 8.0 million line of credit from the Caribbean Development Bank, which was approved by the CDB in December 2009. As at June 30, 2011, total commitments amounted to USD 8.53 million and a total of USD 6.29 million was drawn down from the CDB.



Left: A potato farm Right: A luxury Villa

In July 2010, the Bank signed a Loan Agreement with the European Investment Bank (EIB) USD 10.04 million to support the investment of Small and Medium Enterprises (SMEs) in the manufacturing, industrial, agricultural, infrastructure, energy, health, and education and tourism sectors. A dedicated component of USD 1.3 million will provide entities in the productive sectors with loans at a highly subsidised interest rate for projects in renewable energy and energy efficiency.

During the financial year, the Bank advanced activities to satisfy conditions precedent to first disbursement of the EIB line of credit.

Another agency agreement for XCD 1.0 million was signed between the Government of Dominica and the AID Bank in October 2010. Through this facility, loans were provided to students at a concessionary rate of 2 per cent. The programme provided funding on a 100 per cent loan basis up to \$50,000 annually.

Under this agreement, the Bank facilitates the disbursement of funds on behalf of the Ministry for Education and Human Resource Development, through its Human Resource Development Assistance Programme Approval Team (HRDAT), which is responsible for approving loans for students under this facility.

In November 2010, Her Excellency Carmen Martinez De Grijalva, the Ambassador of the Bolivarian Republic of Venezuela, served as witness to the signing of a Loan Agreement for USD 10 million on the behalf of the Bank for Economic and Social Development of Venezuela (BANDES) for funding projects in productive sectors of the economy.

In December 2010, the Bank commenced drawdown with a disbursement of USD 6 million from the USD 10 million loan approved by BANDES. By June 30, 2010, commitments under this facility totalled USD 4.62 million.

The processing of an application for a line of credit of USD 4.7 million from the CARICOM Development Fund [CDF] was advanced during the period under review.

Management Information Technology

Information technology is the backbone of most modern institutions and the AID Bank is no exception. We fully recognize how critical a reliable and secure information system is to the efficiency, effectiveness and success of the institution.

During this financial year, several aspects of the information system underwent review and upgrade. New servers were installed, a new backup and recovery system was introduced, critical software was upgraded, staff received training and procedures and policies were implemented or modified.

Staff received training in information security particularly with ISO27000 standards. This training led to the formulation of a draft Information Security Policy which is expected to be adopted in the financial year 2011/2012. This policy will assist the institution in creating a more secure and trustworthy environment for our customers.



Her Excellency Carmen Martinez de Grijalva, the Ambassador of the Bolivarian Republic of Venezuela makes a point to General Manager/ Consultant Kingsley Thomas at signing of Loan Agreement with BANDES

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Human Resources

At the end of the financial year the AID Bank had a staff complement of thirty-eight [38].

The Bank employed a temporary officer on a one-year contract to assist with the increased demand in the Credit Division. This helped to reduce the projects in the pipeline.

The Bank is committed to improve the level of skills and competencies within the organisation. With the Bank's support, two staff members completed their Bachelor's degrees within this financial year. Four persons are pursuing Bachelor's Degrees, two in Business Administration and one each in Information Technology and Marketing. Five persons are pursuing Master's degrees, three in Business Administration and one each in Banking and Information Technology.

During the year, members of staff attended training seminars and workshops in areas such as: Agricultural Processing and Production; Animal Husbandry; Project Administration and Project Implementation and Effective Credit Management and Debt Recovery.

In addition, six (6) members of staff and a member of the Board of Directors attended a training programme hosted by the Caribbean Development Bank in association with the Antigua and Barbuda Development Bank.

The training programme included modules on: Loan Portfolio Administration and Management; Credit Appraisal; Risk Management and Key Performance Indicators [KPIs] for Development Financial Institutions [DFIs].

During the year staff activities included:

- ▶ a trip to Guadeloupe on the week-end of July 30 to August 2, 2010 to foster and encourage team building among staff members;
- ▶ a movie night attended by over eighty per cent of Staff members with their family members; and,
- A picnic held on Easter Monday at Ti Bay, Portsmouth, which was well attended by staff, their friends and family members.

During the year, the Bank hosted four students from the Dominica State College and Youth Skills Training Program in the administrative and Accounts divisions of the Bank.

Internal Audit Function

In October 2010, the position of Internal Auditor was filled at the Bank. This is the first in-house Internal Auditor the Bank has had in its years of existence and we welcomingly embraced the new level of expertise and experience this position brings to the Bank.

The internal audit function is an integral part of the corporate governance regime of the Bank. The primary goal of the Internal Audit function is to evaluate the company's risk management, internal controls and corporate governance processes and practices and ensure that they are adequate and functioning effectively.

The mission of the internal audit function is to ensure that the Bank's business is conducted according to the highest professional and ethical standards by providing an independent, objective and assurance function and by advising on best practices. Through a systematic and disciplined approach, internal audit helps the Bank accomplish its goals and objectives.

To ensure independence, the Internal Auditor reports directly to the Board of Directors' Finance and Audit Committee and administratively to the General Manager/ Consultant. To maintain objectivity, the Internal Auditor is not involved in day-to-day bank operations or internal control procedures. However, the internal auditor may provide independent advice in certain specified areas as required.

The scope of Internal Auditor's work includes the review of risk management procedures, internal controls, information systems and governance processes. This work also involves periodic testing of transactions, best practice reviews, special investigations, appraisals of legal and regulatory requirements, and measures to help prevent and detect fraud.

During the year, audits were conducted in the majority of departments of the Bank, with the intention of adopting a risk-based approach to the audit function in the upcoming financial year based on the findings of each audit. This would result in frequent monitoring of areas considered to be of high risk.

The Bank has already commenced adjustment and establishment of policies and procedures and the enhancement of controls in keeping with recommendations from the Internal Auditor.

PART 3
OTHER ACTIVITIES

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OTHER ACTIVITIES

Industrial Estate Unit

The Industrial Estate consists of twenty-three buildings with a total floor space of 147,140 square feet, which have been sub-divided into 31 units ranging from 780 sq. ft to 21,000 sq. ft. Twenty-one buildings are in the Canefield Industrial Estate, one is in Picard and the other in Geneva.

As at June 30, 2011, the occupancy rate was 89 per cent. There are twenty-six tenants currently renting building space at the Industrial Estate with some tenants occupying more than one unit. Twelve (12) tenants rent land.

The total employment currently at the Industrial Estate is one thousand and eight employees. Clear Harbor, a call center, is the largest employer with eight hundred and forty (840) employees.

While rental collection has been one of the challenges facing the program, the Bank has been working with each tenant arranging to ensure that rental payment are brought up to date.

Operations at the Industrial Estate include manufacturing, information communication and technology, services and warehousing.

Below are some of the activities that take place at the Industrial Estate.

The Industrial Estate Unit has maintained its objectives by providing factory/office space for local and foreign enterprises, which encourages industrial production for local and export consumption, thereby creating employment while generating foreign exchange. This is in keeping with Government's policy on job creation.





Left: Bread Production Right: Call Centre

Financial Data Systems Ltd.

The Loans Management Systems used in the institution is owned and maintained by FDSL a company owned by several development Banks in the region. The DPAC Loans Management System will be undergoing a major redevelopment in the next financial year.

DPAC

A consultation was held in June 2010 among the shareholders of FDSL, current and potential users of DPAC, and it was decided to redevelop and upgrade DPAC by introducing new functionalities and changing the platform to a more modern one.

As a result, full system upgrades are being undertaken for both DPAC and LOANSAPP. The aim is to integrate them into one system and add other critical modules such as securities management, legal action management and collection management to create a system, which meets all the needs of developing finance institutions in the region.

The upgrade involves a move to SQL database format, an updating of the programming code base to take advantage of new technology and a redevelopment of the user interface. The inclusion of a report writer will make users more independent in the generation of management reports from the system.

The programme for the redevelopment of DPAC is scheduled for completion by September 2012.



Paper Factory

PART 4 AID BANK'S CORPORATE/ SOCIAL RESPONSIBILITY

CORPORATE / SOCIAL RESPONSIBILITY

While compassionate initiatives were low keyed, the Bank took its corporate responsibility very seriously.

After the passage of Hurricane Tomas, in November 2010, the Bank initiated support to the two hardest hit neighbouring countries of St. Lucia and St. Vincent.

With support from National Bank of Dominica, the St. Kitts and Nevis Development Bank, the Antigua and Barbuda Development Bank and the Dominica Brewery and Beverages Limited the Bank arranged for supplies of Loubiere Natural Caribbean Spring Water to be delivered to its counterpart in St. Lucia.

In collaboration with the Government of the Commonwealth of Dominica and the Dominica Coast Guard supplies of 1,750 galvanise sheets were sent to St. Vincent, which experienced severe damage to houses because of the hurricane. The material was purchased from one of the Bank's clients, M & J Roofing of One Mile Portsmouth, extruders of roofing material in Dominica.

In December 2010, the Bank presented one hundred and eighty-six (186) Christmas gift baskets to Government on behalf of all the elderly beneficiaries of the "Yes We Care" Programme in various communities around Dominica.

A team of volunteers comprising members of the Management and Staff of the Bank also assisted in December 2010 in renovating the kitchen of the Operation Youth Quake facility for young persons who are abused deprived, neglected or in some form of crisis.

This initiative originated from Creole Day in October 2010, when the Bank had the pleasure of serving Creole lunch to the full and daytime residents and other beneficiaries of the Operation Youth Quake, and observed the state of disrepair of the kitchen.

The Bank collaborated with its corporate partners for a more extensive outreach to various targeted segments of the public.





Left: Representatives Of The National Bank Of Dominica, Dominica Brewery And Beverages Limited and The Aid Bank Stand Beside Water Prior To Shipment To Saint Lucia

Right: Honourable Gloria M. Shillingford, Minister For Social Services, Community Development and Gender Affairs Accepts One Of The Gift Baskets on Behalf Of The Yes-We-Care Programme From Dr. Emaline Harris-Collymore.

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Activities in the current year included:

- "Small Business Week" in which the Bank hosted an information desk, participated in a small business forum and gave a few of its clients the opportunity to exhibit their products and services to the general public at the invitation of the Ministry of Employment, Trade, Industry and Foreign Affairs.
- ▶ Financial Information Month in October 2010, the Bank participated in a discussion on Student Loan Financing on MARPIN TV; Mortgage Financing on DBS Radio; and a financial fitness walk.
- ▶ International College Recruitment Fair, with the Dominica Library and Information Services.
- ▶ In March 2011, the AID Bank collaborated with the Invest Dominica Authority, the Discover Dominica Authority and the Physical Planning Division, the Dominica State College and the Environmental Health Department to conduct a workshop for new and potential tourism investors.

The event took place at the Jungle Bay Resort and Spa where representatives from partner organizations shared their expertise on a wide range of topics in support of enabling certification and licensing of tourism facilities.







Above: Mrs. Mathilda John Rose, Executive Manager Credit Operations Makes a Point to Attendees

During her Presentation at Workshop for Interests in the Tourism Sector.

Below: Photographs Showing Kitchen at Operation Youth Quake, Before and After Repairs

PART 5
FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE

Net Income from Operations

As indicated in Table 1 below, financial operations recorded Net Income of XCD 3.1 million which was lower than the XCD 3.8 million recorded in the preceding financial year by 18.91 per cent.

The Bank's overall financial results for the financial year ended June 30, 2011 was Total Comprehensive Income of XCD 2.27 million after a foreign exchange loss of XCD 0.77 million and providing for impairment losses on loans and receivables of XCD 0.24 million.

Total Comprehensive Income was XCD 0.68 million or approximately 43 per cent greater than that recorded for the preceding financial year.

TABLE 1

Summary of Financial Performance 2011 XCD 2010 XCD Interest income 10.842.663 10.306.745 Other operating income 1,387,555 2,028,248 Total income 12.230.218 12,334,993 Interest Expense (3,698,872)(3,964,162)Staff Costs (3,078,264)(3,125,610)Administrative Expenses (1,265,423) (854,544)Other operating expenses (542,062) (511,551)(284,058)(326, 338)Depreciation (8,516,915) Total expenses (9,133,969) Net income from Operations before the following income/ (charges): 3,096,249 3,818,078 Gain/ (Loss) on foreign exchange (712,607) 388,693 Impairment Losses on loans and Receivables (237,939) (2,597,323)Negative Goodwill 187,008 Impairment (losses)/gains on available for sale investments 15.000 (15.000)1,594,448 **Net Profit** 2,347,711 Foreign Exchange loss utilization (77, 157)**Total Comprehensive Income** 2,270,554 1,594,448

The following were the main items, which affected the level of Net Profit for the year:

- 1 Refund of overpayment of principal of XCD 0.55 million on an existing European Investment Bank [EIB] long-term loan was offset against the liability and recognized as other income.
- 2 A foreign exchange loss of XCD 0.71 million realized on translation of EIB long-term loan to exchange rate existing at Balance Sheet date, June 30, 2011.
- 3 A write-off of XCD 0.46 million of investment in British American Insurance Company and Colonial Life Insurance Company (CLICO).

4 In comparison with prior years, a lesser provision for Loan Loss was accounted for from profit and loss as Loan Loss Reserve was fairly adequate in accordance with IFRS standards.

Income

Total Income recorded for the financial year was XCD 12.23 million. This was 0.85 per cent lower than the XCD 12.33 million recorded for the comparative period ended June 30, 2010.

Interest income earned on loans was higher than the amount recorded for the previous financial year.

Expenses

Financial Expenses at XCD 3.96 million were higher than recorded for the corresponding period last year by 7.17 per cent due to higher balances reported for longterm loans.

Total Staff Expenses of XCD 3.08 million were 1.51 per

Due to customers XCD 11.22 million; 3.68 per cent cent lower than last year's XCD 3.13 million.

Administrative Expenses of XCD 1.27 million were 48.08 per cent higher than the XCD 0.85 million recorded for last year.

Total Operating Expenses of XCD 9.13 million were more than the XCD 8.52 million recorded for the similar period last year by 7.25 per cent.

Assets

The major component of assets was loans and advances to customers, which had a gross balance of XCD 142.03 million compared to last year's balance of XCD 125.48 million; a 13.19 per cent growth. Net loans of XCD 129.51 million adequately offset total long-term liabilities of XCD 103.07 million.

At June 30, 2011, assets totalled XCD 182.08 million representing a 37.38 per cent increase from last year's audited XCD 132.54 million.

Under current assets, cash in current account and short-term investments totalled XCD 9.18 million; 29.81 per cent more than last year's XCD 7.07 million. Other receivables of XCD 1.33 million were more than last vear's XCD 0.45 million. Other receivables include insurance premiums arrears, rental arrears, legal and other fees paid on behalf of clients.

Net investments in treasury bills, Government debentures and shares in companies totalled XCD 3.90 million and were 0.38 per cent more than last year' XCD 3.89 million.

Investment properties represent the factory shed being rented to tenants under the Industrial Estate Unit. On June 30, 2011, AID Bank acquired 100 per cent of the Industrial Estate Unit.

Net total fixed assets of XCD 7.95 million were 74.46 per cent more than last vear's XCD 4.55 million. The fixed assets acquired from the Industrial Estate Unit are included in this grouping.

Liabilities

Total liabilities amounted to XCD120.92 million and were 20.96 per cent more than last year's total of XCD 99.97 million. Liabilities comprised of the following:

- more than last year's XCD 10.82 million
- ▶ Borrowed funds XCD 103.07; 24.35 per cent more than last year's XCD 82.89 million
- ▶ Other liabilities XCD 6.63 million; 5.92 per cent more than last year's XCD 6.26 million

The long-term debt to equity ratio of 1.69:1 was within the suggested range for the industry of 4:1.

Shareholders' Equity

Shareholders' Equity increased by 87.80 per cent from last year's XCD 32.57 million to XCD 61.16 million due mainly to additional shares of XCD 30.42 million issued to the Government of Dominica as consideration for the net assets of the Industrial Estate Unit.

Retained Earnings showed a decrease of 32.04 per cent from the comparative period of last year, moving from XCD 7.30 million to XCD 4.96 million. This decrease was occasioned by a XCD 3.85 million transfer from Retained Earnings to Loan Loss Provision Reserve as per Board decision of March 16, 2011. This decision was to satisfy conditions of 6.06B (b) of the new line of credit from the European Investment Bank (EIB) which states that "provisions for Portfolio at Risk should be not less than 25% (and not less than 50% as from the fourth anniversary of the signature of this contract) of the amount of the Portfolio at Risk".

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DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK FINANCIAL STATEMENTS

June 30 2011 (expressed in Eastern Caribbean Dollars)



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

We have audited the accompanying financial statements of Dominica Agricultural Industrial and Development Bank (the Bank), which comprise the statement of financial position as at June 30, 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The financial statements of the Bank as at and for the year then ended June 30, 2010 were audited by another auditor who expressed an unqualified opinion on those statements on September 29, 2010.

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 financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 control 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at June 30, 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Eastern Caribbeen, a partnership registered in Anguilla, Antigua & Barbuda, St. Lucia and St. Vincent and the Granadines, and a member firm of the KPMG network of independent member firms affiliated with KPMG https://doi.org/10.1009/sc.1009-10.1009-10.1009-10.1009-10.1009-10.1009

Cleveland S. Seaforth Brian A. Glasgow

laudel V. V. Romney

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK (cont'd)

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 9 in the financial statements.

We draw attention to the fact that the Bank has investments of \$673,798 in British American Insurance Company Ltd., and Clico International Life Insurance Limited both subsidiaries of CL Financial Limited. This group is currently encountering financial difficulties and there is uncertainty regarding the adequacy of the impairment provision against these amounts. It is not possible to determine with a reasonable degree of certainty whether any additional impairment provisions are necessary for Deposits with banks and other financial institutions as described in Note 9 in the financial statements.

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Chartered Accountants February 17, 2012

Antigua and Barbuda

Statement of Financial Position

June 30, 2011

(Expressed in Eastern Caribbean Dollars)

Assets	Notes		2011	As restated 2010
Cash and balances with Central Bank	7	\$	2,345	22,630
Treasury bills	8		2,432,819	2,432,960
Deposits with banks and other financial institutions	9		9,380,322	7,272,658
Loans and advances to customers	10		129,508,316	116,548,501
Available-for-sale investments	12, 30		1,267,340	1,252,340
Investment properties	13		30,215,374	-
Property, plant and equipment	14		7,945,741	4,554,411
Other assets	15		1,329,627	454,568
Total Assets Liabilities		\$	182,081,884	132,538,068
Liabilities				
Due to customers Borrowed funds Other liabilities	16 17, 33 18	\$	11,223,196 103,069,377 6,628,750	10,824,454 82,888,307 6,258,408
Total Liabilities		\$	120,921,323	99,971,169
Equity				
Share capital	19	\$	47,970,205	17,547,631
Reserves	20	Ψ	8,229,610	7,719,839
Retained earnings			4,960,746	7,299,429
Total Equity		\$	61,160,561	32,566,899
Total Liabilities and Equity		\$	182,081,884	132,538,068

Approved by the Board of Directors on January 10, 2012

Director.

Thrector

The notes on pages 7 to 50 are an integral part of these financial statements.

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DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Statement of Comprehensive Income

Year ended June 30, 2011

(Expressed in Eastern Caribbean Dollars)

	Notes	2011	As Restated 2010
Interest income	21	\$ 10,842,663	10,306,745
Interest expense	21, 33	_(3,964,162)	(3,698,872)
Net interest income	21	6,878,501	6,607,873
Other operating income	22	1,387,555	2,416,941
Other operating expenses	23	(5,882,414)	(4,818,043)
Impairment losses on loans and receivables		(237,939)	(2,597,323)
Impairment reversal (losses) on available-foinvestments	r sale 12, 33	15,000	(15,000)
Negative goodwill	24	\$187,008	
Net profit for the year		\$ 2,347,711	1,594,448
Foreign exchange loss utilization		(77,157)	
Total comprehensive income		\$ <u>2,270,554</u>	1,594,448

The notes on pages 7 to 50 are an integral part of these financial statements.

Statement of Changes in Equity

Year ended June 30, 2011 with comparative figures for 2010

(Expressed in Eastern Caribbean Dollars)

	Notes	Share <u>Capital</u>	Reserves	Retained <u>Earnings</u>	Total
Balance as at June 30, 2009 as previously reported Prior period adjustment Balance as at June 30, 2009 as restated	33	\$ 17,547,631 ————————————————————————————————————	7,519,284 (268,893) -7,250,391	6,155,536 268,893 	31,222,451
Profit for the year, as previously stated Prior period adjustment	33	<u>-</u>		1,585,319 9,129	1,585,319 9,129
Profit for the year as restated Total comprehensive income,				_1,594,448	1,594,448
as restated		-	-	1,594,448	1,594,448
Transfer from retained earnings to reserves Dividends on ordinary shares	27		469,448	(469,448) (250,000)	(250,000)
Balance as at June 30, 2010 as restated		17,547,631	7,719,839	7,299,429	32,566,899
Balance as at June 30, 2010 as restated		17,547,631	_7,719,839	7,299,429	32,566,899
Loss for the year Foreign exchange loss utilization Total comprehensive income	20	<u>-</u>	(77,157) (77,157)	2,347,711	2,347,711 (77,157) 2,270,554
Transfer to statutory reserve	20	-	586,928	(586,928)	-
Transfer to provision for loan losses in compliance with EIB Additional issue of shares Dividends on ordinary shares	19 27	30,422,574	- - -	(3,849,466) - (250,000)	(3,849,466) 30,422,574 (250,000)
Balance as at June 30, 2011		\$ 47,970,205	8,299,610	4,960,746	61,160,561

The notes on pages 7 to 50 are an integral part of these financial statements.

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DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Statement of Cash Flows

Year ended June 30, 2011

(Expressed in Eastern Caribbean Dollars)

			As Restated
	Notes	2011	2010
Cash flows from operating activities			
Net profit for the year		\$ 2,347,711	1,594,448
Adjustments for:			
Unrealized foreign exchange loss/(gain)	22, 23	712,607	(388,693)
Impairment on investments		457,798	-
Depreciation	14, 23	284,058	326,338
Negative goodwill		(187,008)	-
Impairment losses on loans and receivables		-	2,597,323
Gain on disposal of property, plant and equipment	23	-	(27,222)
(Reversal) impairment losses on available-for-sale investments	12	(15,000)	15,000
Interest and similar income	21	(10,842,663)	(10,306,745)
Interest expense and similar charges	21	3,964,162	3,698,872
Cash flows before changes in operating assets and liabilities		(3,278,335)	(2,491,179)
		(0,2.0,000)	(-, ,)
Increase in loans and advances to customers		(16,941,695)	(6,455,968)
Increase in deposits with banks and other financial institutions		(2,999,997)	(218,840)
Increase in other assets		(623,898)	(72,232)
Increase in due to customers		391,354	657,316
Increase in other liabilities		1,034,117	1,340,450
Cash used in operations		(22,418,454)	(7,240,453)
Interest received		10,975,077	10,936,340
Interest paid		(4,009,276)	(3,953,688)
merest para		(4,000,270)	_(3,733,000)
Net cash (used in)/generated from operating activities		(15,452,653)	(257,801)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment			327,715
Purchase of property, plant and equipment	14	(391,970)	(317,482)
r dichase of property, plant and equipment	1.4	(3)1,570)	(317,402)
Net cash (used in)/from investing activities		(391,970)	10,233
Cash flows from financing activities			
Borrowings		27,418,879	8,000,000
Issuance of shares		66,261	8,000,000
	20	,	-
Foreign exchange utilization	20	(77,157)	(500,000)
Dividends paid		(250,000)	(500,000)
Repayment of borrowings		(11,768,321)	(8,562,330)
Net cash from /(used in) financing activities		15,389,662	_(1,062,630)
Net (decrease) in cash and cash equivalents		(454,961)	(1,310,198)
Cash and cash equivalents, beginning of year		\$ 7,616,787	8,926,985
Cash and cash equivalents, end of year	27	\$ 7,161,827	7,616,787

The notes on pages 7 to 50 are an integral part of these financial statements.

Notes to Financial Statements

June 30, 2011

1. Reporting Entity:

Dominica Agricultural Industrial and Development Bank (the Bank) is a corporate body established under Chapter 74:03 of the revised laws of the Commonwealth of Dominica, with its principal objectives being to promote and influence the economic development of the Commonwealth of Dominica and to mobilize funds for the purpose of such development.

The Bank's principal place of business and registered office is located at the corner of Charles Avenue and Rawles Lane, Goodwill, Commonwealth of Dominica.

2. Basis of Preparation:

(a) Statement of Compliance:

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The Bank's financial statements were approved for issuance by the Board of Directors on January 10, 2012.

(b) Basis of Measurement:

These financial statements are prepared under the historical cost basis except for the following material items in the statements of financial position:

- Available for sale financial assets are measured at fair value.
- Investment property is measured at fair value.
- · Financial instruments at fair value through profit or loss are measured at fair value.

(c) Use of Estimate and Judgements:

The preparation of these Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 6.

3. Acquisition of Business Unit

The Bank acquired the net operations of Industrial Estate Unit (IEU) on June 30, 2011 from the Government of Dominica. The Bank owns 100% of the IEU which operates as a separate business unit since it provides services that are subject to risks and returns that are different from the normal operations of the Bank.

The cost of the acquisition is measured as the fair value of the assets and liabilities acquired at the date of the exchange, and the equity instruments issued plus costs directly attributable to the acquisition. The excess in fair value of the net assets of IEU over the consideration transferred resulted in a bargain purchase which was recorded as negative goodwill. See note 24.

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DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to Financial Statements (cont'd)

June 30, 2011

3. Acquisition of Business Unit: (cont'd)

Related transactions, balances and unrealized gains on transactions between the two entities are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

4. Summary of Significant Accounting Policies:

- (a) Standards and Amendments to Published Standards Effective on or after July 1, 2010:
 - Improvements to IFRS 2010 contain amendments to six standards and one interpretation, which are effective for accounting periods beginning on or after July 1, 2010 or January 1, 2011. The main applicable amendments are as follows:
 - IFRS 7 Financial Instruments: Disclosures The standard is amended to add an explicit statement that the interaction between qualitative and quantitative disclosures better enables users to evaluate an entity's exposure to risks arising from financial statements. Existing disclosures relating to maximum exposure to credit risk, financial effect of collateral held as security and other enhancements in respect of a financial instrument have been amended. Certain disclosures relating to the carrying amount of financial assets that are not past due or are not impaired as a result of their terms having been renegotiated and description of collateral held as security for financial assets that are past due have been removed. The amendment is effective for accounting periods beginning on or after January 1, 2011.
 - IAS 1 Presentation of Financial Statements IAS 1 is amended to state that for each component of equity a reconciliation from opening to closing balances is required to be presented in the statement of changes in equity, showing separately changes arising from items recognized in profit or loss, in other comprehensive income and from transactions with owners acting in their capacity as owners. The amendment is effective for accounting periods beginning on or after January 1, 2011.
 - IFRS 9, *Financial Instruments*, is effective for annual reporting periods beginning on or after January 1, 2013. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The Company is assessing the impact that the standard will have on the 2014 financial statements.
 - IAS 24, *Related Party Disclosure*, revised (effective January 1, 2011) introduces changes to the related party disclosure requirements for government-related entities and amends the definition of a related party. The standard also expands the list of transactions that require disclosure. The Company is assessing the impact, if any, the amendment will have on its 2012 financial statements.

Notes to Financial Statements (cont'd)

June 30, 2011

4. Summary of Significant Accounting Policies: (cont'd)

- (a) Standards and Amendments to Published Standards Effective on or after July 1, 2010: (cont'd)
 - Disclosures Transfer of Financial Assets (Amendments to IFRS 7) is effective for accounting periods beginning on or after July 1, 2011. The amendment requires disclosure of information that enable users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities and to evaluate the nature of and risks associated with, the entity's continuing involvement in these derecognized assets. The Company is assessing the impact, if any, the amendment will have on its 2013 financial statements.

(b) Cash and Cash Equivalents:

Cash and cash equivalents comprise balances with less than three (3) months maturity from the date of acquisition, including cash and non-restricted balances with other banks, treasury bills and other short-term securities.

(c) Financial Assets:

The Bank classifies its financial assets in the following categories: loans and receivables and available for sale. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and reevaluates this designation at every reporting date.

Loans and Receivables:

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

- those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- those that the entity upon initial recognition designates as available for sale; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration. The Bank's loans and receivables comprise deposits with banks and other financial institutions and loans and advances to customers.

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DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to Financial Statements (cont'd)

June 30, 2011

4. Summary of Significant Accounting Policies: (cont'd)

(ii) Available for Sale:

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Purchase and sales of available-for-sale investments are recognised on trade-date – the date on which the Bank commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transactions costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Gains and losses arising from changes in fair value of available-for-sale financial assets are recognised in equity, until the financial assets are derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in profit and loss. However, interest calculated using the effective interest method is recognised in the statement of comprehensive loss. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive loss when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If the market for financial asset is not active (and for unlisted securities), the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, and other valuation techniques commonly used by market participants.

(d) Impairment of Financial Assets:

Assets Carried at Amortised Cost:

The Bank assesses each reporting date whether there is objective evidence that a financial asset or group of financial assets are impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred in the initial recognition of the asset (a 'loss event') and that a loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

Notes to Financial Statements (cont'd)

June 30, 2011

4. Summary of Significant Accounting Policies: (cont'd)

(d) Impairment of Financial Assets: (cont'd)

Assets Carried at Amortised Cost: (cont'd)

- (i) significant financial difficulty of the issuer or obligor;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) the Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- (iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (v) the disappearance of an active market for that financial asset because of its financial difficulties; or
- (vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of borrowers in the group; or
 - national or local economic conditions that correlate with defaults on the assets in the group

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive loss. If a loan has variable interest rates, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using the observable market price.

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DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to Financial Statements (cont'd)

June 30, 2011

4. Summary of Significant Accounting Policies: (cont'd)

(d) Impairment of Financial Assets: (cont'd)

Assets Carried at Amortised Cost: (cont'd)

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may or may not result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit characteristics (i.e., on the basis of the Bank's grading process that considers asset type, industry, collateral type, past-due stamps and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for the loan impairment in the statement of comprehensive loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive loss.

Assets Carried at Fair Value:

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial asset previously recognised in the profit or loss, is removed from equity and recognised in the statement of comprehensive income. Impairment losses on equity instruments recognised in the statement of comprehensive income are not reversed through the statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

Notes to Financial Statements (cont'd)

June 30, 2011

4. Summary of Significant Accounting Policies: (cont'd)

(e) Renegotiated Loans:

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due and disclosed only if renegotiated.

(f) Offsetting Financial Instruments:

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(g) Property, Plant and Equipment:

Initial Measurement:

Property, plant and equipment are initially stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributed to the acquisition of items.

ii. Subsequent Measurement:

Land and Building:

After recognition, land and building, whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit and loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

When a building is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount

Land is not depreciated.

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DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to Financial Statements (cont'd)

June 30, 2011

4. Summary of Significant Accounting Policies: (cont'd)

(g) Property, Plant and Equipment: (cont'd)

iii. Furniture and Equipment:

After recognition, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

iv. Depreciation:

Depreciation on other assets is calculated on the straight line method to write off the cost to their residual values over their estimated useful lives as follows:

Buildings	2%
Motor vehicles	20%
Furniture and equipment	20% - 33 1/3%
Computer Equipment	20% - 33 1/3%

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater that its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in profit or loss.

(h) Investment Properties:

Properties held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Bank and or IEU, is classified as investment properties. Investment properties comprise freehold land and buildings.

Investment properties are measured initially at its cost, including related transaction costs. After initial recognition, investment properties are carried at fair value. A gain or loss arising from a change in the fair value of investment property shall be recognised in profit or loss for the period in which it arises.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

Notes to Financial Statements (cont'd)

June 30, 2011

4. Summary of Significant Accounting Policies (cont'd)

(r) Foreign Currency Translation:

Functional and Presentation Currency:

Items in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Eastern Caribbean dollars, which is the Bank's functional and presentation currency.

Transactions and Balances:

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

5. Financial Risk Management:

(a) Strategy in Using Financial Instruments:

By its nature, the Bank's activities are principally related to the use of financial instruments. The Bank secures funds from various lending agencies at both fixed and variable interest rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates while maintaining sufficient liquidity to meet all claims that may fall due.

The Bank also seeks to raise its interest margins by obtaining above average margins, net of allowances, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve on balance sheet loans and advances to customers.

(b) Credit Risk:

The Bank takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the reporting date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Bank's portfolio, could result in losses that are different from those provided for at the reporting date. Management therefore carefully manages its exposure to credit risk.

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DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to Financial Statements (cont'd)

June 30, 2011

5. Financial Risk Management: (cont'd)

- (b) Credit Risk: (cont'd)
- (*i*) (*cont'd*)

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers and to industry segments. Such risks are monitored on a revolving basis and subject to monthly reviews. The Bank also undertakes supervised credit of large projects whereby loans are disbursed in tranches. A progress report is completed after each tranche is disbursed to ascertain the project value. The Bank is exposed to potential loss only in the amount of loan disbursed.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees

(ii) Credit risk also arises from the possibility that counterparties may default on their rental obligations to the Bank's industrial estate operations. The maximum exposure to credit risk for the industrial estate operations is indicated by the carrying amount of its financial assets.

Industrial Estate Unit deals primarily in the rental industry which potentially exposes that operation to concentrations of credit risk. Policies are in place to ensure that rental of properties are made to customers with an appropriate credit history. Management also performs periodic credit evaluations of its customers' financial condition.

The Bank's exposure to credit risk is disclosed in Note 4.

(iii) Credit Risk Measurement – Loans and Advances:

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterpart. They have been developed based on the Eastern Caribbean Central Bank guidelines. Customers of the Bank are segmented into five rating classes. The Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary.

Notes to Financial Statements (cont'd)

June 30, 2011

5. Financial Risk Management: (cont'd)

- (b) Credit Risk:
- (iii) Credit Risk Measurement Loans and Advances: (cont'd)

Bank's Rating	Description or the Grade
1	Pass
2	Special Mention
3	Sub-standard
4	Doubtful
5	Loss

(iv) Risk Limit Control and Mitigation Policies:

The Bank manages limits and controls concentrations of credit risk wherever they are identified - in particular, to individual counterparties and groups, and to industries.

The Bank structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to the industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary by the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on-and-off statement of financial position exposures, and daily delivery risk limits in relation to trading items. Actual exposures against limits are monitored.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

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DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to Financial Statements (cont'd)

June 30, 2011

5. Financial Risk Management: (cont'd)

- (b) Credit Risk: (cont'd)
- (iv) Risk Limit Control and Mitigation Policies: (cont'd)
 - (i) Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as premises, plant and equipment and motor vehicles;
- · Charges over financial instruments such as debt securities' and equities;
- Assignment to the Bank of key-man, life, home owners and motor vehicle insurances.

Long-term finance and lending to corporate customers and individuals are generally secured. In addition, in order to minimise the credit loss the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

(ii) Credit –Related Commitments

Commitments to extend credit represent undisbursed portions of approved loans. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(iii) Impairment and Provisioning Policies

The internal and external rating systems described under "credit risk measurement" focus more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment.

Notes to Financial Statements (cont'd)

June 30, 2011

5. Financial Risk Management: (cont'd)

- (b) Credit Risk: (cont'd)
 - (iii) Impairment and Provisioning Policies (cont'd)

The impairment provision shown in the statement of financial position at year-end is derived from each of five internal rating grades. However, the majority of the impairment provision comes from the bottom three gradings. The table below shows the percentage of the Bank's loans and advances and the associated impairment provision for each of the Bank's internal rating categories:

		2011	2	2010
	Loans and advances (%)	Impairment provision (%)	Loans and advances (%)	Impairment provision (%)
Bank's rating	(,,,	(, ,	(**)	(,,,
1. Pass	87.82	15.22	76.30	19.10
Special mention	0.48	0.48	6.36	1.66
3. Sub-standard	0.30	1.85	2.72	0.71
Doubtful	0.39	4.75	0.85	4.52
5. Loss	11.01	77.70	13.77	74.01

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Bank:

- · Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income as a percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

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DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to Financial Statements (cont'd)

June 30, 2011

5. Financial Risk Management: (cont'd)

- (b) Credit Risk (cont'd)
 - (iii) Impairment and Provisioning Policies (cont'd)

The Bank's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at reporting date on a case-by-case basis and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Maximum Exposure to Credit Risk before Collateral Held or Other Credit Enhancements

Credit Risk Exposures relating to on-balance		
sheet assets	2011	2010
Treasury bills Deposits with banks and other financial	\$ 2,432,819	2,432,960
institutions Loans and advances to customers:	9,380,322	7,272,658
- Demand loans	101,657,888	86,736,291
- Mortgage loans	27,850,428	29,812,210
Other assets	1,325,327	450,268
	142,646,784	126,704,387
Credit risk exposures relating to off-balance sheet items		
Loan commitments	25,472,683	24,863,863
	\$ 168,119,466	151,568,249

The above table represents a worse case scenario of credit risk exposure to the Bank at June 30, 2011 and 2010, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As shown above, 77.03% (2010 - 76.89%) of the total maximum exposure is derived from loans and advances to customers.

Notes to Financial Statements (cont'd)

June 30, 2011

5. Financial Risk Management: (cont'd)

(b) Credit Risk (cont'd)

Maximum Exposure to Credit Risk before Collateral Held or Other Credit Enhancements (cont'd)

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loan and advances portfolio based on the following:

- 88.30% (2010 82.66%) of the loans and advances portfolio is categorised in the top two grades of the internal rating system;
- 40.13% (2010 39.44%) of the loans and advances portfolio are considered to be neither past due nor impaired; and
- The Bank has introduced a more stringent selection process upon granting loans and advances.

Loans and Advances

Loans and advances are summarised as follows:

	2011	2010
Neither past due nor impaired Past due but not impaired Impaired	\$ 56,989,293 65,126,561 19,911,535	49,490,114 56,967,817 19,020,335
Gross	142,027,389	125,478,266
Less allowance for impairment losses on loans and advances	(12,519,073)	(8,929,765)
Net	\$ 129,508,316	116,548,501

The total impairment provision for loans and advances is \$12,519,073 (2010 - \$8,929,765) of which \$9,206,731 (2010 - \$6,941,479) represents the individually impaired loans and the remaining amount of \$3,312,342 (2010 - \$1,988,286) represents the portfolio provision. Further information of the allowance for impairment losses on loans and advances to customers is provided in Notes 9 and 10.

(a) Loans and Advances Neither Past Due nor Impaired: The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank.

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DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to Financial Statements (cont'd)

June 30, 2011

5. Financial Risk Management: (cont'd)

(b) Credit Risk (cont'd)

Loans and Advances (cont'd)

(a) Loans and Advances Neither Past Due nor Impaired: (cont'd)

June 30, 2011	Demand loans	Mortgage loans	Total
Grades 1. Pass	\$ 46,292,795	10,696,497	56,989,292
June 30, 2010			
Grades 1. Pass	\$ <u>35,875,813</u>	13,614,301	49,490,114

(b) Loans and Advances Past Due but Not Impaired:

Loans and advances less than ninety (90) days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers net of unearned interest that were past due but not impaired were as follows:

Notes to Financial Statements (cont'd)

June 30, 2011

5. Financial Risk Management: (cont'd)

(b) Credit Risk (cont'd)

Loans and Advances (cont'd)

(b) Loans and Advances Past Due but Not Impaired: (cont'd)

	Demand loans	Mortgage loans	Total
At June 30, 2011			
Past due up to 30 days	\$ 46,155,054	14,217,296	60,372,350
Past due 30-60 days	436,176	59,967	496,143
Past due 60-90 days	480,470	53,691	534,161
Past due over 90 days	3,334,027	389,880	3,723,907
	\$ 50,405,727	14,720,834	65,126,561
At June 30, 2010			
Past due up to 30 days	\$ 36,768,456	16,236,358	53,004,814
Past due 30-60 days	372,386	57,404	429,790
Past due 60-90 days	430,636	55,258	485,894
Past due over 90 days	2,732,958	314,361	3,047,319
	\$ 40,304,436	16,663,381	56,967,817

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets.

(c) Loans and Advances Individually Impaired:

The table below shows the individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held.

The breakdown of the gross amount of individually impaired loans and advances by class are as follows:

	_	Demand loans	Mortgage loans	Tota
At June 30, 2011 Individually impaired loans	\$	17,191,773	2,719,762	19,911,535
At June 30, 2010 Individually impaired loans	\$	16,258,179	2,762,156	19,020,335

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DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to Financial Statements (cont'd)

June 30, 2011

5. Financial Risk Management: (cont'd)

(b) Credit Risk (cont'd)

Loans and Advances Renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of Bank's management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans. Renegotiated loans that would otherwise be past due or impaired totaled \$11,574,995 as of June 30, 2011 (2010:- \$3,056,770).

Repossessed Collateral

At the end of 2011 the Bank had repossessed collateral amounting to \$41,000 (2010 – 32,000).

Geographical and Economic Concentrations of Assets and Liabilities

The Bank operates primarily in the Commonwealth of Dominica and the exposure to credit risk is concentrated in this area.

Economic sector risk concentrations within the customer loan portfolio were as follows:

		2011		2010
		000'		000'
Education	22.49	22.250	20.15	25 222
Education	23.48	33,350	28.15	35,322
Mortgage	19.81	28,137	24.13	30,278
Tourism	24.58	34,909	21.11	26,487
Industrial	23.45	33,312	16.77	21,037
Agricultural	4.09	5,814	4.75	5,961
Other consumers	4.52	6,418	4.93	6,186
Distribution and commerce	0.07	87	0.16	207
Total before deduction for allowance for loans and				
advances		142,027		<u>125,478</u>

Notes to Financial Statements (cont'd)

June 30, 2011

5. Financial Risk Management: (cont'd)

(c) Market Risk: (cont'd)

The Bank takes on exposure risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Bank's exposures to market risks arise from its non-trading portfolios.

Non-trading portfolios primarily arise from the interest rate management of the Bank's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of equity risks arising from the Bank's available-for-sale investments.

(d) Price Risk:

The Bank is exposed to equity securities price risk because of investments held by the Bank and classified on the statement of financial position as available for sale. To manage its price risk arising from investments in equity securities, the Bank diversifies its portfolio.

At June 30, 2011, if equity, securities prices had been 10% higher/lower with all other variables held constant, equity for the year would have been \$14,333 higher/lower as a result of the increase/decrease in fair value of available-for-sale equity securities.

(e) Currency Risk:

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows, primarily with respect to the United States dollar (US\$) and Euro. The Board of Directors sets limits on the level of exposure by currency and in total which are monitored daily. The Bank's exposure to currency risk is minimal with respect to the US\$ since the exchange rate of the Eastern Caribbean dollar (EC\$) to the US\$ has been formally pegged at EC\$2.70 = US\$1.00 since 1974.

At June 30, 2011, if the Currency had weakened/strengthened by 5% against the Euro with all other variables held constant, profit for the year would have been \$149,294 lower/higher as a result of foreign exchange losses/gains on translation of Euro-denominated borrowings.

The following table summarises the Bank's exposure to foreign currency exchange rate risk at June 30, 2011. Included in the table are the Bank's assets and liabilities at carrying amount, categorised by currency.

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DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to Financial Statements (cont'd)

June 30, 2011

5. Financial Risk Management: (cont'd)

(e) Currency Risk: (cont'd)

Concentration of currency risk – on and off Balance sheet financial instruments

	EC\$	US\$	EURO	Total
As at June 30, 2011				
Assets				
Cash and balances with the				
Central Bank	2,345	_	_	2,345
Treasury bills	2,432,819	-	-	2,432,819
Deposits with banks and	_, ,			_,,
other financial institutions	6,832,443	2,547,879	-	9,380,322
Loans and advances to		, ,		
customers	129,508,316	-	-	129,508,316
Available-for-sale				
investments	1,267,340	-	-	1,267,340
Other assets	1,329,627			_1,329,627
Total financial assets	141,372,890	2,547,879		143,920,769
Liabilities				
Due to customers	11,223196	-	-	11,223,196
Borrowed funds	24,776,876	74,087,377	4,205,124	103,069,377
Other liabilities	6,628,750	_	<u>-</u>	6,628,750
Total financial liabilities	42,628,823	74,087,377	4,205,124	120,921,323
Net on-balance sheet				
financial position	98,744,067	(71,539,498)	(4,205,124)	22,999,446
Credit commitments	25,472,683		<u>-</u>	<u>25,472,683</u>
As at June 30, 2010				
Total financial assets	125,156,042	2,823,315	_	127,979,357
Total financial liabilities	(40,391,278)	(54,398,323)	(4,713,848)	(99,503,449)
Net on-statement of				
financial position	84,764,764	(51,575,008)	(4,713,848)	28,475,908
Credit commitments	24,863,863			24,863,863

Notes to Financial Statements (cont'd)

June 30, 2011

5. Financial Risk Management: (cont'd)

(f) Interest Rate Risk:

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The table below summarises the Bank's exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier contractual repricing or maturity dates.

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DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to Financial Statements (cont'd)

June 30, 2011

Financial Risk Management: (cont'd)

Θ	Interest Rate Risk: (cont'd)		1 Year	1-5 Years	Over 5 Years	Non-interest bearing	Total
	As at June 30, 2011 Cash and balances with the Central Bank Treasury bills Denosite with banks and other financial	↔	2,432,819	1 1	1 1	2,345	2,345 2,432,819
	Deposits with Dains and Other Illianed institutions Loans and advances to customers Available-for-sale investments Other assets		9,180,322 18,720,877 - 238,375	47,550,810	200,000 63,236,629	- 1,267,340 1,091,252	9,380,322 129,508,316 1,267,340 1,329,627
	Total financial assets		30,572,393	47,550,810	63,436,629	2,360,947	143,920,779
	Due to customers Borrowed funds Other Liabilities		3,811,730 9,245,117	7,411,466 34,652,804	59,171,456	6,628,750	11,223,196 103,069,377 6,628,750
	Total financial liabilities		13,056,847	42,064,270	59,171,456	6,628,750	120,921,323
	Net interest repricing gap		17,515,546	5,486,540	4,265,173	(4,267,803)	22,999,456
	As at June 30, 2010 Total financial assets Total financial liabilities		27,792,453 (15,693,510)	45,022,706 (36,451,430)	53,438,960 (41,571,950)	1,725,238	127,979,357 (99,503,44 <u>9</u>)
	Net interest repricing gap	S	12,098,943	8,571,276	11,867,010	(4,061,321)	28,475,908

Notes to Financial Statements (cont'd)

June 30, 2011

5. Financial Risk Management: (cont'd)

(f) Interest Rate Risk: (cont'd)

The table below summarises the effective interest rate by major currencies for monetary financial instruments not carried at fair value through profit or loss:

As at June 30, 2011	EC\$	US\$	EURO
Assets			
Treasury bills	5.93	-	-
Deposits with banks and other			
financial institutions	2.52	-	-
Loans and advances to customers	8.15	-	-
Liabilities			
Due to customers	5.82	-	-
Borrowed funds	5.50	3.49	2.00

(g) Sensitivity Analysis

Cash flow interest rate risks arise from borrowings at variable rates. At June 30, 2011 if variable interest rates had been 1% higher/lower with all other variables held constant, profit for the year would have been \$233,445 higher/lower.

(h) Liquidity Risk

The Bank is exposed to daily calls on its available cash resources from maturing deposits and loan disbursement. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of other borrowing facilities that should be placed to cover withdrawals at unexpected levels of demand.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and different types. An unmatched position potentially enhances profitability, but also increases the risks of losses.

The maturities and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they measure, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates.

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DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to Financial Statements (cont'd)

June 30, 2011

5. Financial Risk Management: (cont'd)

(h) Liquidity Risk: (cont'd)

(i.) Non-derivative Cash Flows

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

	1 Year	2-5 Years	Over 5 Years	Total
As at June 30, 2011				
Financial liabilities				
Due to customers	\$ 3,851,364	8,004,216	-	11,855,580
Borrowed funds	12,380,794	45,888,616	69,852,106	128,121,516
Other liabilities	2,583,233	4,045,517		6,628,750
Total financial liabilities	\$ 18,815,391	57,938,349	69,852,106	146,605,846
As at June 30, 2010				
Financial liabilities				
Due to customers	\$ 5,808,621	5,517,795	-	11,326,416
Borrowed funds	12,586,884	41,181,759	49,265,377	103,034,020
Other liabilities	3,252,827	2,533,732		5,786,559
Total financial liabilities	\$ 21,648,332	49,233,286	49,265,377	120,146,995

Off-balance sheet items

(ii.) Loan Commitments

The dates of the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extended credit to customers and other facilities (Note 27), are summarised in the table below.

A 4 I 20 2011	1 Year	2-5 Years	Total
As at June 30, 2011 Loan commitments	\$ 15,472,683	10,000,000	<u>25,472,683</u>
As at June 30, 2010 Loan commitments	\$ 13,509,152	11,354,711	<u>24,863,863</u>

Notes to Financial Statements (cont'd)

June 30, 2011

5. Financial Risk Management: (cont'd)

(i) Fair Values of Financial Assets and Liabilities

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. The following methods and assumptions were used to estimate the fair value of financial instruments.

The fair values of cash resources, other assets and liabilities, cheques and other items in transit and due to other banks are assumed to approximate their carrying values due to their short-term nature.

(i.) Loans and Advances to Customers

Loans and advances are net of provisions for impairment. The estimated fair values of loans and advances represent the discounted amount of estimated future cash now expected to be received. Expected cash flows are discounted at current market rate to determine fair value.

(ii.) Investment Securities

Assets classified as available for sale are measured at fair value.

(iii.) Due to Other Banks and Customers, Other Deposits and Other Borrowed Funds

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand.

Deposits payable on a fixed date are at rates that reflect market conditions and are assumed to have fair values which approximate carrying values.

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's statement of financial position at their fair value.

	Carrying	y Value	Fair Value		
	2011	2010	2011	2010	
Financial assets Loans and advances to customers	\$ 129,508,316	116,548,501	129,508,316	116,548,501	
Financial liabilities Due to customers Borrowed funds	\$ 11,223,196 103,069,377	10,824,454 82,888,307	11,223,196 69,200,264	10,813,424 71,791,168	

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DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to Financial Statements (cont'd)

June 30, 2011

5. Financial Risk Management: (cont'd)

(j) Fair Value Hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
 This level includes listed equity securities and debt instruments on exchange.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable
 for the asset or liability, either directly (that is, as prices) or indirectly (that
 is, derived from prices).
- Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

Assets measured at fair value

	<u>Level 1</u>	Level 2	Level 3	<u>Total</u>
Available for sale investments				
- equity securities	\$	187,330	1,080,010	1,267,340

(k) Capital Management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial positions, are:

- To comply with the capital requirements set by the regulators of the banking markets where the Bank operates;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

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• To maintain a strong capital base to support the development of its business

Capital adequacy and the use of regulatory capital are monitored by the Bank's management.

Notes to Financial Statements (cont'd)

June 30, 2011

6. Critical Accounting Estimates, and Judgments in Applying Accounting Policies:

Critical Accounting Estimates and Judgements:

The Bank makes estimates and assumptions concerning the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These accounting estimates will, by definition, seldom equal the related actual results. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment Losses on Loans and Advances

The Bank reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive loss, the Bank makes judgment as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the net present value of estimated cash flows differs by +/-5%, the provision would be estimated \$4,298,759 lower or higher.

(b) Impairment of Available-for-Sale Equity Investment

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, when there is evidence of deterioration in the financial health of the investee industry and sector performance, changes in technology and operational and financing cash flows. There were no declines in fair value below cost considered significant or prolonged as at June 30, 2011.

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DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to Financial Statements (cont'd)

June 30, 2011

6. Critical Accounting Estimates, and Judgments in Applying Accounting Policies: (cont'd)

(c) Revenue Recognition:

The IEU recognizes revenue generally when collection of the resulting receivable is reasonably assured. Should the IEU consider that the criteria for revenue recognition are not met for a transaction, revenue recognition would be delayed until such time as the collectability is reasonably assured.

During the year, the IEU did not recognize revenue on rental amounting to \$275,414 (2010 - \$558,314), as significant uncertainties regarding recovery exist. This relates to rental from tenants who are in difficult economic situations and have not paid their rents for several years now.

7. Cash and Balances with the Central Bank:

	<u>Note</u>	-	2011	2010
Cash in hand		\$	1,100	1,100
Balances with Central Bank		-	1,245	21,530
Included in cash and cash equivalents	28	\$ _	2,345	22,630

Treasury Bills:

	Note	2011	2010
Treasury bills	28	\$ 2,432,819	2,432,960

Treasury bills are debt securities by the Government of Dominica for a term of three (3) months. The weighted average effective interest rate in 2011 is 5.94% (2010 - 6.03%).

Notes to Financial Statements (cont'd)

June 30, 2011

Deposits with Banks and Other Financial Institutions:

	Note	2011	2010
Items in the course of collection with other banks	27	\$ 4,726,663	5,161,197
Placements with banks and other financial institutions		4,653,659	_2,111,461
		\$ 9,380,322	7,272,658

The weighted average effective interest rate in respect of interest bearing deposits in 2011 is 2.52% (2010 - 2.04%).

During the year, the Bank recorded impairment losses amounting to \$457,798 on investments from CLICO International Life Insurance Limited and British American Insurance Co. Ltd. Placements in these financial institutions that were due as of June 30, 2011 amount to \$673,798 for which the Bank is actively pursuing recovery.

Loans and Advances to Customers:

	Note	2011	2010
Demand loans Mortgage loans		\$ 113,890,296 28,137,093	95,200,583 30,277,683
		142,027,389	125,478,266
Less allowance for impairment losses on loans and advances	11	(12,519,073)	(8,929,765)
		129,508,316	116,548,501
Current Non-current		18,720,877 110,787,439	18,286,836 98,261,665
		\$ 129,508,316	116,548,501

The weighted average effective interest rate on productive loans stated at amortised cost at June 30, 2011 is 8.15% (2010 – 7.98%).

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DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to Financial Statements (cont'd)

June 30, 2011

11.	Allowance for Impairment losses on loans and advances:		
		2011	2010
	Demand loans		
	At beginning of year	\$ 8,464,292	8,528,190
	Provision for impairment losses	-	1,504,867
	Amounts recovered during the year	-	20,791
	Transfer from retained earnings	3,849,466	-
	Transfer from mortgage loans	15,485	-
	Written-off during the year as uncollectible	(96,835)	(1,589,556
	At the end of year	\$ 12,232,408	8,464,292
	Mortgage loans		
	At beginning of year	\$ 465,473	591,157
	Provision for impairment losses	-	459,456
	Transfer to demand loans	(15,485)	-
	Amounts recovered during the year	-	14,886
	Written-off during the year as uncollectible	(163,323)	(600,026
	At the end of year	286,665	465,473
		\$ 12,519,073	8,929,765

Notes to Financial Statements (cont'd)

June 30, 2011

12.	Available-for-sale Investments:		2011	2010
	Equity securities – at fair value: - Listed - Unlisted		\$ 143,330 1,124,010	128,330
			\$ <u>1,267,340</u>	1,252,340
	Movements of the Bank's available-for- sale investments is as follows:			
	3.00		2011	As Restated 2010
	At beginning of year Unrealised gain from changes in fair		\$ 1,252,340 15,000	1,267,340
	value charge to profit and loss Impairment losses			(15,000)
			\$ <u>1,267,340</u>	1,252,340
13.	Investment Properties:			
		Land	Factory Building	
	Balance at beginning of the year Acquisition	\$ <u>-</u> 12,161,363	<u>18,054,011</u>	<u>30,215,374</u>
	Balance at end of the year	\$ <u>12,161,363</u>	18,054,011	30,215,374
	Investment properties of the bank were	acquired through	h acquisition of	the operations of

Investment properties of the bank were acquired through acquisition of the operations of Industrial Estates Agency on June 30, 2011.

Included in the investment property is land amounting to EC\$8,617,099 for which the Bank does not yet have satisfactory title, as the documents to effect the transfer of the title are still being processed.

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DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to Financial Statements (cont'd)

June 30, 2011

14. Property, Plant and Equipment:

			Motor	Furniture and	Computer	Work in	
	Land	<u>Buildings</u>	Vehicles	_ Equipment	Equipment	_Progress	_Total
Cost:							
Balance -							
June 30, 2009	\$ 184,275	5,983,307	133,000	955,762	833,953	-	8,090,297
Addition and							
transfers	-	190,733	-	57,202	69,547	-	317,482
Disposals	(143,748)	(203,765)		(7,716)			(355,229)
Balance -							
June 30, 2010	40,527	5,970,275	_133,000	1,005,248	903,500		8,052,550
Cost:							
Balance –							
June 30, 2010	40,527	5,970,275	133,000	1,005,248	903,500	-	8,052,550
Additions and							
transfers	-	140,125	-	173,744	78,101	446,737	838,707
Acquisition	1,855,656	953,108	-	27,919	-	-	2,836,683
Disposals	-	-	-	(76,521)	(161,673)	-	(238,194)
•							
Balance –							
June 30, 2011	\$ <u>1,896,183</u>	7,063,508	133,000	1,130,390	819,928	446,737	11,489,746
Accumulated							
Depreciation:	-						
Balance – June		1 (10 075	06.400	757.400	754 172		2 227 027
30, 2009	\$ -	1,618,975	96,400	757,490	754,173	-	3,227,037
Depreciation	-	122,461	12,200	120,791	70,886	-	326,338
Disposals		<u>(55,236)</u>					(55,236)
Balance –				0.000	00.5.0.50		2 400 420
June 30, 2010	-	1,686,200	_108,600	878,280	825,059	-	3,498,139
Accumulated							
Depreciation							
Balance – June							
30, 2010	-	1,686,200	108,600	878,280	825,059	-	3,498,139
Depreciation	-	122,208	12,200	86,099	63,551	-	284,058
Disposals				(76,521)	_(161,673)		(238,194)
Balance –							
June 30, 2011	\$ 	1,808,408	120,800	887,858	726,937		3,544,003
Net Book							
Value:							
Balance –	1.006.102		10.000	215 555	00.00		=0.45=45
June 30, 2011	\$ 1,896,183	5,255,100	12,200	245,532	<u>92,991</u>	446,737	<u>7,945,741</u>
Balance –							
June 30, 2010	\$ 40,527	4,284,075	24,400	126,968	<u> 78,441</u>		4,554,411

Notes to Financial Statements (cont'd)

June 30, 2011

15.	Other assets:	2011	2010
		2011	2010
	Rent receivable	\$ 838,844	-
	Other receivables	1,091,543	541,150
	Less allowance for impairment losses	(605,051)	(90,883)
		1,325,326	450,267
	Prepayments	4,301	4,301
	Current	1,329,627	454,568
16.	Due to customers:	2011	2010
	Fixed deposits	\$ 8,152,497	7,754,732
	Refundable deposits	1,958,568	1,087,289
	Loan prepayments	1,112,131	1,982,433
		11,223,196	10,824,454
	Current	3,811,730	5,808,621
	Non-current	7,411,466	5,015,833
		\$ <u>11,223,196</u>	10,824,454

All fixed deposits carry fixed interest rates. The weighted average effective interest rate of fixed deposits at June 30, 2011 is 5.82% (2010 - 4.90%).

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DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to Financial Statements (cont'd)

June 30, 2011

17.	Borrowed funds:		
			As Restated
		2011	2010
	Caribbean Development Bank	\$ 55,912,312	51,981,842
	Dominica Social Security	18,476,025	18,776,136
	European Investment Bank	4,205,124	4,713,848
	Government of Dominica	4,622,184	5,000,000
	Republic of China	1,975,065	2,184,567
	Cassie Centrale de Co-operation Economique	11,949	231,914
	OPEC	1,666,718	-
	BANDES - Economic and Social Development Bank	, ,	
	of Venezuela	16,200,000	
		103,069,377	82,888,307
	Current	9,245,117	9,880,760
	Non-current	93,824,260	73,007,547
		\$ 103,069,377	82,888,307

These loans earn interest ranging from 2% to 8% and are guaranteed by the Government of Dominica.

8. Other liabilities:

	2011	2010
Agency liabilities	\$ 3,108,214	3,276,927
Deferred income	531,958	471,849
Dividends payable	250,000	250,000
Grants	10,230	178,709
Others	2,728,348	2,080,923
	<u>6,628,750</u>	6,258,408
Current	2,583,233	3,421,386
Non-current	<u>4,045,517</u>	2,837,022
	\$ 6,628,750	6,258,408

Grants include funds from European Development Fund and European Union for the benefit of the Bank's customers.

Agency liabilities are funds issued to the Bank by the Government of Dominica and other local agencies to be used for specific purposes, and for which the Bank acts as executing and collecting agent. The Bank earns agency fees as prescribed by contractual agreement. The funds belong to the Government of Dominica and local agencies.

Notes to Financial Statements (cont'd)

June 30, 2011

19. Share Capital:

	2011	2010
Authorised: 10,000,000 ordinary shares with a \$5 par value	\$ 50,000,000	50,000,000
Issued and fully paid: 3,509,526 ordinary shares 6,084,515 ordinary shares	\$ 17,547,631 30,422,574	17,547,631
	\$ 47,970,205	17,547,631

Section 16A of Chapter 74:03 of the Laws of Dominica empowers the Bank to redeem its shares at any time after the expiration of ten years from the date of issue. Shares issued to the Government of Dominica are not redeemable.

Based on the statutory rules an orders No. 57 of 1993 of the Government of the Commonwealth of Dominica titled, Dominica Agricultural Industrial and Development Bank (Subscription and Holdings of Shares) Regulations 1993, the Dominica Social Security may subscribe one million ordinary shares at \$5 par value and be entitled to an annual dividend of not less than 5% of the par value of the shares subscribed.

20. Reserves:

	2011	2010
General reserve Statutory reserve	\$ 88,234 7,024,356	88,234 6,437,428
Special reserves	1,117,020	1,194,177
	\$ 8,229,610	7,719,839
Movements in reserves were as follows:	2011	2010
General reserve At beginning and end of year	\$ 88,234	88,234

Prior to July 1, 1978, the Government of Dominica paid certain administrative expenses of the Bank, The Government decided to waive the amount of \$88,234 due to it and instructed the Bank to create a general reserve for this amount.

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DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to Financial Statements (cont'd)

June 30, 2011

20. **Reserves**: (cont'd)

	2011	As Restated 2010
Statutory reserve At beginning of year, as previously reported Transfer from retained earnings	\$ 6,437,428 586,928	6,038,816 398,612
At end of year	\$ 7,024,356	6,437,428

This represents twenty-five (25%) of the net earnings of the Bank for each financial year allocated to the reserve account as required by Section 20 of Chapter 74:03 of the Laws of Dominica Revised Edition.

Special reserves	2011	As Restated 2010
Caribbean Development Consolidated Entity Provision		
At beginning and end of year	\$ 441,122	441,122
Foreign exchange equalization		
At beginning of year	\$ 753,055	931,112
Prior period adjustment	-	(248,893)
Transfer from retained earnings	-	70,836
Foreign exchange loss utilization	<u>(77,157</u>)	
At end of year	675,898	753,055
	\$ 1,117,020	1,194,177

Under the provision of Caribbean Development Bank (CDB) loan I6/SFR-D Section 9 (9) for agricultural production, the Bank is required to set aside an amount representing 1/3 of earned interest per annum on each sub-loan. This amount is to be used in such a manner as the CDB may from time to time determine.

Special reserves include accumulated transfers from retained earnings based on European Investment Bank Loan Agreement Section 6.07 requiring interest received by the Bank on subloans in excess of 8% per annum to be credited on a special account called Foreign Exchange Equalization Fund (FEEF). The balance on the FEEF shall attract interest at an annual rate corresponding to the monthly rate payable by the Bank, for deposits in Eastern Caribbean Dollars of equivalent size.

Notes to Financial Statements (cont'd)

June 30, 2011

20.	Reserves: (cont'd) Revaluation reserve -available-for-sale investments		2011	As Restated 2010
	At beginning of year Prior period adjustment	\$	-	20,000 (20,000)
	The period adjustment			(20,000)
21.	Net Interest Income:			As Restated
			2011	2010
	Interest Income Loans and advances	\$	10,541,332	9,979,871
	Deposits with banks	Ψ	301,331	326,874
			10,842,663	10,306,745
	Interest Expense			
	Long-term debt		(3,563,952)	(3,433,620)
	Interest on deposits		_(400,210)	(265,252)
			(3,964,162)	(3,698,872)
		\$	6,878,501	6,607,873
22.	Other Operating Income:		2011	2010
	Refund from European Investment Bank	\$	551,980	921,723
	Commitment fees	φ	237,382	218,714
	Agency fees		166,163	172,243
	Administrative fees		30,000	30,000
	Gain on foreign exchange		-	388,693
	Gain on disposal of property, plant and equipment		402.020	27,722
	Others		402,030	657,846
		\$	1,387,555	2,416,941

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DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to Financial Statements (cont'd)

June 30, 2011

23.	Other Operating Expenses:	Notes	2011	2010
	Staff costs Administrative expenses Loss on foreign exchange Building occupancy expenses	25 26	\$ 3,078,264 1,265,423 712,607 542,062	3,125,610 854,544 511,551
	Depreciation	14	284,058	326,338
			\$ 5,882,414	4,818,043
24.	Negative Goodwill:			2011
	Asset acquired at fair value Liabilities settled (Government of Do	ominica)	\$	26,875,158 3,734,424
	Total asset acquired Less: Total consideration			30,609,582 (30,422,574)
	Negative goodwill		\$	187,008
25.	Staff Costs:		2011	2010
				2010
	Salaries and wages Social Security Costs Group insurance Other staff costs		\$ 2,211,496 124,153 72,837 669,778	2,088,073 113,295 51,259 872,983
			\$ 3,078,264	3,125,610
	Number of employees		39	31

Notes to Financial Statements (cont'd)

June 30, 2011

26. Administrative Expenses:

	2011	2010
Legal and professional fees	\$ 348,994	177,456
Advertising	158,004	101,877
Directors emoluments	143,529	145,973
Subscriptions and donations	101,567	63,799
Printing, stationery, and office supplies	92,016	99,419
Telephone, postage and fax	91,730	84,776
Annual report	40,426	31,274
Repair and maintenance of furniture and equipment	34,759	42,467
Motor vehicle expenses	34,064	44,888
Insurance	11,448	8,150
Miscellaneous expenses	208,886	54,465
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	\$ 1,265,423	854,544

27. **Dividends**:

The Bank declared a 5% dividend amounting to \$250,000 (2010 - \$250,000) with respect to the ordinary shares held by the Dominica Social Security.

28. Cash and Cash Equivalents:

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following balances with less than 3 months maturity:

	2011	2010
Cash and balances with the Central Bank	\$ 2,345	22,630
Treasury Bills	2,432,819	2,432,960
Deposits with banks and other financial institutions	4,726,663	5,161,197
	\$ 7,161,827	7,616,787

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DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to Financial Statements (cont'd)

June 30, 2011

9. Related Party Transactions:

A party is related to the Bank, if:

- (i) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Bank (this includes parents, subsidiaries and fellow subsidiaries); has an interest in the Bank that gives it significant influence over the Bank; or has joint control over the Bank;
- (ii) the party is an associate of the Bank;
- (iii) the party is a joint venture in which the Bank is a venturer;
- (iv) the party is a member of the key management personnel of the Bank or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is the entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Bank, or of any entity that is a related party of the Bank.

A number of banking transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and conditions, at market rates

At year-end, Directors of the Bank and companies in which they have an interest had no loans or fixed deposits with the Bank but guaranteed loans with outstanding balances of \$84,944.

In 2011, the total remuneration paid to Directors and key management personnel was \$1,034,836 (2010 - \$876,769).

The Bank's outstanding obligations to its related parties are as follows:

	2011	2010
Dominica Social Security Government of Dominica	\$ 18,476,025 46,288,902	18,780,265 5,000,000
	\$ 64,764,927	23,780,265

Notes to Financial Statements (cont'd)

June 30, 2011

30. Contingent Liabilities and Commitments:

As at year-end, loans and advances approved by the Bank but not yet disbursed, amounted to approximately \$25,472,683 (2010 - \$24,863,863).

31. Taxation:

Under the provision of Chapter 74:03 Sections 32 of the Laws of Dominica, the Bank is exempted from the payment of income tax.

32. Comparatives:

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

33. Prior Period Adjustment:

There were three (3) prior period adjustments as follows:

	<u>Notes</u>	_	2010
Borrowed funds	17	\$	4,129
Interest expense	21		(4,129)

Adjustment pertains to an overaccrual on interest expense for borrowed funds.

	<u>Notes</u>	_	2010
Revaluation reserve available-for-sale investments	12	\$	5,000
Impairment loss on available-for-sale investments	12		(5,000)

Adjustment to Available-for-sale investments relates to an overstatement in impairment loss.

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DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to Financial Statements (cont'd)

June 30, 2011

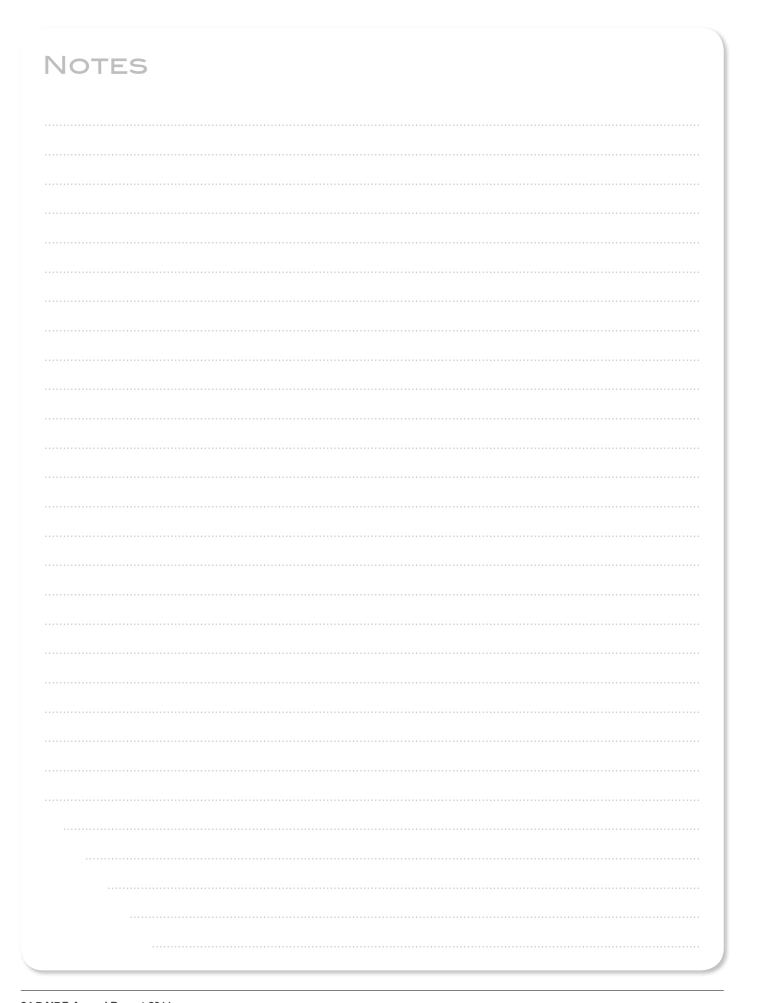
33. Prior Period Adjustment: (cont'd)

Adjustments affecting earlier years than 2010 amounted to EC\$268,893 are as follows:

	<u>Notes</u>	2010
Foreign exchange equalization	20	\$ (248,893)
Revaluation reserve-available-for-sale investments	20	(20,000)

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