ANNUAL REPORT 2007

AGRICULTURAL INDUSTRIAL
AND DEVELOPMENT BANK

Our Vision

In partnership with people for the provision of financial and technical services of the highest quality for sustainable growth and development both locally and regionally.

Our Mission

To mobilize and efficiently manage funds and other resources to maintain our lead position in providing the financial and technical services necessary to promote and sustain national socio-economic development with due regard to the environment, stakeholder satisfaction and profitability.

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Abbreviations

CDB	Caribbean Development Bank
DAIDB	Dominica Agricultural Industrial & Development Bank
DBPL	Dominica Banana Producers Ltd.
EC	Eastern Caribbean
ECCB	Eastern Caribbean Central Bank
ECCU	Eastern Caribbean Currency Union
EU	European Union
EURO	Monetary unit of the European Union
FEEF	Foreign Exchange Equalization Fund
GDP	Gross Domestic Product
IAS	International Accounting Standards
ICAC	Institute of Chartered Accountants of the Caribbean
IFRS	International Financial Reporting Standards
IFRIC	International Financial Reporting Interpretations Committee
mn	million
NBD	National Bank of Dominica, formerly National Commercial Bank
SMP	Special Mortgage Programme
US$	United States dollar

$ represents Eastern Caribbean dollars throughout unless stated otherwise

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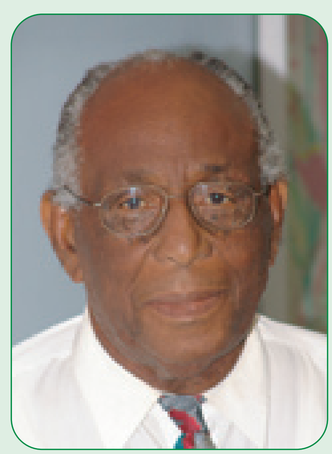

Mr. Hubert Joseph
DIRECTOR

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AUDITORS: PricewaterhouseCoopers

BANKERS: National Bank of Dominica

Chairman's Letter of Transmittal

September 30, 2007

Dear 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 the Annual Report on Operations and Audited Financial Statements for the Financial Year ended June 30, 2006.

Yours faithfully
DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

MR. AMBROSE M.J. SYLVESTER
CHAIRMAN

Honourable Roosevelt Skerrit
Prime Minister and Minister for Finance, Social Security and Foreign Affairs
Government of the Commonwealth of Dominica
Finance Building
Kennedy Avenue
Roseau

DAIDB

Chairman's Statement 2006/07

EXTERNAL AND DOMESTIC ENVIRONMENT

During the period under review, the 2006/07 financial year, the Dominica Agricultural Industrial and Development Bank (DAIDB) had to grapple with some of the major challenges which helped to determine or shape the financial and economic landscape, both at the domestic level and the regional and international fronts.

On the one hand, the foreign exchange market was severely affected by the substantial decline in the value of the US dollar relative to the other major currencies of the world. The market witnessed a record strong Euro, Canadian dollar and Pound sterling, with the Canadian dollar almost reaching parity against the US dollar, at a high of Canadian .9204 to the US dollar.

The fall of the US dollar in relation to other major currencies made exports and particularly tourism products in the group comprising the Eastern Caribbean Currency Union (ECCU) more competitive, since the EC dollar is pegged to the US dollar. At the same time, debt servicing obligations of these countries, held in currencies other than the US dollar, resulted in increased costs. The DAIDB no doubt fell victim to that increase.

On the other hand, the price of oil reached a record high of over US$90.00 per barrel which resulted in global inflationary pressures. Research analysts believe that even in real terms, the prices have exceeded prices seen during the last oil boom of the 1970's into the 1980's. It is evident that the rise in oil prices and non-oil imports led to an increase in domestic prices and by extension the cost of living as well as doing business at the sub-regional level including Dominica. The increased cost of food, electricity and transportation here, are typical examples.

For the DAIDB, the ultimate goal was to remain resilient and build on the accomplishments of the previous year. This I am happy to report, we were able to achieve with some degree of success.

Notwithstanding these daunting challenges, reports indicate that in 2006 the ECCU experienced one of its highest growth rates in recent times, estimated at 7.1%. The high rate of economic growth was largely influenced by expansion in the tourism and construction sectors.

At the domestic level, economic performance mirrored that of the ECCU, with Dominica experiencing an estimated 4 percent growth, the strongest in nearly two decades. As in the case of the ECCU, economic growth was primarily driven by the tourism and construction sectors.

Despite its declining role in recent times, in relation to its contribution

For the DAIDB, the ultimate goal was to remain resilient and build on the accomplishments of the previous year. This I am happy to report, we were able to achieve with some degree of success.






to Gross Domestic Product (GDP), the DAIDB is of the firm view that the agricultural sector remains critically important to Dominica in terms of food security, employment creation and its impact on poverty alleviation, and the generation of foreign exchange earnings.

In 2006, agriculture contributed 17 percent to GDP. In keeping with its mandate the Bank remains fully committed to the development of agricultural sector as well as all the other productive sectors.

ADDRESSING SOME KEY ISSUES

While addressing the AGM last year, the Hon. Prime Minister, in his capacity as Minister responsible for Finance underscored some areas of concern, as identified by a team of regional and international experts who conducted a review on the operations and performance of DAIDB. I am delighted to report to the shareholders, that steady and continuous progress has been made in practically all the areas highlighted.

The Bank is indeed happy to be associated with that program of providing affordable housing to low and middle income earners.

In my last statement, I reported that the DAIDB had put in place a Short-term Emergency Plan with pre-determined targets and covering the six month period August 2006 to January 2007. This was to address critical areas of concern which required immediate attention. Given the time horizon for the implementation of the plan, in relation to targets set, I am pleased to report that the results were quite successful.

Of particular interest was a reduction of $7.24mn or 18 percent in non-performing assets over the six month period, from $40.13 mn to $32.89 mn. From that figure of $7.24 mn, 53 percent or $3.86 mn represented principal collections and loan rescheduling. In addition, interest collections on non-performing assets recorded $0.401 mn or 28 percent more than the corresponding six month period in 2005/06. A copy of the report on the results of the Short-term Emergency Plan was submitted to the Prime Minister and Minister for Finance.

OPERATIONAL PERFORMANCE

In reviewing the Bank's performance for the 2006/07 financial year, it can be reported that the number of loans approved was 650, identical to that for the 2005/06 period. However, the value of loans approved recorded $20.58 mn, representing a 28 percent increase over the previous year.

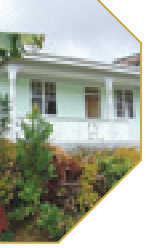
Loan disbursements reached $16.15 mn and represented 78.49 percent of total approvals. The lower than expected level of disbursement was as a result of a few major tourism related projects approved during the later part of the year with disbursements being effected on a phased basis, in accordance with the implementation plans of these projects.

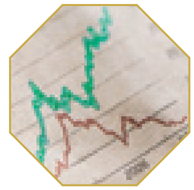
An analysis of the sectoral distribution of the loans approved indicates that it was dominated by the housing sector with $6.03 mn or 29.3 percent. This was followed by Education with $5.12 mn or 24.9 percent, Tourism with $3.46 mn or 16.8 percent, and Manufacturing, Transportation and Services combined, with $3.21 mn or 15.6 percent.

In comparison to the 2005/06 period, the distribution of loans approved was influenced by the Education Sector with $6.07 mn or 37 percent, followed by Housing with $3.64 mn or 22.6 percent.

With regard to the Housing sector, in November 2007, the Bank received the second and final tranche of $2.0mn under the Government's Special Housing Program.

The Bank is indeed happy to be associated with that program of providing affordable housing to low and middle income earners. Quite apart from enhancing the quality of life of the beneficiaries, the program has the positive impact of giving the economy a much needed boost. The Bank wishes to commend the Governments of Dominica and the Bolivarian Republic of Venezuela, for this initiative.



FINANCIAL PERFORMANCE

In relation to the financial performance of the Bank, total income for the year increased by 8% over the previous year to record $11.94 mn. At the same time, total operating expenses other than foreign exchange losses reflected a marginal decrease of 0.78% to reach $8.55 mn.

The combined effect of the increase in income coupled with a reduction in operational expenses, resulted in a 39 percent increase in net income from operations, which moved from $2.44 mn to $3.39mn. However, after accounting for impairment losses on loans and advances, and having to sustain a foreign exchange loss of $0.53 mn, the bank recorded a net profit of $1.003mn, an increase of 18.84 percent over the previous year.

Very significantly, retained earnings which recorded a deficit in 2004/05 and had actually begun to erode the capital base of the Bank, increased by 43 percent or $0.39 mn to $1.28 mn at the end of June 2007.

Total assets fell marginally by 0.03 percent from last year to $125.28 mn. However, shareholders equity, representing the net worth of the institution increased by 2.84 percent to $24.05 mn.

Notwithstanding the results achieved, there is still a tremendous amount of work to be done. What is required is to put systems in place to progressively strengthen the institution in an attempt to pursue a more realistic growth path. I am confident that this can be achieved over time.

The Bank is disturbed about the collection of outstanding debt. At the end of June 2007, non-performing assets represented 25.5 percent of loans outstanding, a notable improvement from the 33.95 percent recorded at the end of June 2006. In fact the institution has set a target to further reduce its non-performing assets to 15% of loans outstanding by June 2008.

However, this arrears situation is definitely hurting the Bank's lending program. While these receivables remain outstanding, the Bank considers it a matter of high priority to meet obligations to all its creditors including the CDB and the DSS. These outstanding amounts only help to increase the financial burden of the Bank and must therefore be aggressively pursued.

Further, the Bank remains dissatisfied with the non-submission and or late submission of audited financial statements by some of our larger clients as is required by our agreements with them. More often than not, what is usually submitted is a set of management accounts. This is largely unacceptable and needs to be regularised. In fact, management accounts are generally not prepared within the context of a financial reporting framework, and they tend to be less reliable as their information content is driven by the needs of management, and in any event, have not been independently verified.

> DAIDB stands ready and willing to partner other stakeholders in an attempt to reduce the country's import bill and become self-sufficient in that area, over a specified period.

CORPORATE GOVERNANCE

In the area of corporate governance, there are a number of sub-committees, which function independently, reporting directly to the Board. Most importantly a Finance and Audit Committee was instituted in April 2006 with strong oversight responsibilities in the area of accurate financial reporting, and compliance with applicable laws and regulations among other duties.

Additionally, the Bank has outsourced its internal auditor services, and recruited a well-trained highly qualified and experienced internal auditor in the person of Dr. Robertine Chaderton, a former employee of the Eastern








Caribbean Central Bank.

A GLIMPSE AT THE CURRENT YEAR

During this current financial year, a sub-regional workshop on Business Opportunities in Agro-processing of Tropical Fruits, meats, poultry and milk-based products was held here in Dominica at the Garrraway hotel from July 23-28, 2007. The workshop which was co hosted by the DAIDB was sponsored by the Caribbean Development Bank.

In my opening remarks at that function, I quoted data from the Central Statistics Office which indicated that the average monthly importation of poultry, between January and June 2007 was approximately $1.0 mn. The DAIDB stands ready and willing to partner other stakeholders in an attempt to reduce the country's import bill and become self-sufficient in that area, over a specified period.

Just one month later, in August 2007, hurricane Dean gave us a tacit reminder of the country's vulnerability to natural disasters. During the passage of that hurricane, agriculture suffered a major blow with an estimated 90 percent damage to banana and non-banana crops in particular.

Despite the fact that within the Bank's portfolio, agriculture has the highest level of non-performing assets at 47.92 percent, on a sectoral basis, the Bank, acting within the ambit of its development mandate, and bearing in mind the importance of that sector to the economy, felt obligated to make its contribution towards the recovery effort of that sector. In that regard, farmers who qualified could receive a moratorium (grace period) of up to six months on principal and interest payment on their loans. From all reports, this bold decision was a welcome one by the farmers. To date the principal outstanding on loans so affected stands at approximately $2.2 mn.

FUTURE OUTLOOK

With regard to its future outlook, the DAIDB has played and continues to play a catalytic role in the social and economic development of this country. Contrary to the views expressed in certain quarters, it seems evident that there still remains a pivotal role for Development Finance Institutions like the DAIDB, in small Island developing states like Dominica.

Most significantly however, the Bank's strategic focus must be continuously directed towards maintaining acceptable standards within the Industry in which it operates. This can be done by conforming as far as is practicable to international best practices in that area. It also needs to articulate responses to changes within the financial and economic environment, both at the domestic level and in the region.

Towards the latter part of 2006, Government commissioned a review of the Bank through a team of consultants from the IMF. This culminated in a report dated September 2006 entitled" Reforming the DAID Bank". Government subsequently decided that "the Bank shall examine the recommendations in that report, and in consultation with the Caribbean Development Bank submit comprehensive proposals for consideration". The DAIDB's report on the matter has since been forwarded to government and we await its decision on the matter. The Bank wishes to place on record its appreciation for the unswerving support, both financial and technical, provided by the CDB throughout DAIDB's existence.

Whatever the direction, two areas stand out with extreme urgency in the Bank's critical path to development. These are, a new five year Strategic plan and a Consolidated Line of Credit.

Most importantly, the plan must reflect the development objectives, strategies and policies of Government. It is imperative therefore for the Government's Growth and Social Protection Strategy (GSPS) to inform the formulation of the Strategic Plan.

Additionally, the strength of the institution will depend to a large extent on its gamut of internal control systems. Sound internal control systems ensure that financial statements are accurate and compliant with accepted standards, that good records are kept, and that the assets of the organization are employed as intended.

Significantly therefore, the identification of controls which exist or are lacking must now be addressed in a comprehensive way, to put the Bank in a stronger position to deal with the major challenges with which it is confronted, and to deliver the services articulated in its development mandate.

DAIDB Highlights at a Glance

	2007	2006	2005	2004	2003
APPROVALS					
No. of Loans Approved	650	650	562	654	905
No. of Technical Assistance	1	12	50	140	29
Estimated No. of Jobs	780	675	924	865	833
	($mn)				
Total Loans Approved	20.6	16.1	17.3	21.5	17.7
Total grants Approved	0.01	0.20	0.74	2.59	0.59
DISBURSEMENTS					
Total Loans Disbursed	16.2	16.0	17.20	16.70	19.50
Total Grant Disbursed	0.15	0.52	0.91	1.85	0.20
PORTFOLIO					
Total grant Disbursed	0.15	0.52	0.91	1.85	0.20
Gross Loans Net of impairment losses	106.0	106.4	107.1	106.7	106.5
OPERATING RESULTS					
Operating income	7.46	6.42	5.94	6.46	4.97
Net Profit (loss) for the Year	1.003	0.84	(1.57)	1.3	(1.8)
ADMINISTRATION					
Total Staff as at June 30	38	38	38	39	40
Total Admin. Expenses	0.98	0.93	0.83	0.45	0.49
Admin. Expenses to Average Loans Outstanding	0.91%	0.87%	0.77%	0.42%	0.43%

THE ECONOMY OF DOMINICA

PART I

1. ECONOMIC PERFORMANCE OF DOMINICA : 2006-07

January – December 2006

The economy expanded by an estimated 4 percent in 2006, the strongest growth rate since the recovery began in 2003. Growth was broad-based with increases in economic activity recorded in agriculture, tourism and construction services.

In the agricultural sector there was a rebound in the banana industry, which had experienced a decline of 6 percent in the previous year. The Dominica Banana Producers Ltd. (DBPL) recorded an increase of 7.71 percent in their farmers' export production from 10,894.84 metric tonnes in 2005 to 11,734.41 metric tonnes in 2006. This improved performance was attributed to good weather conditions and the effectiveness of the farmer certification program, which enabled more farmers to qualify for access to the European Market.

The increase in agricultural output also reflected growth in fish production, which has resulted from modernized vessels and techniques.

The two main groups of products in the manufacturing sector, namely beverages and chemicals and related products, experienced declines in production of 9.89 percent and 0.82 percent respectively. Nonetheless total manufactured export revenue increased from $71.79 mn in 2005 to $75.11 mn in 2006.

The tourism sector experienced strong growth in all categories of visitors. The number of stay-over visitors increased by 4.73 percent from 76,357 in 2005 to 79,971 in 2006. There was a 39.23 percent increase in the number of excursionists from 650 in 2005 to 905 in 2006. The number of cruise ship visitors increased by 25.87 percent from 301,511 in 2005 to 379,503 in 2006. The number of cruise ship calls increased by 31.2 percent from 234 in 2005 to 307 in 2006. As a result of growth in visitor numbers total visitor expenditure was estimated at $179.94 mn in 2006, an increase of 18.44 percent from $151.92 mn in 2005.

Construction activity also expanded in 2006 with an increase of 16.67 percent in the number of construction starts, which moved from 108 in 2005 to 126. The value of these starts increased by 23.7 percent from $29.7 mn in 2005 to $36.74 mn in 2006. Growth in this sector largely reflected significant projects being implemented in the public sector investment programme such as the Windsor Park Stadium, upgrade of the Melville Hall airport and road improvements. Private sector residential construction also exhibited growth. There was a 22.8 percent rise in commercial bank credit for home construction and renovation in contrast to the 0.5 percent decline recorded in 2005.

There was a marginal deterioration in the visible trade deficit from $335.91 mn to $338.61 mn. This widening of the trade gap was as a result of the expansion in import values from $447.76 mn to $450.62 mn, an increase by $2.86 mn. Meanwhile, export values increased marginally from $111.85 mn to $112.01 mn, an increase of $0.16 mn.

Consumer prices rose by 2.6 percent during 2006, compared to 1.62 percent in 2005. This increase was mainly driven by a 4.05 percent increase in food prices.

On the fiscal account Government's current revenue increased slightly by 1.85 percent from $257.28 mn to $262.03 mn. Current expenditure increased by 8.29 percent from $210.87 mn to $228.35 mn. Consequently, Government's current account continued to show a surplus, though the balance fell by $12.73 mn from $46.41 mn in 2005 to $33.68 mn in 2006.

Domestic credit decreased by 9.6 percent to $352.8 mn at the end of 2006. This decline was attributed to a reduction in loans to Central Government coupled with an increase in its deposits. Credit to the private sector was 11.2 percent higher than in 2005 reflecting a 12.1 percent increase to households and a 9.7 percent increase to businesses.

January- June 2007

In the first half of 2007, there was an expansion in economic activity, exhibited largely in the agriculture and construction sectors.

In agriculture, DBPL banana export production increased from 5,809.22 metric tones in the first half of 2006 to 5,919.02 metric tonnes in the comparative period of 2007. As a result export revenue also increased by 8.55 percent from $8.84 mn in 2006 to $9.59 mn in 2007.

The production of chemicals and related products rose by 4.77 percent with revenue also showing an increase of 23.6 percent from $22.5 mn to $23.6 mn. This was attributed to an expansion in regional demand during the quarter ended March 2007.

The number of construction starts increased from 72 in the first half of 2006 to 85 for the comparative period in 2007. The value of construction activity grew by 28.57 percent from $21.38 mn to $27.49 mn, resulting mainly from growth in private sector investment in residential construction. Government's special mortgage facility administered by the Government Housing Loans Board and the Dominica Agricultural Industrial and Development Bank also contributed to growth in private sector residential construction.

There were mixed results in tourism. While excursionists increased by 20.08 percent from 513 in 2006 to 616 in 2007, there were declines in stay overs and cruise-ship visitors. Stay-over visitors declined by 3.24 percent from 37,231 in 2006 to 36,025 in 2007. The number of cruise-ship calls declined by 14.95 percent and cruise-ship visitors also fell by 5.31 percent from 212,094 in 2005 to 199,928 in 2007. Nevertheless the increase in excursionists contributed in part to an increase in estimated total visitor expenditure from $90.75 mn to $101.72 mn.

The consumer price index rose by 2.43 percent during the first half of 2007. There was a 3.85 percent increase in food prices. Fuel and light experienced the highest price rate of increases.

Government's current revenue increased by 20.07 percent from $128.3 mn to $154.05 mn and there was a smaller increase of 4.21 percent in current expenditure. As a result Government's current account balance improved by 206 percent from $10.08 mn in the first half of 2006 to $30.86 mn in the corresponding period of 2007. This performance largely reflected the impact of the VAT which was implemented in March of 2006.

Domestic credit contracted by 3.3 percent below its level at the end of 2006, largely reflecting a decrease in credit and increase in deposits by Central Government. In contrast, private sector credit grew by 3.2 percent attributable to increased borrowing by households.

Sources:

Government of Dominica, Central Statistical Office, Quarterly Economic Indicators, 2007.

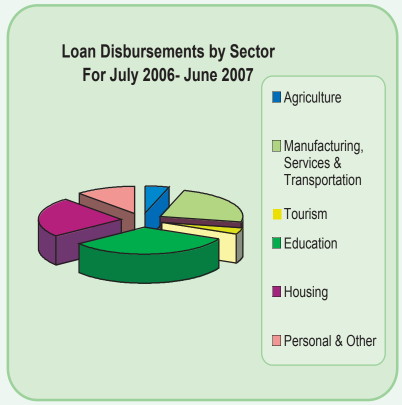
IMF Country Report No. 07/322, September 2007.

ECCB Annual Economic and Financial Review, December 2006 and June 2007.

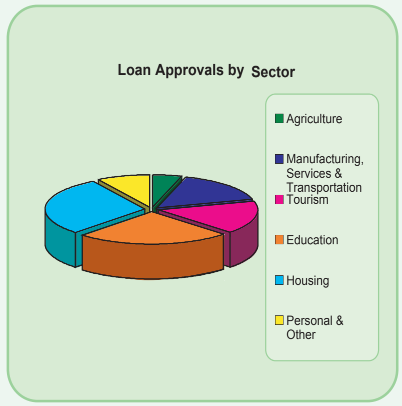
2. CONTRIBUTION OF DAIDB TO ECONOMIC DEVELOPMENT OF DOMINICA

For the financial year under review, one of the primary impacts of the DAIDB on economic development was the augmentation of both physical and human capital which was effected by loan approvals and disbursements in the economic and social sectors. However, the measure of the Bank's contributions to the economy extends beyond the mere increase in capital afforded by its loans. DAIDB lending also:

- increases access by target groups to credit and financial services;
- reduces poverty;
- builds entrepreneurial capacity;
- creates job opportunities;
- fosters growth in income; and
- improves equity in income distribution.



The Bank has a disproportionate share of the market for loans to the productive sectors of the economy indicating its significant contribution to employment, income, and wealth generation. Information on the sectoral distribution of loans from the Commercial Bank Statistics of the Eastern Caribbean Central Bank for March 2007 has been utilized to compute market share. These figures indicate that DAIDB had 47 percent of market share in agriculture and fisheries, 36 percent in tourism and entertainment and 21 percent in the manufacturing, transportation and service sector loans combined.



Since one of the DAIDB's key strategies is to reach target groups which are not generally served by other financial institutions, the Bank also contributes to equity in income distribution. For example, the Bank now administers two loan facilities which are directed at housing for low income groups.

Other data compiled by the DAIDB validate its role in income generation and distribution. The Bank estimates that 780 jobs were created through its lending activities during the financial year under review. While gender distribution varied by sector, overall lending was fairly equitably distributed. Out of 650 loans 46 percent were granted to women, 53 percent to men and 1 percent to companies. The data on geographic distribution of loans indicates that 73 percent were for customers from rural areas, where there is a dire need for financial resources.

PART II

THE PERFORMANCE OF DAIDB BY SECTOR/ ACTIVITY

The total value of loan approvals in 2007 was $20.6 mn. This was 28.1 percent above last year's approvals and follows decreases of 7.0 percent and 19.5 percent in 2006 and 2005 respectively. Other than in 2004, when approvals totaled $21.5 mn, this was also the only time that the Bank reached the $20 mn mark in approvals since 2002.

Total disbursement on approved loans in 2007 was $16.2 mn. This amount was 3 percent below 2006 disbursements and 78.5 percent of 2007 approvals.

Details of the Performance on approvals and disbursement by sector are provided on the next page.

AGRICULTURE

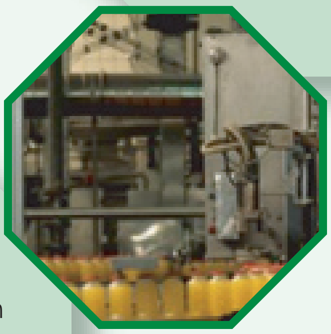
Agriculture remains a vital sector to the Dominican economy. Based on preliminary figures, in 2006 agriculture contributed $78.3 mn to national output. Its contribution represented 17.2 percent of GDP (at constant prices). With the transformation of the economy over the last decade or so, its relative share has been steadily declining. This decline has been brought about principally by the serious market-related challenges facing the banana industry, which continues to experience reductions in the number of registered active farmers.

This year, agricultural loan approvals of $1.0 mn were the lowest for the five-year period 2003-2007. This figure was 28.6 percent below approvals for this sector in 2006 and just 4.9 percent of total approvals in 2007. Disbursement of $0.75 mn to agriculture for 2007 was 40.5 percent below the figure in 2006 and was 74.7 percent of approvals to this sector for 2007. Despite this decline, the sector shows signs of promise. Approvals for banana and other crop production on a whole went up by 51.7 percent and 31.8 percent respectively, while approvals for land purchase increased by 39.9 percent.

TOURISM

The tourism sector is widely regarded as the one to bring about the resuscitation of the national economy, and achieve for Dominica what agriculture - more particularly bananas - did in the 1980's. In fulfilling its mandate, the Bank continued to facilitate development in this sector, considering the crucial role tourism plays in the social and economic thrust of the country. Loan approvals to tourism totaled $3.5M, an increase of 45.6 percent over the previous year's figure. This was a commendable achievement, considering the 48.3 percent drop in approvals in the previous year.

Disbursements of $0.62 mn for tourism loans was rather low in 2007, 84.4 percent below last year's figure. This was mainly because of large scale individual projects which were approved late in the financial year and the phasing of disbursments for such projects. Only 18 percent of approved loans to this sector was disbursed in 2007.



MANUFACTURING, SERVICES, AND TRANSPORTATION

The Bank performed creditably in extending funding to the manufacturing, services, and transportation sectors. Loan approvals to these sectors combined increased by $2.2mn or 218 percent to $3.2 mn in 2007. This followed a 67.3 percent and 19.3 percent drop in 2006 and 2005 respectively. In the six-year period 2002-2007, the only year that registered a higher level of approvals to these sectors was 2004. In that year, approvals reached $3.8 mn.

Of these three sectors, the services sector received by far the highest level of approvals, $3.1 mn or 96 percent of the total.

Loan disbursements of $3.8 mn to the manufacturing, services, and transportation sectors was impressive. Disbursements in 2007 were 241.1 percent above last year's figure of $2.38 mn.

HOUSING

The Dominica AID Bank plays a pivotal role in facilitating the implementation of Government's programme for providing affordable housing to low income earners. To this end it benefited tremendously from a $3 mn first tranche of a $5 mn interest-free loan from the Government. This new funding source resulted in significant improvements in lending to the housing sector.

above approvals in 2006. Of the 2007 approvals, $1.7 mn or 29 percent

Dominica for new construction. A further $2.3 mn or 39 percent financed from internally generated funds went towards new construction. Excluding Government's Special Housing Programme, other mortgage approvals were $4.3 mn in 2007, which was 18 percent above last year's figure. This is an encouraging trend that began last year when approvals were 23.1 percent above the figure in 2006.

The only year when a higher level of approvals to the housing sector was achieved since 1995 was in 1999 when approvals totaled $7.3 mn.

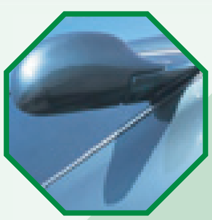
Disbursements of $3.8 mn for housing loans was 0.6 percent higher than last year and 63.8 percent of the amount approved for 2007.

EDUCATION

The Bank continues to contribute meaningfully to national development by providing people with the means to educate themselves at the tertiary, undergraduate, and graduate levels. With the newly acquired knowledge and skills, these students are in a better position to contribute to national development when they are employed in various sectors of the economy either within corporate structures or as self-employed persons.

Loan approvals to the education sector totaled $5.1 mn in 2007. This figure was 15.6 percent below 2006 approvals, although it comprised 24.9 percent of total approvals for 2007. The main areas of study for which loans were approved were business & management (20 percent), nursing (13 percent), and accounting (12 percent).

As in the case of approvals, disbursements of $5.24 mn for education loans fell, but this time by 4.6 percent. However, total disbursement was 102.4 percent of approvals for 2007.



PERSONAL AND OTHER

The Bank continues to assist existing and new clients who require consumer credit financing for two main reasons. For existing clients, it is an opportunity to provide a one-stop shopping experience that will result in a lasting relationship. For new clients, it is because of the potential for new business in development financing.

In 2007, a total of $1.5 mn was approved for personal loans, which was 12.2 percent higher than that attained in 2006 and 8.5 percent of total approvals for 2007. As much as 31 percent of these approvals were for the purchase of residential land and 15 percent for the purchase of vehicles.

Expectedly, there was a high level of disbursement of personal loans: 107.2 percent of approvals and 16.5 percent higher than the figure in the previous year.

PART III
ORGANIZATION AND MANAGEMENT

BOARD OF DIRECTORS AND COMMITTEES

The Bank is under the direction and control of a Board of Directors comprising nine members selected by its shareholders. The Board approves loans above $250,000.

The Board of Directors has delegated to the Loans Committee the power to approve on its behalf loans above $100,000 to a maximum of $250,000.

A Finance and Audit Committee was established in April 2006. The primary responsibilities of the Committee are oversight of reliable, accurate and clear financial reporting to the shareholders, ensuring adequate internal controls, selection and oversight of the external auditor, compliance with the applicable laws & regulations as well as the Bank's own policies and evaluating the management of key risks of the organisation.

The Student Loans Advisory Committee is appointed by the Government of Dominica. It is responsible for ensuring the establishment and publication of the Priority List of Courses annually, monitoring the non-credit performance of the Student Loans Programme and recommending student loans for approval by the Bank.

The Board of Directors has established two other Committees. One is the Negotiating Committee constituted in order to make recommendations to the Board regarding the collective bargaining agreement with staff. The second is the Appeals and Anomalies Committee, which considers staff matters.

HUMAN RESOURCE TRAINING AND DEVELOPMENT

Administration

In order to investigate levels of staff motivation and relevant factors affecting motivation, the Human Resource Manager conducted a survey among staff during the year. Survey results indicated that staff members were generally pleased to be employed with the DAIDB.

However, the survey identified two major problems. One was dissatisfaction with remuneration and the second was a desire for increased staff activities. Both these issues were addressed during the year.

Negotiation with the Bargaining Unit was reopened resulting in an agreement for a salary increase. To address the issue for increased staff activities a new activities committee was elected with modifications to its terms of reference.

Appointments

The services of the Internal Auditor was outsourced. Dr. Robertine Chaderton was reappointed to serve the Bank as Internal Auditor after the Bank had been without an Internal Auditor for a short period.

Mrs. Nichol Azille Faustin who was also previously employed with the Bank and left for studies overseas has now been reappointed as Loans Officer in the Investment Division.

Attachments

The Bank recognizes its role as a good corporate citizen in assisting young persons to attain practical work experience. During the year the Bank was a proud sponsor of three job attachments on behalf of the State College, Business Training Center and the Youth Skills Program.

Staff Turnover

The Bank has historically boasted of low staff turnover and the trend continues. During the year one staff member resigned from the Bank's employ.

Staff Activities

A new committee was appointed which embarked on a number of programs geared at fostering togetherness. Activities included social events such as bar-be-ques, fun-nights with games and snacks, a moonlight picnic, Labour-Day picnic and others. Regular staff breakfasts were organized to raise funds for other staff activities. Cultural and traditional events such as Creole Day Lunch and Children's Christmas Party and Staff & Board Christmas Dinner were also hosted.

In order to promote health and well-being, sports activities received a major boost with the acquisition of table tennis equipment and exercise machines.

Internal Training

In-house training conducted by the Senior Manager Investments and Manager Projects was organised for the staff of the projects section. This training was geared towards improving already acquired skills and introducing new techniques in project appraisal.

There were a number of sessions with different sections of the Bank regarding anti-money laundering best practices for banking institutions.

Mindful of increased risks in securing the Bank's premises, the Bank organised training particularly for the Finance Division in methods of safeguard and areas of compliance. This training was facilitated by an experienced member of the Dominica Police Force.

A refresher customer service training programme was organized for line staff members in order to enhance the quality of service delivered to the public. In addition to the structured in-house training, on-the-job training continued in order to improve skills and cross training.

Local Training

Three staff members attended a seminar on treasury management. Seminars and workshops conducted in the field of agriculture and housing were attended by staff of the Investments Division. This assists the officers in keeping up with latest technology and international standards and practices.

Regional Training

One staff member attended part one of a three part series in Mortgage Underwriting, conducted by the Eastern Caribbean Institute of Banking in St. Kitts. The expertise acquired is expected to help improve the quality of the mortgage portfolio.

A staff member also attended a conference hosted by ICAC on Finance and Accounting held in St. Kitts.

Distant Education Programs

There are four staff members pursuing Masters degress in Business Administration. One is registered with the University of the West Indies and three with the University of Leicester. Another staff member is completing a Masters Degree in Information Technology Management with Leicester University.

There are currently three staff members participating in the University of the West Indies distance learning program. They are expected to complete their Bachelor's degree in Management Studies within the next financial year. Two staff members have recently commenced Bachelor's degrees by distance learning, one in Business IT with Leicester University and the other in Management with the University of Sunderland. The end is in sight for two Associate degrees, one in marketing and the other in para legal studies, both through distance learning.

Mrs. Ursula McDowell-Job has successfully completed her Master's degree in Training and Human Resource Management.

PROMOTION AND OUTREACH ACTIVITIES

The Bank recognizes that as competition in the financial services sector intensifies, it needs to maintain contact with existing clients and promote its services in order to attract new clients. To this end, it organized, executed, and participated in various promotional and public relations activities in the last financial year.

Among them was the annual International College Fair held in November 2006 in collaboration with the Library and Information Service Division of the Ministry of Education. This provided the Bank with an opportunity to meet with secondary school and State College students and their parents to promote the student loan product. Towards the end of the financial year, officials of the Bank met with a few secondary schools to further promote the Bank's student loans.

Aware of its growing investment in student accommodation for medical students and faculty, the Bank participated in a meeting organized by Ross University School of Medicine for landlords.

Another important promotional activity was the launching of the revised AID Bank website in June. This upgraded website is much more user-friendly and contains a wealth of information, including checklists of required information for each type of loan as well as details of properties available for sale.

In order to create greater opportunities for promotion of the Bank's products in the future, one audio and two print advertisements were designed and produced while work started on the designing of two new video advertisements.

PART IV
FINANCIAL PERFORMANCE

NET INCOME FROM OPERATIONS

For the year in review, net income from operations was $3.39 mn which was 39 percent higher than last year's $2.44 mn. After providing for impairment losses on loans and advances of $1.85 mn and a foreign exchange loss of $0.53 mn, net profit for the year was $1.003 mn, an increase of 18.84 percent over the previous year's figure of $0.844 mn.

INCOME

Income earned for the year totaled $11.94 mn, and was 8 percent more than last year, which generated $11.05 mn. Interest and similar income of $11.26 mn comprised 94.36 percent of income and that amount was 7.53 percent higher than last year's $10.48 mn.

Other operating income of $0.67 mn increased by 16.32 percent from last year's $0.58 mn, and was derived mainly from agency fees, appraisal fees and legal fees.

EXPENSES

Total operating expenses, other than foreign exchange losses amounted to $8.55 mn and represented a 0.78 percent decrease from last year's $8.62 mn. Interest expense and similar charges of $4.48 mn represented 52.37 percent of expenses and reflected a decrease of 3.28 percent from last year's $4.63 mn.

Other operating expenses of $4.07 mn included staff and administrative costs and registered a 2.13 percent increase from last year's $3.99 mn.

ASSETS

Total assets as at the June 30, 2007 had a net book value of $125.28 mn registering a decrease of 0.03 percent from last year's $125.32 mn.

Gross loans outstanding from customers with a balance of $117.22 mn represented 93.57 percent of total assets and registered a 1.96 percent decrease from last year's $119.56 mn. Net loans outstanding of $105.98 mn were also 0.40 percent less than the $106.40 mn recorded in the last financial period.

Movements in net total investments were as follows:
- available-for-sale securities - $1.29 mn; 1.58 percent more than last year's $1.27 mn
- held-to-maturity securities - $6.73 mn; 13.72 percent more than last year's $5.92 mn

Net fixed assets amounted to $5.12 mn; 1.85 percent less than last year's $5.21 mn.

LIABILITIES

Total liabilities of $101.23 mn reflected a 0.69 percent decrease from last year's $101.93 mn. Long-term loans with a balance of $85.15 mn, represented 84.12 percent of total liabilities, and recorded a decrease of 3.11 percent from last year's $87.88 mn.

Amount due to customers of $12.83 mn was 15.98 percent higher than last year's $11.06 mn. Fixed Deposits held for clients of $10.1 mn constituted 78.70 percent of this category; last year the percentage was 78.32 percent.

SHAREHOLDERS' EQUITY

The Bank's net worth or shareholders' equity was $24.05 mn, a 2.84 percent increase from last year's $23.39 mn. Retained earnings recorded an increase of 43.05 percent; moving from $0.9 mn to $1.28 mn.

AUDITOR'S REPORT
&
FINANCIAL STATEMENTS

Dominica Agricultural Industrial and Development Bank

Financial Statements

June 30, 2007

(expressed in Eastern Caribbean dollars)

PricewaterhouseCoopers
Point Seraphine
P. O. Box 195
Castries.
Saint Lucia, West Indies
Telepone (758) 456 - 2600
Facsimile (758) 452-1061

December 7, 2007

Independent Auditors' Report

To the Shareholders of
Dominica Agricultural Industrial and Development Bank

Report on the financial statements

We have audited the accompanying financial statements of Dominica Agricultural Industrial and Development Bank (the Bank) which comprise the balance sheet as of June 30, 2007 and the statements of income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for thefinancial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on 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 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 the auditors' 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, the auditors 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.

PRICEWATERHOUSECOOPERS

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 accompanying financial statements present fairly, in all material respect, the financial position of the Bank as of June 30, 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standard.

PricewaterhouseCoopers

Chartered Accountants

Dominica Agricultural Industrial and Development Bank

Balance Sheet

as of June 30, 2007

(expressed in Eastern Caribbean dollars)

	2007 $	2006 $
Assets		
Cash and balances with other banks (Note 5)	**2,958,065**	2,963,879
Treasury bills and debenture bonds (Note 6)	**2,629,451**	2,659,299
Loans and advances to customers (Note 7)	**105,980,473**	106,402,774
Investment securities:		
- available-for-sale (Note 9)	**1,287,340**	1,267,340
- held-to-maturity (Note 9)	**6,734,203**	5,921,565
Property, plant and equipment (Note 10)	**5,117,920**	5,214,232
Other assets (Note 11)	**568,921**	889,263
Total assets	**125,276,373**	125,318,352
Liabilities		
Due to customers (Note 12)	**12,832,112**	11,064,397
Borrowed funds (Note 13)	**85,154,499**	87,883,332
Other liabilities (Note 14)	**3,240,053**	2,984,685
Total liabilities	**101,226,664**	101,932,414
Equity		
Share capital (Note 15)	**17,547,631**	17,547,631
Reserves (Note 16)	**5,218,400**	4,940,966
Retained earnings	**1,283,678**	897,341
Total equity	**24,049,709**	23,385,938
Total liabilities and equity	**125,276,373**	125,318,352

Approved by the Board of Directors on December 7, 2007

Director **Director**

Dominica Agricultural Industrial and Development Bank

Statement of Income

For the Year ended June 30, 2007

(expressed in Eastern Caribbean dollars)

	2007 $	2006 $
Interest and similar income (Note 17)	**11,264,634**	10,475,803
Interest expense and similar charges (Note 17)	**(4,478,609)**	(4,630,594)
Net interest income	**6,786,025**	5,845,209
Other operating income (Note 18)	**672,715**	578,333
Operating income	**7,458,740**	6,423,542
Other operating expenses (Note 19)	**(4,601,869)**	(3,588,427)
Impairment losses on loans and advances (Note 8)	**(1,853,774)**	(1,991,060)
Net profit for the year	**1,003,097**	844,055

Statementt of Changes in Equtiy

For the Year ended June 30, 2007

(expressed in Eastern Caribbean dollars)

	2007 $	2006 $
Share Capital		
At beginning and end of year (Note 15)	**17,547,631**	17,547,631
Reserves		
At beginning of year	**4,940,966**	4,706,108
Transfer from retained earnings (Note 16)	**366,760**	313,158
Foreign exchange utilization	**(109,326)**	(10,785)
Fair value adjustments	**20,000**	(67,515)
At end of year	**5,218,400**	4,940,966
Retained earnings		
At beginning of year	**897,341**	(10,938)
Net profit for the year	**1,003,097**	844,055
Dividends on ordinary shares (Note 22)	**(250,000)**	(250,000)
Reversal of dividends (Note 22)	**–**	627,382
Transfer to reserves (Note 16)	**(366,760)**	(313,158)
At end of year	**1,283,678**	897,341
Equity, end of year	**24,049,709**	23,385,938

Dominica Agricultural Industrial and Development Bank

Statement of Cash Flows

For the Year ended June 30, 2007

(expressed in Eastern Caribbean dollars)

	2007 $	2006 $
Cash flows from operating activities		
Net profit for the year	**1,003,097**	844,055
Adjustments for:		
Depreciation (Notes 10 and 19)	**277,147**	258,367
Gain on disposal of property, plant and equipment (Note 18)	**–**	(2,000)
Impairment losses on loans and advances (Note 8)	**2,000,000**	2,000,000
Unrealized foreign exchange loss/(gain)	**529,326**	(399,066)
Interest and similar income (Note 17)	**(11,264,634)**	(10,475,803)
Interest expense and similar charges (Note 17)	**4,478,609**	4,630,594
Cash flow before changes in operating assets and liabilities	**(2,976,455)**	(3,143,853)
Increase in debenture bonds	**(45)**	–
Increase in loans and advances to customers	**(2,002,533)**	(1,471,767)
Decrease/(increase) in other assets	**320,342**	(129,942)
Increase in due to customers	**1,776,880**	1,276,564
Increase in other liabilities	**5,368**	174,484
Cash used in operations	**(2,876,443)**	(3,294,514)
Interest received	**11,689, 468**	10,622,958
Interest paid	**(4,463,051)**	(4,461,729)
Net cash generated from operating activities	**4,343,051**	2,866,715
Cash flows from investing activities		
(Increase)/decrease in investment securities - net	**(812,638)**	840,247
Proceeds from disposal of property, plant and equipment	**–**	2,000
Purchase of property, plant and equipment (Note 10)	**(180,835)**	(382,897)
Net cash (used in)/generated from investing activities	**(993,473)**	459,350
Cash flows from financing activities		
Repayment of borrowings - net	**(3,275,959)**	(2,218,402)
Foreign exchange utilization	**(109,326)**	(10,785)
Dividends paid	**–**	(250,000)
Net cash used in financing activities	**(3,385,285)**	(2,479,187)
Net (decrease)/increase in cash and cash equivalents	**(35,707)**	846,878
Cash and cash equivalents, beginning of year	**5,419,898**	4,573,020
Cash and cash equivalents, end of year (Note 23)	**5,384,191**	5,419,898

1 General information

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 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation
The Bank's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Standard not yet effective and relevant to the Bank
IFRS 7, Financial Instruments: Disclosures and a complementary amendment to International Accounting Standards (IAS) 1, Presentation of Financial Statements – Capital Disclosures (Effective from January 1, 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risks, liquidity risks and market risk, including sensitivity analysis to market risk. It replaces *IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions,* and disclosures requirements in *IAS 32*, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Bank assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendments of IAS 1. The Bank will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning July 1, 2007.

Standards, amendments and interpretations effective in 2006 but not relevant

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after January 1, 2006 but are not relevant or have no material impact to the Bank's operations:

- *IAS 19 (Amendment), Employee Benefits;*
- *IAS 21 (Amendment), Net Investment in Foreign Operations;*

2 Summary of significant accounting policies
... continued

Standards, amendments and interpretations effective in 2006 but not relevant *... continued*

- *IAS 39 (Amendment), Cash Flow Hedge Accounting Forecast Intragroup Transactions;*
- *IAS 39 (Amendment), The Fair Value Option;*
- *IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts;*
- *IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards;*
- *IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;*
- *IFRIC 4, Determining whether an Arrangement Contains a Lease;*
- *IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and*
- *IFRIC 6, Liabilities arising from Participating in Specific Market – Waste Electrical and Electronic Equipment.*

Interpretations to existing standards that are not yet effective and have not been early adopted by the Bank

The following interpretations to existing standards have been published that are mandatory for the Bank's accounting periods beginning on or after May 1, 2006 or later periods but that the Bank has not early adopted.

- *IFRIC 8, Scope of IFRS 2* (Effective for annual periods beginning on or after May 2006). IFRIC 8 requires consideration of transactions involving the issuance of equity instruments - where the identifiable considerations received is less than the fair value of the equity instruments issued - to establish whether or not they fall within the scope of IFRS 2. The Bank will apply IFRIC 8 from July 1, 2007, but it is not expected to have any impact on the Bank's accounts; and
- *IFRIC 10, Interim Financial Reporting and Impairment* (Effective for annual periods beginning on or after November 1, 2006). IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investment in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Bank will apply IFRIC 10 from July 1, 2007, but it is not expected to have any impact on the Bank's accounts.

Interpretations to existing standards that are not yet effective and not relevant to the Bank's operations.
The following interpretations to existing standards have been published that are mandatory for the Bank's accounting periods beginning on or after May 1, 2006 or later periods but are not relevant to the Bank's operations:

- *IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies* (Effective from March 1, 2006). IFRIC 7 provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period.

Interpretations to existing standards that are not yet effective and not relevant to the Bank's operations.

- *IFRIC 9, Reassessment of Embedded Derivatives* (Effective for annual periods beginning on or after June 1, 2006). IFRIC 9 requires an entity to assess whether an embedded derivatives is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract,

2 Summary of significant accounting policies
... continued

Interpretations to existing standards that are not yet effective and not relevant to the Bank's operations.
... continued

in which case reassessment is required.

Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including: cash and non-restricted balances with other banks and short-term government securities.

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

(a) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money, goods or services directly to a debtor with no intention of trading the receivable.

(b) Held-to-maturity
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. Were the Bank to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

(c) 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.

Purchases and sales of held-to-maturity and available-for-sale 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 transaction 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 and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in profit or loss. However, interest calculated using the effective interest method is recognised in the statement of income. Dividends on available-for-sale equity instruments are recognised in the statement of income 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 a 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.

2 Summary of significant accounting policies
... continued

Interpretations to existing standards that are not yet effective and not relevant to the Bank's operations. *... continued*

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, 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 are charged to the statement of income during the financial period in which they are incurred.

Land is not depreciated. Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	2%
Furniture & Equipment	20 - 33 1/3%
Motor Vehicles	20%

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

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of income.

Impairment of financial assets

Assets carried at amortised cost
The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence that impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that 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:

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 company 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 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.

2 Summary of significant accounting policies
... continued

Impairment of financial assets *... continued*

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 a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit 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 income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

For the purposes 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 consider asset type, industry, collateral type, past-due status 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 asset 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 loan impairment in the statement of income.

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 income.

2 Summary of significant accounting policies
... continued

Impairment of financial assets... *continued*

Assets carried at fair value

The Bank assesses at each balance sheet 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 securities 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 that financial asset previously recognised in equity - is removed from equity and recognised in the statement of income. Impairment losses recognised in the statement of income on equity instruments are not reversed through the statement of income, if any. If in subsequent period, the fair value of 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 profit or loss, the impairment loss is reversed through the statement of income, if any.

Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when 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.

Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of income over the period of the borrowings using the effective interest method.

Grants

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Bank will comply with all attached conditions. Grants relating to costs are deferred and recognised in the statement of income over the period necessary to match them with the costs that they are intended to compensate.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, from the proceeds.

Dividends on ordinary shares are recognised in equity in the period in which they are declared. Dividends for the year that are declared after the balance sheet date are dealt with in the subsequent event note.

Interest income and expense

Interest income and expense are recognised in the statement of income for all instruments measured at amortised cost using the accrual method, except for held-to-maturity investments which used the effective interest method.

The effective interest method is a method of **2**

Summary of significant accounting policies
... continued

Impairment of financial assets... *continued*

calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or discounts received between parties to the contract that are an integral part of the effective interest rate.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fees and other income
Fees and other income are generally recognised on an accrual basis when the service has been provided.

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 income.

Financial instruments
Financial instruments carried on the balance sheet include cash resources, investment securities, loans and advances to customers, borrowings and due to customers. The particular recognition methods adopted are disclosed in the individual policy statement associated with each item.

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

3 Financial risk management

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 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.

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 balance sheet 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 balance sheet date. Management therefore carefully manages its exposure to credit risk.

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. Such risks are monitored on a revolving basis and subject to quarterly 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

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

		2007		2006
	%	$ (000's)	%	$ (000's)
Education	**31.74**	**37,205**	30.00	35,881
Mortgage	**22.06**	**25,863**	23.14	27,662
Tourism	**17.34**	**20,328**	17.62	21,067
Industrial	**15.35**	**17,998**	15.94	19,054
Agricultural	**6.77**	**7,934**	7.79	9,314
Other consumers	**6.25**	**7,316**	4.86	5,807
Distribution & commerce	**0.49**	**572**	0.65	778
Total before deduction for allowance for losses on loans and advances and unearned interest on discount loans		**117,216**		119,563

3 Financial risk management ... *continued*

Market risk
The Bank is exposed to equity securities price risk because of investments held by the Bank classified on the balance sheet as available-for-sale.

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. 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 since most of its assets and liabilities in foreign currencies are held in United States dollars. The exchange rate of the Eastern Caribbean dollar (EC$) to the United States dollar (US$) has been formally pegged at EC$2.70 = US$1.00 since 1974. The following table summarises the Bank's exposure to foreign currency exchange rate risk at June 30, 2007. Included in the table are the Bank's assets and liabilities at carrying amount, categorised by currency.

	EC$	EURO	US$	Total
As at June 30, 2007				
Assets				
Cash and balances with other banks	2,958,065	–	–	2,958,065
Treasury bills & other debenture bonds	2,629,451	–	–	2,629,451
Loans and advances to customers	105,980,473	–	–	105,980,473
Investment securities:				
- available-for-sale	1,287,340	–	–	1,287,340
- held-to-maturity	6,734,203	–	–	6,734,203
Property, plant and equipment	5,117,920	–	–	5,117,920
Other assets	568,921	–	–	568,921
Total assets	125,276,373	–	–	125,276,373
Liabilities				
Due to customers	12,832,112	–	–	12,832,112
Borrowed funds	17,964,930	8,235,218	58,954,351	85,154,499
Other liabilities	3,240,053	–	–	3,240,053
Total liabilities	34,037,095	8,235,218	58,954,351	101,226,664
Net currency exposure	**91,239,278**	**(8,235,218)**	**(58,954,351)**	**24,049,709**
As at June 30, 2006				
Total assets	125,318,352	–	–	125,318,352
Total liabilities	30,887,481	9,372,990	61,671,943	101,932,414
Net currency exposure	**94,430,871**	**(9,372,990)**	**(61,671,943)**	**23,385,938**

3 Financial risk management ... *continued*

Interest rate risk
The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flow. 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 sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

Liquidity risk
The Bank is exposed to daily calls on its available cash resources from maturing deposits and loan draw downs. 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 inter-bank and other borrowing facilities that should be placed to cover withdrawals at unexpected levels of demand.

The table below analyses assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

	1 Year $	1-5 Years $	Over 5 years $	Total $
As at June 30, 2007				
Assets				
Cash and balances with other banks	2,958,065	–	–	2,958,065
Treasury bills & other debenture bonds	2,629,451	–	–	2,629,451
Loans and advances to customers	7,068,549	43,393,516	55,518,408	105,980,473
Investment securities:				
- available-for-sale	–	–	1,287,340	1,287,340
- held-to-maturity	6,407,444	326,759	–	6,734,203
Property, plant and equipment	277,147	636,145	4,204,628	5,117,920
Other assets	568,921	–	–	568,921
Total assets	19,909,577	44,356,420	61,010,376	125,276,373
Liabilities				
Due to customers	4,003,116	8,828,996	–	12,832,112
Borrowed funds	9,901,918	32,275,454	42,977,127	85,154,499
Other liabilities	3,240,053	–	–	3,240,053
Total liabilities	17,145,087	41,104,450	42,977,127	101,226,664
Net liquidity gap	**2,764,490**	**3,251,970**	**18,033,249**	**24,049,709**
As at June 30, 2006				
Total assets	21,462,652	48,142,025	55,713,675	125,318,352
Total liabilities	16,315,889	40,153,250	45,463,275	101,932,414
Net liquidity gap	**5,146,763**	**7,988,775**	**10,250,400**	**23,385,938**

3 Financial risk management ... *continued*

Liquidity risk *...continued*
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 of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

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

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.

The fair values of securities are assumed to be equal to the estimated market value. The fair values of unquoted securities are estimated at book value which is not significantly different from their carrying values.

The estimated fair values of loans reflect changes in interest rates that have occurred since the loans were originated and are determined by discounting contractual future cash flows, over the remaining term to maturity, at current interest rates. The estimated fair values of loans are not significantly different from their carrying values.

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, which reflect market conditions and are assumed to have fair values which approximate carrying values.

4 Critical accounting estimates, and judgements in applying accounting policies

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements 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.

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 income, the Bank makes judgement 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.

3 Financial risk management ... *continued*

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 future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

b) Impairment of available-for-sale equity investments
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 judgement. 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, 2007.

c) Held-to-maturity investments
The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for the specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

5 Cash and Balances With Other Banks

	2007 $	2006 $
Cash in hand	**1,100**	1,100
Balances with other banks	**2,956,965**	2,962,779
Included in cash & cash equivalents (Note 23)	**2,958,065**	2,963,879

6 Treasury Bills and Debenture Bonds

	2007 $	2006 $
Treasury bills (Note 23)	**2,426,126**	2,456,019
Debenture bonds	**203,325**	203,280
	2,629,451	2,659,299

Treasury bills and debenture bonds are debt securities issued by the Government of Dominica. The weighted average effective interest rate in 2007 is 5.93% (2006 - 5.93%).

7 Loans and advances to customers

	2007 $	2006 $
Demand loans	**91,605,713**	94,181,749
Mortgages	**25,610,222**	25,381,195
	117,215,935	119,562,944
Less provision for impairment of loans & advances (Note 8)	**(11,235,462)**	(13,160,170)
	105,980,473	106,402,774
Current	**7,068,549**	8,847,656
Noncurrent	**98,911,924**	97,555,118

The weighted average effective interest rate on productive loans stated at amortised cost at June 30, 2007 is 9.61% (2006- 9.73%).

The aggregate amount of interest not accrued on non-performing loans amounted to $15,571,393 (2006 - $16,916,886).

8 Provision for impairment of loans and advances

Movement in provision for impairment are as follows:

	2007 $	2006 $
At beginning of year	**13,160,170**	11,243,019
Loans written off during the year	**(3,924,708)**	(82,849)
Impairment losses on loans and advances	**2,000,000**	2,000,000
At end of year	**11,235,462**	13,160,170

Impairment losses on loans and advances presented under the statement of income include recoveries of previously written-off provisions.

9 Investment Securities

	2007 $	2006 $
Available-for-sale		
Equity securities - at fair value:		
- Listed	**163,330**	143,330
- Unlisted	**1,124,010**	1,124,010
Total securities: available-for-sale	**1,287,340**	1,267,340
Noncurrent	**1,287,340**	1,267,340
Held-to-maturity		
Debt securities - at amortised cost:		
- Unlisted	**6,734,203**	5,921,565
Current	**6,407,444**	5,921,565
Noncurrent	**326,759**	–

The weighted average effective interest rate on securities held-to-maturity stated at amortised cost at June 30, 2007 is 6.03% (2006 - 5.94%).

10 Property, Plant and Equipment

	Land	Buildings	Motor Vehicles	Furniture & Equipment	Computer Equipment	Total
	$	$	$	$	$	$
At June 30, 2005						
Cost	184,275	5,956,757	138,950	760,896	1,005,013	8,045,891
Accumulated depreciation	–	(1,140,310)	(138,950)	(722,414)	(954,515)	(2,956,189)
Net book amount	184,275	4,816,447	–	38,482	50,498	5,089,702
Year ended June 30, 2006						
Opening net book amount	184,275	4,816,447	–	38,482	50,498	5,089,702
Additions in the year	–	26,553	–	270,188	86,156	382,897
Depreciation charge	–	(119,666)	–	(65,914)	(72,787)	(258,367)
Closing net book amount	184,275	4,723,334	–	242,756	63,867	5,214,232
At June 30, 2006						
Cost or valuation	184,275	5,983,310	138,950	1,031,084	1,091,169	8,428,788
Accumulated depreciation	–	(1,259,976)	(138,950)	(788,328)	(1,027,302)	(3,214,556)
Net book amount	184,275	4,723,334	–	242,756	63,867	5,214,232
Year ended June 30, 2007						
Opening net book amount	184,275	4,723,334	–	242,756	63,867	5,214,232
Additions in the year	–	–	–	44,501	136,334	180,835
Depreciation charge	–	(119,666)	–	(76,899)	(80,582)	(277,147)
Closing net book amount	184,275	4,603,668	–	210,358	119,619	5,117,920
At June 30, 2007						
Cost or valuation	184,275	5,983,310	138,950	1,075,585	1,227,503	8,609,623
Accumulated depreciation	–	(1,379,642)	(138,950)	(865,227)	(1,107,884)	(3,491,703)
Net book amount	184,275	4,603,668	–	210,358	119,619	5,117,920

The cost of the land where the office building is situated is not yet reflected in the books since the title is still being discussed with other government agencies.

11 Other Assets

	2007 $	2006 $
Other receivables	**852,863**	958,416
Less provision for impairment on receivables	**(293,181)**	(78,893)
	559,682	879,523
Prepayments	**9,239**	9,740
	568,921	889,263
Current	**568,921**	889,263

12 Due to Customers

	2007 $	2006 $
Fixed deposits	**10,098,702**	8,665,921
Refundable deposits	**1,643,192**	1,541,073
Loan prepayments	**1,090,218**	857,403
	12,832,112	11,064,397
Current	**4,003,116**	3,658,016
Noncurrent	**8,828,996**	7,406,381

All fixed deposits carry fixed interest rates. The weighted average effective interest rate of fixed deposits at June 30, 2007 is 5.43% (2006 - 5.76%).

13 Borrowed Funds

	2007 $	2006 $
Caribbean Development Bank	**55,147,892**	58,014,186
Dominica Social Security	**14,548,219**	15,660,271
European Investment Bank	**8,235,218**	9,372,989
Government of Venezuela	**3,219,565**	–
Republic of China	**3,029,183**	3,317,431
Caisse Centrale De Co-operation Economique	**777,275**	978,220
International Fund for Agricultural Development	**197,147**	540,235
	85,154,499	87,883,332
Current	**9,901,918**	9,673,188
Noncurrent	**75,252,581**	78,210,144

These loans earn interest at rates ranging from 1% to 8% and are guaranteed by the Government of Dominica.

14 Other Liabilities

	2007 $	2006 $
Agencies liabilities	**696,981**	589,218
Dividends payable	**500,000**	250,000
Grants	**416, 236**	572, 101
Others	**1,626,836**	1,573,366
	3,240,053	2,984,685
Current	**3,240,053**	2,984,685

Grants include funds received from European Development Fund amounting to $154,331 (2006 - $155,940) for institutional strengthening and funds from European Union $261,905 (2006 - $416,161) 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.

15 Share Capital

	2007 $	2006 $
Authorized:		
5,000,000 ordinary shares with a $5 par value		
Issued and fully paid:		
3,509,526 ordinary shares	**17,547,631**	**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 and 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 subscribed 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.

16 Reserves

	2007 $	2006 $
General reserve	**88,234**	88,234
Statutory reserve	**4,189,082**	3,938,308
Special reserves	**1,401,074**	1,394,414
Revaluation reserve - available-for-sale investments	**(459,990)**	(479,990)
	5,218,400	4,940,966

Movements in reserves were as follows:

	2007 $	2006 $
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.

16 Reserves ... *continued*

	2007 $	2006 $
Statutory reserve		
At beginning of year	**3,938,308**	3,727,294
Transfer from retained earnings	**250,774**	211,014
At end of year	**4,189,082**	3,938,308

This represents twenty-five percent (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

Caribbean Development Bank provision		
At beginning and end of year	**441,122**	441,122
Foreign exchange equalization		
At beginning of year	**953,292**	861,933
Foreign exchange loss utilization	**(109,326)**	(10,785)
Transfers from retained earnings	**115,986**	102,144
At end of year	**959,952**	953,292
Total special reserves	**1,401,074**	1,394,414

Under the provision of Caribbean Development Bank (CDB) loan 16/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. Total amount of reserve under this category as at June 30, 2007 is $441,122 (2006 - $441,122).

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 sub-loans 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. Total amount of reserve under this category as at June 30, 2007 is $959,952 (2006 - $953,292).

16 Reserves ... *continued*

	2007 $	2006 $
Revaluation reserve - available-for-sale investments		
At beginning of year	**(479,990)**	(412,475)
Fair value adjustments	**20,000**	(67,515)
At end of year	**(459,990)**	(479,990)

17 Net Interest Income

	2007 $	2006 $
Interest and similar income		
Loans and advances	**10,765,353**	9,918,861
Deposits with banks	**499,281**	556,942
	11,264,634	10,475,803
Interest expense and similar charges		
Long term debt	**4,019,767**	4,225,440
Interest on deposits	**458,842**	405,154
	4,478,609	4,630,594

18 Other Operating Income

	2007 $	2006 $
Agency fees	**145,755**	143,977
Administrative fees	**30,000**	30,000
Gain on disposal of property, plant & equipment	**–**	2,000
Others	**496,960**	402,356
	672,715	578,333

19 Other Operating Expenses

Staff costs (Note 21)	**2,291,540**	2,303,376
Administrative expenses (Note 20)	**981,814**	931,932
Loss/(gain) on foreign exchange	**529,326**	(399,066)
Building occupancy expenses	**522,042**	493,818
Depreciation (Note 10)	**277,147**	258,367
	4,601,869	3,588,427

20 Administrative Expenses

	2007 $	2006 $
Legal and professional fees	**270,742**	103,640
Provision for impairment on other receivables	**214,289**	78,893
Directors emoluments	**154,466**	171,229
Printing, stationery, and office supplies	**110,483**	94,841
Telephone, postage and fax	**81,780**	82,687
Advertising	**46,135**	143,270
Motor vehicle expenses	**29,195**	27,214
Repairs & maintenance of furniture & equipment	**25,045**	116,595
Subscriptions and donations	**23,372**	30,325
Annual report	**8,447**	10,995
Insurance	**7,805**	7,905
Litigation charges	**–**	57,500
Miscellaneous expenses	**10,055**	6,838
Total administrative expenses	**981,814**	931,932

12 Staff Costs

	2007 $	2006 $
Salaries and wages	**1,740,744**	1,747,715
Social security costs	**101,745**	102,119
Group insurance	**45,068**	43,143
Other staff costs	**403,983**	410,399
	2,291,540	2,303,376

22 Dividends

The Bank declared 5% dividends amounting to $250,000 with respect to the ordinary shares held by the Dominica Social Security.

On December 15, 2005, the Board of Directors with the approval of the stockholder reversed the dividend declared in 2005 to the Government of Dominica amounting to $627,382.

23 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:

	2007 $	2006 $
Cash and balances with other banks	**2,958,065**	2,963,879
Treasury bills	**2,426,126**	2,456,019
	5,384,191	5,419,898

24 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. 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 the year-end, Directors of the Bank and companies in which they have an interest had no loans or fixed deposits with the Bank (loans of $2,059,236 and fixed deposits of $60,000 in 2006).

In 2007, the total remuneration paid to Directors and key management personnel was $912,536 (2006 - $996,785).

The Bank's outstanding obligation to Dominica Social Security, a stockholder, amounts to $14,566,042 (2006 - $15,660,271).

25 Contingent liabilities and commitments

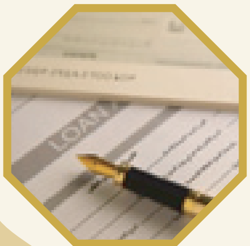
Loans and Advances
As at year-end, loans and advances approved by the Bank but not yet disbursed, amounted to approximately $5,212,534 (2006 - $865,145).

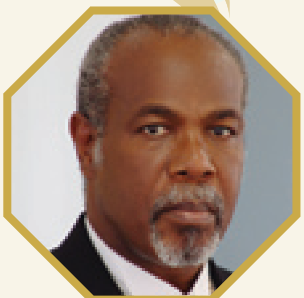
Legal
The Bank is the defendant in various legal actions. In the opinion of the directors, after taking appropriate legal advice, the results of such actions will not have a material effect on the Bank's financial position.

26 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.

PART V
FUTURE OUTLOOK





Commencing in the latter part of the financial year of July 2007 to June 2008, the Bank intends to prepare its strategic plan for a five year period. The DAIDB continues to be the institution with the largest share of small business and education financing in the local environment. However, if it is to deliver greater results and play a more meaningful role in the social and economic development of the country the Bank will need to enhance its capacity and effectiveness.

In order to ensure growth and sustainability of the institution there is a range of issues which the DAIDB intends to critically examine during the formulation of its strategic plan. These issues include:

- ensuring that the right mix of human resources are in place;
- defining and differentiating its role in the financial market place;
- designing appropriate instruments, products and services to meet the needs of its customers;
- improving the overall quality of customer service including the speed of loan processing and disbursement;
- continuing and sustaining improvements in portfolio quality;
- identifying alternative sources of financial resources;
- strengthening its capacity to assess and manage risk;
- building competencies in strategic areas;
- ensuring that projects receive the technical assistance that they need to ensure that they generate adequate revenues for future debt servicing;
- expanding where appropriate; and
- demonstrating excellence in all areas of its operations.

In setting out its vision and strategic plan, the Bank will be tapping on its own internal creativity and knowledge. However, it also intends to access valuable assistance from external sources including regional financial institutions in assessing the external environment and facilitating the planning process.

The Bank has set its sights on nothing less than becoming a premier development banking institution. Such an achievement will ensure that the Bank will mobilise the funds it requires to continue promoting and influencing economic development. A well-formulated strategic plan is a necessary step towards achieving this goal. However, it is a demonstrated commitment on the part of all stakeholders that will ensure that the Bank maximizes its contribution to the growth and resilience of business enterprises in Dominica and the economy as a whole.

PART VI
STAFF OF DAIDB

STAFF MEMBERS as at June 30, 2007

OFFICE OF THE GENERAL MANAGER
Mrs. E. Harris-Charles, Ph.D., M.Sc., M.A., B.A.-General Manager, Ag.
Ms. R. Thomas, B.Sc. - Executive Secretary
Ms. G. Edwards - File Clerk
Mr. G. Nicholls - Office Attendant

LEGAL DIVISION
Mr. A. Commodore, Cert. P.A., LL.M., L.E.C., LL.B., - Legal Counsel
Ms. N. Winston - Bank Officer

INVESTMENTS DIVISION
Mr. P. Moses, MBA, B.Com. - Senior Manager Investments
Mrs. M. John Rose, M.Sc., B.Sc. - Manager Projects
Mr. M. Paul, MBA - Manager Recoveries
Mrs. M. Abel, B.Sc. - Asst. Manager, Projects
Ms. J. Dechausay, B.Sc. - Senior Projects Officer
Mrs. P. Shillingford-Chambers, B.Sc. - Project Officer I
Mr. F. Fabien, Dip. Agriculture - Project Officer I
Mr. A. H. LeBlanc, Cert.Bus. Admin. - Project Officer I
Mrs. R. Xavier - Recoveries Officer II
Mrs. Nichol Faustin, B.Sc - Loans Officer
Ms. P. Etienne, B.Sc. - Admin Officer/ Securities
Ms. M. Royer - Securities Officer
Ms. E. Alfred, Cert. Bus. Admin. - Bank Officer, Projects
Mr. C. Lloyd - Recoveries Officer III
Ms. G. Shillingford - Recoveries Officer II
Mr. C. Samuel - Recoveries Officer I
Mr. A. Thomas - Bank Officer, Projects

ACCOUNTS AND FINANCE DIVISION
Ms. V. E Abraham, C.G.A., B.A. - Manager Finance
Mrs. I. Bruno, Cert. Bus. Admin. - Assistant Accountant
Ms. A. Dupigny, Cert. Bus. Admin. - Senior Bank Officer, Accounts
Mr. K. Shillingford - Senior Bank Officer, Accounts
Mr. K. Albert - Bank Officer, Accounts
Ms. H. Sylvester, Dip. Bus, Mang't - Bank Officer, Accounts

CORPORATE SERVICES
Mr. C. Carty, FMAAT - Deputy General Manager
Ms. M. Robinson - Customer Service Rep.
Mrs. L. Gonzalez Peltier-John,B.Sc. - Administrative Officer, MIS
Mr. K. Sylvester, M.C. P. - Senior Bank Officer, MIS

HUMAN RESOURCE UNIT
Mrs. U. McDowell-Job, M.Sc., B.A. - Human Resource Manager

AGRICULTURAL INDUSTRIAL
AND DEVELOPMENT BANK

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