DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

"THE FINANCIAL ENGINE OF ECONOMIC GROWTH"

ANNUAL REPORT 2010

OUR MISSION

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

OUR VISION

To be a top rated development finance institution in two years.

ADDRESS TO THE NATION

By Honourable Roosevelt Skerrit, Prime Minister, On the occasion of the 31st Anniversary of independence

"First, I am delighted to announce that a reconfigured and reenergised Agricultural, Industrial and Development Bank, will become the financial engine for driving our growth strategy."

TABLE OF CONTENTS

LETTER OF TRANSMITTAL

Honourable Roosevelt Skerrit
Prime Minister and Minister for Finance,
Social Security and National Security

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

September 30, 2010

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 the operations and Audited Financial Statements of the Dominica Agricultural Industrial and Development Bank for the Financial Year ended June 30, 2010.

Yours faithfully,

DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

MR. AMBROSE M.J. SYLVESTER
CHAIRMAN
BOARD OF DIRECTORS

ACRONYMS AND ABBREVIATIONS

BANDES	Banco de Desarrollo Econ mico y Social de Venezuela
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
FDSL	Financial Data Systems Limited
FEEF	Foreign Exchange Equalization Fund
GDP	Gross Domestic Product
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IFRIC	International Financial Reporting Interpretations Committee
NBD	National Bank of Dominica, formerly National Commercial Bank
NP	Non-performing
SFR-D	Special Fund Resources - Dominica
SMP	Special Mortgage Programme
SPA	Systems and Process Assurance Review
US$	United States dollar

$ represents Eastern Caribbean dollars throughout unless stated otherwise

MEMBERS OF THE BOARD OF DIRECTORS

Ambrose M.J. Sylvester
Chairman

Joyce Dear
Deputy Chairman until March 8, 2010

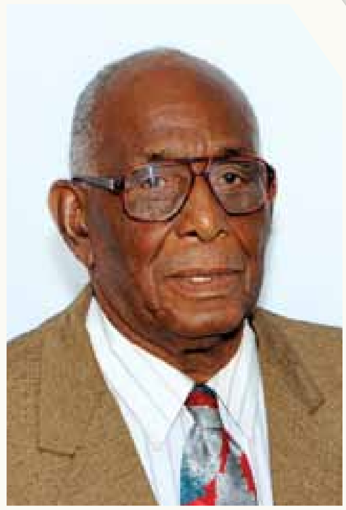
Kertist Augustus
Director until March 8, 2010

Rosamund Edwards
Director from March 9, 2010

Martin Charles
Director until March 8, 2010
Deputy Chairman from March 9, 2010

Simpson Gregoire
Director from March 9, 2010

Elford Henry
Director



Hubert Joseph
Director

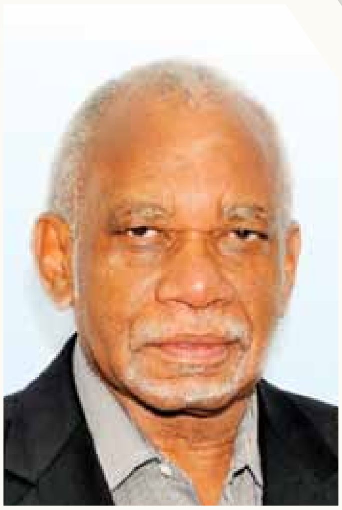
Leon Leblanc
Director

Colbert Pinard
Director

Reuben Thomas
Director

Roan Thomas
Board Secretary

SENIOR MANAGEMENT TEAM AND STAFF



Kingsley Charles Thomas
General Manager/Consultant

Emaline Harris Charles
Executive Manager, Corporate Affairs

Mathilda John Rose
Executive Manager, Credit Operations

V Elfreda Abraham
Senior Manager, Finance and Accounts

Avril Coipel
Senior Manager, Information Systems

Ursula McDowell Job
Senior Manager, Human Resource and Administration

Photograph missing for
Anthony Commodore, Legal Counsel.

Ian Williams
Manager, Industrial Estate Unit

Martha Abel
Manager, Credit

Patricia Etienne
Manager, Recoveries

DAIDB Members of Staff (as at June 30 2010)

MEMBERS OF STAFF AS AT JUNE 30 2010

Office of the General Manager
Mr. K. C. Thomas
General Manager/Consultant

Credit Operations Division
Mrs. M. John Rose
Executive Manager, Credit Operations

Mrs. M. Abel
Manager Credit

Mrs. P. Shillingford Chambers
Mr. F. Fabien
Mrs. N. Faustin
Ms. E. Alfred
Credit Officers

Ms. P. Etienne
Manager Recoveries

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

Ms. M. Royer
Securities Officer

Mr. A. Thomas
Disbursement Officer

Ms. M. Robinson
Customer Service Rep.

Ms. S. Victor
Receptionist

Corporate Affairs
Mrs. E. Harris Charles
Executive Manager, Corporate Affairs

Mrs. J. Dechausay Titre
Special Projects/ Communications Coordinator

MIS Unit
Mrs. A. Coipel
Senior Manager, Information Systems

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

Mr. K. Sylvester
Technical Officer, MIS

Industrial Estate Unit
Mr. I. Williams
Manager, IEU

Mr. A. H. LeBlanc
Assistant Manager, IEU/ Technical Advisor

Mrs. R. Hyacinth
Administrative Officer

Mr. John O garro
Maintenance Officer

Legal Division
Mr. A. Commodore
Legal Counsel

Ms. N. Winston
Legal Officer

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

Mrs. I. Bruno
Assistant Manager, Finance and Accounts

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

Ms. H. Sylvester
Mr. M. Allan
Officer Finance and Accounts

Human Resource Division
Mrs. U. McDowell-Job
Senior Manager, Human Resource and Administration

Ms. R. Thomas
Assistant Manager, Human Resource and Administration/ Board Secretary

Ms. G. Edwards
Registry Officer

Mr. G. Nicholls
Office Attendant

CONTACT DETAILS

Dominica Agricultural Industrial & Development Bank.
Corner of Charles Ave and Rawles Lane, Goodwill,
Commonwealth of Dominica

Telephone:	**767-448-2853**
Facsimile:	**767-448-4903**
E-mail:	**aidbank@cwdom.dm**
Website:	**www.aidbank.com**

Solicitors

Alick Lawrence, Chambers, Roseau.
7 Old Street, Roseau, Commonwealth of Dominica

Auditors

PricewaterhouseCoopers
Pointe Seraphine, P.O. Box 195, Castries, St. Lucia

Bankers

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

CHAIRMAN'S STATEMENT 2009/10

The period under review marked the first year of the five-year Strategic and Operational Plan [2009-14] of the Bank which was approved in June 2009.

Based on the results for the year, it is reasonable to conclude that the Bank has performed creditably, achieving, and in a number of instances, surpassing the targets, which were set in the Plan.

Specifically, we highlight the following:

- Loan Approvals for the year totalled $41.9 million, the highest ever recorded in the 39-year history of the institution.

  Consistent with Government s priority objective for growth and development, as articulated in its Growth and Social Protection Strategy, loans in the Tourism and Industry Sectors combined accounted for 70.2 per cent of total approvals.

  This level of approvals was **three times** that recorded for the preceding financial year ended June 30, 2009; **two times** the average level approved for the past ten [10] years and greater than the budget for the year by 18.0 per cent.

  This was achieved notwithstanding a three-month delay in the implementation of the Strategic and Operational Plan, which became fully operational in October 2009.

- Disbursements of loans for the year totalled $21.05 million, again, this represents the highest level recorded in any one year in the history of the Bank and approximately 50 per cent above that recorded for the preceding financial year.

  The value of disbursements was 27.4 per cent below the budget for the year primarily owing to the time devoted to the introduction of new and improved loan agreements and security documentation.

These improvements have placed the Bank in a stronger position to protect its advances whenever borrowers default.

- The mobilisation of funding showed positive results for the year. In the past the lack of funds was a major factor inhibiting the Bank s progress and growth.

  In December 2009, the Caribbean Development Bank [CDB] approved a Line of Credit for the Bank for US$8.0 million. This was the first loan obtained from the CDB in eight [8] years.

  In June 2010, the European Investment Bank [EIB] approved a Line of Credit for the Bank for US$10.04 million.

The last loan obtained by the Bank from the EIB was in 1998 some twelve years ago.

The two Lines of Credit approved for the Bank during the year, totalling US$18.04 million is in excess of the annual average of US$ 16.0 million projected for each year of the five-year Strategic and Operational Plan.

- The Non-Performing Loan ratio declined from 18.59 per cent in the previous year to 15.9 per cent at the end of the financial year. Although the bank did not achieve its target set for the financial year we welcome the reduction from the previous year.

  In fact, this level is the lowest achieved by the Bank in the nine years since this ratio has been recorded.

- The Bank has re-established itself as a credible institution in the financial architecture of the Commonwealth of Dominica.

  The forging of partnerships with agencies of the state and private sector financial institutions in the country [the Invest Dominica Authority (IDA) and the National Bank of Dominica (NBD)] are two of the initiatives which have engendered new confidence in the institution and has solidified its repositioning.

  Positive proof of the efficacy of this repositioning is the number of loan enquires and applications which have been and are being made to the Bank from entities and individuals who now consider the AID Bank as their financing partner.

- The credibility and standing of the Bank has also improved during the past financial year and is evidenced by its ability to obtain funding from external sources after close to a decade of being unable so to do.

- Of significance to its financial condition was the innovative proposal, which was accepted by the Government, for the assets of the Industrial Estate Unit [IEU] to be transferred to the Bank.

  This transaction, which will be finalised in the financial year ending June 2011, is projected to increase the Bank's net worth significantly. This will allow for the institution to not only meet and surpass a number of prudential banking metrics, but will provide a stronger capital base, which could be leveraged to obtain additional funding.

  The acceptance by the Dominica Social Security [DSS] of a concomitant proposal from the Bank to release the Government from the guarantees on loans to the Bank and for their replacement by first charges on a number of the properties transferred has made it possible for the Government of the Commonwealth of Dominica to provide the guarantee required for the loan from the EIB without a negative impact on the country s Debt to GDP Ratio.

- A successful restructuring of the institution was completed during the year. In addition to making the Bank more responsive to the needs of its borrowers, both existing and potential, the exercise has resulted in a higher level of morale within the staff establishment.

- During the 2008/09 financial year, the AID Bank, the first Development Bank in the region to undertake a credit rating, received from the Caribbean Information and Credit Rating Services Ltd, [CariCRIS] a rating of CariBB+. The Bank took the bold step to publicise the rating, and as a result is subject to annual reviews.

- For the period under review, an assessment of the Bank was again undertaken by CariCRIS and the Rating Agency reaffirmed its rating of CariBB+.

  Very importantly it must be noted, that among other things, credit ratings have the potential to unlock funding from a number of lending institutions.

  The latest review was funded in part by the Caribbean Development Bank.

Financial Performance

The financial performance of the Bank for the financial year 2009/2010, while below the projections for the period is considered commendable given the delay in the implementation of the Strategic and Operational Plan, the need to write down a substantial portion of its investment in a financial institution and increases in operating expenses attendant on the restructuring exercise.

For the financial year ended June 30, 2010, total income for the year reached $12.33 million excluding the foreign exchange gain of $0.39 million.

This was approximately 10.72 per cent above the comparable figure of $11.14 million recorded and restated for the preceding financial year.

Notwithstanding the provision for the impairment in the Bank's investment in a financial institution of $633,000, the Profit realised from operations for the year, totalled $1.59 million. This was approximately 23 per cent greater than that recorded for the preceding financial year.

This year's Net Profit increased as a result of the Bank benefitting from a refund of $921,723 negotiated with the European Investment Bank consequent on prior year s overpayment on principal.

Operating expenses, increased by approximately 4.69 per cent compared with the preceding financial year, to $8.52 million. This was substantially as a result of the restructuring of the institution and the concomitant adjustment in the emoluments of staff.

Shareholders equity increased by 4.29 per cent to $32.56 million compared with the preceding year, while retained earnings also showed positive movements increasing by approximately 14 per cent over the previous year to $7.02 million.

Rural Farm Project with Green house, Piggery and Farm House, Pond Case



Left: Infrastructural Development, Pond Case to Melville Hall Road Improvement Project. **Center and Right:** Construction of Inn at Castle Bruce

Outlook

The global economic outlook still remains uncertain, with the pace of economic recovery being slower than anticipated. Amidst these challenges, development banks, as financial intermediaries, have a key role to play in promoting growth and development by channelling funds to the private sector and to a lesser extent to the public sector primarily in terms of funding enabling infrastructural development.

In order to accomplish these development objectives, the AID Bank remains committed that its operations are based on sound financial management systems which practice good banking discipline in terms of risk management thereby resulting in an improved profitability and financial position.

We wish to inform shareholders and all stakeholders that the strategies articulated in the AID Bank's five year Strategic and Operational plan 2009 2014 are designed to achieve this.

With the record levels of loan approvals and disbursements for the year, the healthy pipeline of project enquires and loan applications, the reduction in the Non-Performing loan portfolio and the successful efforts at mobilising funding, it is reasonable to accept that the AID Bank is on a path to improve its financial performance in the out years and will achieve the target set in its Five-year Strategic Plan of becoming financially self sustaining within three years.

We are also confident that as we continue to build on the platform that we have created, we will achieve the results that will have a positive impact on the country s economic growth and on employment creation.

It is reasonable to conclude therefore, notwithstanding the challenges and obstacles faced from both within and outside the institution, during the financial year, that the Bank through the implementation of a carefully crafted strategy of repositioning, re-engineering and refocusing is now on a trajectory to fulfilling its mission:

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

Acknowledgements

We express our sincerest appreciation to our customers, our shareholders, the Government of the Commonwealth of Dominica and in particular the Honourable Prime Minister and Minister of Finance, the Dominica Social Security and to our partners in both the public and private sectors for their support during the year.

We also express our thanks to our stakeholders, our regional and international funding partners, primary among which are: BANDES, the Caribbean Development Bank, the EIB and the Commonwealth Secretariat which through The Commonwealth Fund for Technical Cooperation [CFTC] supported the assignment of the General Manager/Consultant to the Bank for two years.

Finally, we thank most sincerely the Members of the Board of Directors, the Management and Staff whose commitment, dedication and service enabled the Bank in a challenging period of transformation, to achieve to a large degree, its objectives for the financial year.

We urge even a greater level of performance as we strive to make the AID Bank, with the blessings and guidance of the Almighty, a national institution of which all Dominicans will be justly proud.

Construction of Resort and Spa, Anse De Mai

DAIDB FIVE-YEAR HIGHLIGHTS AT A GLANCE 2006-2010

INCOME STATEMENT	2010 EC$	2009 EC$	2008 EC$	2007 EC$	2006 EC$
Interest Income	10,307	10,609	11,685	12,024	10,476
Interest Expense	3,703	4,076	4,459	4,479	4,631
Net Interest Income	**6,604**	**6,533**	**7,226**	**7,546**	**5,845**
Other Income net	2,417	1,235	626	673	977
Operating Income	**9,021**	**7,768**	**7,852**	**8,218**	**6,823**
Staff Costs	3,126	2,548	2,360	2,292	2,303
Administrative Costs	1,692	1,516	2,723	2,310	1,684
Provisions	2,617	2,418	1,948	1,854	1,991
Net Profit	**1,585**	**1,286**	**821**	**1,763**	**844**
BALANCE SHEET	**2010 EC$**	**2009 EC$**	**2008 EC$**	**2007 EC$**	**2006 EC$**
Assets					
Cash and Balances with Central Bank	23	3,112	1,039	1,032	1,003
Deposit with Other Banks	6,309	3,689	4,935	6,930	5,145
Investments [Net of Impairment]	4,649	5,920	5,793	5,648	6,664
Loans [Net of Impairment]	116,549	112,686	114,169	111,754	106,403
Other	5,009	5,246	5,408	5,687	6,103
Total Assets	**132,538**	**130,652**	**131,343**	**131,050**	**125,318**
Liabilities					
Deposits	10,824	10,167	13,182	12,832	11,064
Borrowings	82,892	84,094	83,979	85,154	87,883
Other Liabilities	6,258	5,168	3,951	3,240	2,985
Equity	32,563	31,222	30,232	29,823	23,386
Total Liabilities and Equity	**132,538**	**130,652**	**131,343**	**131,050**	**125,318**
OTHER INFORMATION	**2010 EC$**	**2009 EC$**	**2008 EC$**	**2007 EC$**	**2006 EC$**
Loan Approvals	41,910	13,456	20,357	20,025	15,042
Loan Disbursements	21,050	14,282	18,683	16,271	16,164
Estimated Number of Jobs Created	805	487	701	780	675
Return on Equity	4.87%	4.12%	2.72%	5.91%	3.61%
Return on Assets	1.20%	0.98%	0.63%	1.38%	0.67%
Loan Provisions as % of Portfolio	7.12%	7.49%	6.46%	9.59%	11.01%
Loan Provisions as % of Non-performing Portfolio	46.95%	42.48%	32.40%	37.85%	32.75%

PART 1
THE ECONOMY OF DOMINICA

THE ECONOMY OF DOMINICA[1]

In 2009, the global downturn adversely affected the Dominican economy through a decline in tourism receipts by 16 per cent and reductions in Foreign Direct Investment and remittances by 51 per cent and 18 per cent respectively. Consequently, real GDP was estimated to have contracted by 0.3 per cent, reflecting a less severe impact of the global downturn than other Eastern Caribbean Currency Union [ECCU] economies.

Dominica s relatively stronger economic performance during the recent global downturn has been attributed to its less-developed tourism sector and greater dependence on agriculture.

The resilience of the economy owes much to Dominica s relatively stronger fiscal position than other ECCU members and greater progress with debt reduction. Its stronger macroeconomic framework has resulted from more prudent fiscal management, in the years following the Economic Stabilization Programme.

Government s successful negotiation of grant resources has also enabled the country to undertake counter-cyclical measures, to address the adverse effects of the global downturn.

With respect to prices, just prior to the recent global crisis, there had been an increase in inflation driven mainly by international fuel and food prices. Annual average inflation which was 1.9 per cent during 2001 – 2007, increased to 6.4 per cent in 2008 and slowed to an average of almost zero per cent in 2009.

The external current account deficit decreased from almost 32 per cent of GDP in the previous year to 28 per cent in 2009 reflecting a fall-off of imports related to fuel and foreign direct investment.

The banking sector continued to show growth and resilience in the face of the global crisis. Both banking sector credit to the private sector and the money supply increased in the 12 months to December 2009. Prudential indicators suggest that local banks have remained liquid and well capitalised, while non-performing loans have declined.

In its special mention of the DAIDB, the IMF report[2] indicated that:

The Agricultural and Industrial Development Bank has been refocused on its original mandate as a development bank and placed under the supervision of the FSU. It no longer takes deposits or makes consumer loans and has reduced its large portfolio of nonperforming loans [NPLs].

The bank s lending has recently grown rapidly, and it has contracted loans amounting to US$22.4 million [6 per cent of GDP] to finance its operations"

Preliminary estimates indicate that Government s main fiscal indicator, the primary fiscal balance, recorded a surplus of 1.5 per cent of GDP, short of the 2 per cent that had been estimated. The main reason for this was the non-implementation of measures for capital revenue which accounted for more than 1 per cent of GDP and the higher than projected level of government financing of the capital budget.

Government s debt to GDP ratio now stands at 72 per cent, representing a significant decrease from 130 per cent in 2003. It was this performance that helped to

---

[1]**Sources:**

Government of Dominica, Prime Minister s Budget Presentation 2010- 2011 . Roseau, July 2010.

IMF, Country Report No. 10/261, "Dominica: 2010 Article IV Consultation – Staff Report; Staff Supplement and Public Information Notice on the Executive Board Discussion , Washington, August 2010.

[2]IMF, Country Report No. 10/261, "Dominica: 2010 Article IV Consultation – Staff Report; Staff Supplement and Public Information Notice on the Executive Board Discussion , Washington, August 2010.

increase government's flexibility to respond to economic shocks and to maintain capital spending in 2009 at the high post-hurricane levels of 2007 and 2008.

In its Budget Address for financial year 2010-2011 Government has stated that its, economic management policy goals continue to be as stated in the Growth and Social Protection Strategy, that is:

- To maintain as the centrepiece of fiscal management, a primary surplus target of 3 per cent of GDP;
- To continue on the path of maintaining the sustainability of the country's fiscal position;
- To continue working towards increasing sustainability of the level of the national debt;
- Continued strengthening of the management of the public finances; and
- To continue to create the conditions for achieving and sustaining economic growth levels at an average of 3.0 per cent per annum.

Medium-term growth prospects are expected to be driven by industries related to the environment, water and energy sources. It has been recommended that comparative advantages in some natural resource-based industries should be better exploited as in the case of eco-tourism, agro-industries, niche focused agriculture and fisheries, and geothermal energy. It has also been recommended that Dominica emphasise infrastructure investments complementary to Dominica s comparative advantages including off-shore education and cruise tourism.

The near to medium-term economic outlook is that the Dominican economy is expected to grow by 1.5 per cent in 2010. The downside risks are related to a potentially very slow recovery in advanced economies, which would adversely affect tourism activity.



Left and Centre: Student Apartment Complex, Ti Bay, Portsmouth, **Right:** Apartment Complex, Restaurant and Bar, Layou Park

PART 2
THE PERFORMANCE OF DAIDB

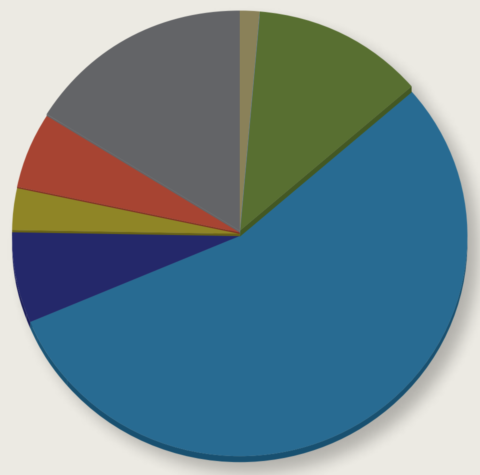
LENDING OPERATIONS

Approvals

For the twelve-month period ended June 30, 2010, 388 loans were approved with a total value of $41.91 million. Tourism loans of $22.77 million and Industry loans of $6.65 million combined, accounted for 70.2 per cent of total approvals for the period. During the period under review, the Bank also approved one loan valued at $5.00 million for infrastructural development.

The loan approvals for the twelve-month period were significantly above the actual approvals recorded for that same period ended June 30, 2009 by 211.44 per cent.

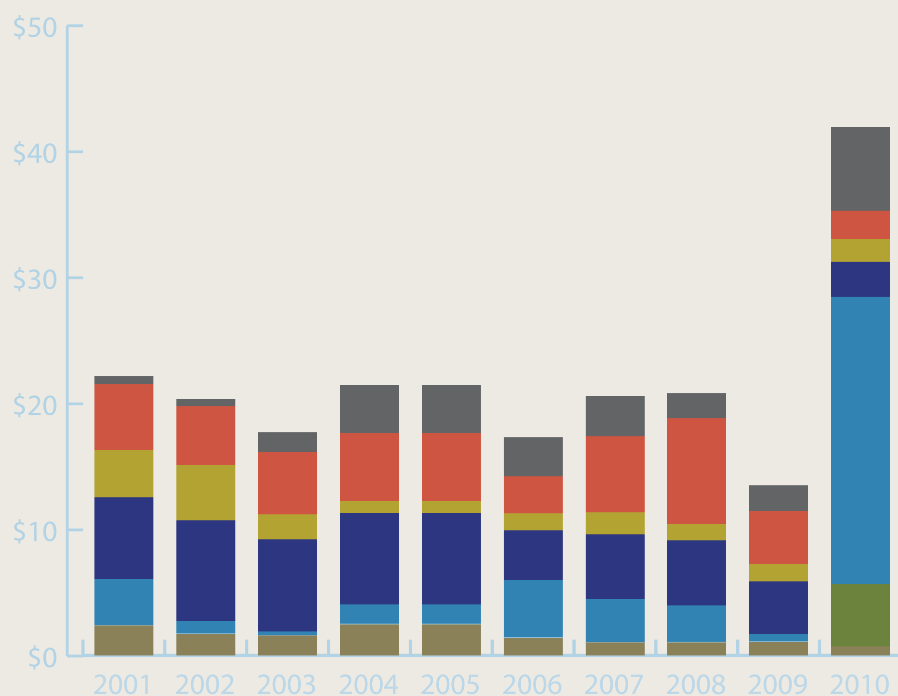
LOAN APPROVALS BY SECTOR 2010



Graph legend:	PERSONAL	MORTGAGE/HOUSING	INFRASTRUCTURE
INDUSTRY	EDUCATION	TOURISM	AGRICULTURE

LOAN APPROVALS 2001-2010

EC$ Millions



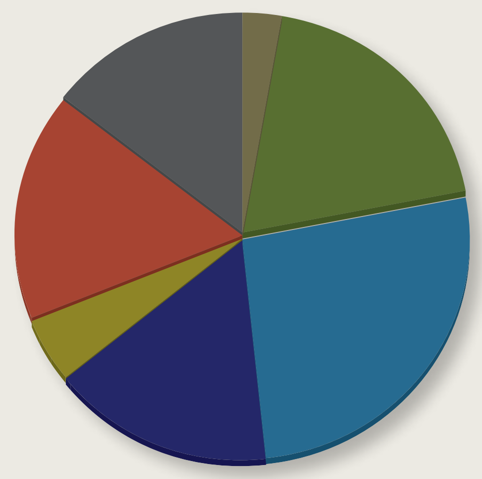
Disbursements

For the financial year, to June 30, 2010, disbursement of loans totalled $21.05 million. This was 47.39 per cent above the level of disbursements of $14.28 million recorded for the same period in 2009 and 27.36 per cent below the budgeted figure of $28.98 million.

Industry Loans at $6.97 million, Tourism loans at $5.50 million and Housing Loans at $3.44 million accounted for the major portion of disbursements for the period.

For the year ended June 30, 2010 the Bank also disbursed a total of $1.11 million to projects on behalf of the Agricultural Investment Unit of the Ministry of Agriculture.

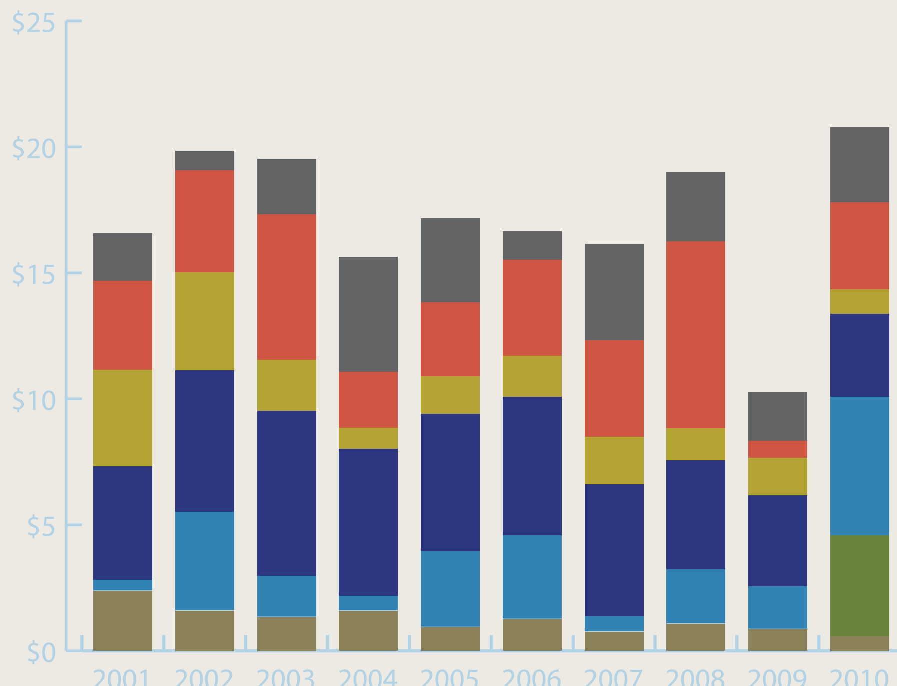
Loan disbursements by sector 2010



Graph legend:	PERSONAL	MORTGAGE/HOUSING	INFRASTRUCTURE
INDUSTRY	EDUCATION	TOURISM	AGRICULTURE

Loan disbursements 2001-2010

EC$ Millions



Rescheduling

For the twelve-month period ended June 30, 2010, seventy-two [72] loans with a total value of $3.06 million were approved for rescheduling. This represented a reduction from the eighty-six [86] loans with a total value of $6.36 million during the similar twelve-month period in 2009.

Loans to the Education, Housing and Industry sectors combined again accounted for the majority of rescheduling of 96.83 per cent during the period.

Loan Portfolio

At the end of June 2010, the principal outstanding in the Loan Portfolio of the Bank totalled $119.38 million. This compared favourably with $115.08 million outstanding as at June 30, 2009. The principal outstanding as at June 30, 2010 represented an increase of 3.60 per cent over the same period last year.

Of the total principal outstanding, principal arrears totalled $16.56 million or 13.87 per cent of the outstanding principal. Of that total, $12.19 million represented Principal Arrears on Non-Performing [NP] Loans while the remainder of $4.37 million represented principal arrears on loans in arrears for periods less than three months.

In terms of distribution of the Portfolio among the various sectors, Education at $35.32 million was the largest beneficiary of loans accounting for 28.15 per cent of the total. This sector was followed by Housing with 24.13 per cent and Tourism with 21.11 per cent.

As at June 30, 2010 NP loans totalled $19.02 million or 15.93 per cent of total principal outstanding of $119.38 million.

For the corresponding period as at June 30, 2009, NP loans totalled $21.40 million or 18.59 per cent of total principal outstanding of $115.08 million.

Total interest outstanding on non-performing loans for the month ended June 30, 2010 amounted to $5.01 million as compared to $5.41 million for the corresponding period last year.

Principal in arrears as at June 30, 2010 on NP loans totalled $12.19 million, which represented 73.6 per cent of total principal arrears of $16.56 million.

The Housing, Education and Personal & Other Sectors are the best performing sectors for the Bank, with 9.38 per cent, 10.24 per cent and 13.55 per cent of NP ratios respectively; whereas Agriculture, Tourism and Industry account for the highest NP ratios with 42.43 per cent, 26.49 per cent and 18.97 per cent respectively.

For the twelve-month period to June 30, 2010 the migration of loans into non-performing totalled $2.87 million or 84 loans while the migration from non-performing to performing for that same period totalled $3.13 million or 105 loans. The net migration yielded a positive value of $254,679.30 represented by 21 loans. As such, during the period more loans came out of the non-performing category than those that went into that category.

Manufacturing of Aluminum Roofing, Portsmouth

Funding

The Bank obtained approvals for two new lines of credit during the financial year, together totalling US$18.04 million.

A consolidated line of credit of US$8 million was approved by the Caribbean Development Bank [CDB] in December 2009. This approval followed an interval of seven years since the previous line of credit was approved by the CDB in 2002. The purpose of the loan is for on-lending to the productive sectors of the economy as well as student and housing loans.

The European Investment Bank approved a loan of US$10.04 million in June 2010. Of these funds US$8.78 million is for on-lending to projects in the productive sectors of the economy and the remaining US$1.25 million is specifically to fund projects utilising renewable energy sources.

Signing of European Investment Bank Finance Contract for US$8.78 million.

LINES OF CREDIT APPROVED

US$ Millions

Management Information Technology

The AID Bank continues to put strong emphasis on its information technology function recognising the importance of technology for development. Focus is being placed on all aspects of the information system with the Bank advancing hardware, software, training and IT policies.

An EU grant received as part of the SFA 2000 Framework for Agri-Business Development and Enterprise [FADE] project, provided us with equipment and software to supplement our security, network administration and management capabilities with the aim of strengthening our support of the development of agriculture and industry.

This year saw the implementation and installation of new physical and virtual servers, desktops and software equipment, including both EU and AID Bank investments in information technology infrastructure, to improve the Bank s business continuity and disaster recovery capability.

The annual Systems and Process Assurance (SPA) review was carried out in June 2010 by PricewaterhouseCoopers. The results of that audit indicated that the information system is generally compliant with industry standards and policies and also with established policies and procedures. The SPA review is done annually to ensure that our system remains protected and that our bank software generates accurate and reliable information.

All IT staff received training in Windows Server 2008 administration and network administration, strengthening the capability of the unit to handle the ever-growing IT needs of the Bank. Training was also received in server and desktop virtualisation using Windows Server 2008.

The project is now in progress to redevelop the Bank s corporate website. The new website will provide additional services to our customers some of which will allow borrowers to obtain information on the status of their loans online and also to make online loan payments.

The Unit aims to embark on a more rigid information security program during the next financial year. Other projects include the redesign of the Bank s business continuity and disaster recovery policies to bring them in line with the new infrastructure.

New Equipment installation, MIS Unit, AID Bank

Human Resources

Staffing

At the end of the financial year, the staff-complement totalled thirty-seven [37].

Effective October 1, 2009 the Bank implemented a new Organisational Chart, with commensurate adjustments to compensation packages in order to bring the institution in line with its local and regional comparators.

The new structure was based on the recognition that there are two main functional areas of every organisation [a] the mission functions those for which the institution was established which in the case of the DAIDB is that of providing credit to the productive sectors of Dominica, and, [b] the maintenance functions those functions which are supportive of the organisation in the execution of its mission functions.

The major changes made to the organisational chart were to reflect the strategies and programmes accepted in the Strategic Plan 2009/2014 and included:

(a) The creation of two posts in the category, Management level 2 [M2] designated Executive Managers with both reporting to the General Manager.

 The Executive Manager Credit Operations is responsible for loan appraisals, credit approvals and collections [recoveries] and is accountable for the integrity and quality of the loan portfolio of the Bank.

 The Executive Manager Corporate Affairs is responsible for the majority of functions which are supportive to the activities of Credit Operations including the Management Information Systems function.

a) The title of three Managers were changed to Senior Manager, these are the Senior Managers of MIS, Human Resources and Finance and Accounts.

b) The Senior Managers of Human Resources and Finance report to the General Manager.

c) A new post, Special Projects and Communications Coordinator was created, whose functions include: the coordination of the project identification and development [in association with Invest Dominica and other agencies] and the communications and outreach programme of the Bank. This position reports to the Executive Manager Corporate Affairs.

d) Although efforts were made to fill the position of Internal Auditor, the position remains vacant.

Of signal importance is the fact that the new organisational chart did not result in an increase in the staff complement of the Bank, notwithstanding the significant increase in lending activities and in the expansion of the operations including the offering of new financial products.

In addition, a new Performance Appraisal system with an emphasis on targeted outcomes was introduced as an important element of the reorganisation of the institution.

Six months after implementation of the new Organisational Chart, Performance Appraisals were conducted and all individuals placed in acting positions were confirmed.

Training

In its commitment to improve the level of skills and competencies within the organisation the Bank has provided financial support for five (5) members of staff who are currently pursuing their Bachelor s degrees in Management, Business Administration, Information Technology and Marketing and five who are pursuing their Master s degrees in Business Administration, Banking and Information Technology.

Further, training in credit appraisal techniques were conducted by the General Manager/Consultant during the year which has led to an improvement in the quality of loan appraisals.

PART 3
OTHER ACTIVITIES

OTHER ACTIVITIES

Industrial Estate Unit [IEU]

The Industrial Estate Unit has been faced with several challenges this year, but has still managed to make its contributions to national development with four staff members.

The total employment currently at the Industrial Estate is seven hundred and thirty-seven [737] employees, Clear Harbor being the largest employer with a total of five hundred and twenty-three [523] employees.

The Industrial Estate consists of twenty [20] buildings with a total floor space of 147,140 sq ft. The buildings have been sub-divided into 31 units ranging from 780 sq ft to 21,000 sq ft. Twenty-three [23] tenants currently rent 28 units of building space at the Industrial Estate and twelve [12] rent land.

The Canefield Industrial Estate is the most developed of the four [4] Industrial Estates accounting for eighteen [18] out of the total of twenty [20] buildings. At present the only space which is available is the building in Geneva with a floor area of [6,400 sq ft].

Two of the greatest challenges of the Industrial Estate are rental collections and the identification of additional land at suitable locations for expansion of the program.

Additionally, the Industrial Estate Unit is now focusing its attention on rental collection.

Other important activities include improvements to buildings, landscaping and facilitating the ICT Sector.

Presently the IEU is working with a company [FX Diffusion Ltd.] to assist in the creation of 100 new jobs, which should come on stream by the end of October 2010.

With respect to sectoral representation, tenants at the Industrial Estate include Manufacturers, Information Communication & Technology Companies, Service Industries and Warehousing. A number of persons involved in the manufacturing sector have contacted the Unit expressing interest in rental of space, which signals a greater demand for space by that sector.

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

Financial Data Systems Ltd.

The Bank s Loans Application and Loans Management processes are supported by Financial Data Systems Ltd. [FDSL].

The company plans to roll-out upgrades in both packages this year.

During the Financial year, the company hired several students from the Dominica State College to assist with the process of upgrading the programmes.

Left: Window Manufacturing, Canefield Industrial Estate

Right: Garment Manufacturing, Canefield Industrial Estate

PART 4
AID BANK'S CORPORATE/ SOCIAL RESPONSIBILITY

CORPORATE / SOCIAL RESPONSIBILITY

The Dominica Agricultural Industrial and Development Bank (DAIDB) has continued to perform and expand its role as a good corporate citizen in the Commonwealth of Dominica, by supporting causes considered fundamental to the overall economic and social well-being of the citizens of Dominica.

For the Financial Year in review, 2009/10, the Bank s Corporate Social Responsibility activities focused on charitable, educational, business and environmental causes.

Among the highlights of the Bank's activities for the year were:

- A Christmas Outreach programme held in December, 2009:
- a full scholarship to the University of Technology (UTECH), Jamaica;
- the Adopt-a-Road Programme and various sponsorship and donation contributions.

Following consultations with a number of Village Councils, over 200 children enjoyed a special Christmas treats hosted by the AID Bank. In this initiative, which was undertaken in lieu of the Staff s Annual Dinner, teams from the Bank, including members of the Board of Directors, visited children in the communities of Concord, Trafalgar/Shawford/Fond Canie, Tarish Pit, Gallion, Eggleston/Giraudel and Campbell.

The children received Christmas gifts and snacks and had fun singing Christmas carols, with the visiting AID Bank Teams, one of whom was dressed in a Santa Claus outfit distributing gifts.

AID Bank, Christmas Community Outreach Programme

- The Bank s full scholarship in Civil Engineering in the amount of US$20,000.00 annually was awarded to Miss Kiran Karnick Burnette and who was selected from a competitive list of 5 applicants by a distinguished panel of professionals from diverse fields within the public and private sectors. The scholarship, which is for a duration of 4 academic years, commenced in September 2010.

- The AID Bank continues to be very instrumental in the care, maintenance and beautification of the Goodwill Road Highway through its Adopt-a-Road Programme. This activity was initiated in 2007 and the Bank is appreciative of the efforts of all those who have partnered with us, to ensure its continuity. The Programme currently provides continuous part-time employment for one maintenance worker and generates revenue for the suppliers of the area s plants and various irrigation equipment.

- In addition, the AID Bank has sponsored a number of events and made cash donations totalling in excess of $47,000.00 to various causes.

  Beneficiaries included: the Business Plan Innovative Awards of the Dominica Youth Business Trust which received $23,000; the Dominica State College for a Tourism Retreat; Website Hosting of the College Fair and the Commonwealth Youth Exchange Programme; part-sponsorship of the Bafondpoint Football Team; the 2010 Miss Dominica Pageant; the St. Joseph Carnival; sheltered benches for the Goodwill Secondary School, overseas medical assistance to a young child; and contributions to the graduation ceremonies for various schools namely the Isaiah Thomas Secondary school, the Seventh Day Adventist Secondary School; Goodwill Primary and the Pierre Charles Secondary School.

- The Staff of the AID Bank contributed $3,171.55 for the Haitian Relief Fund which was matched by a contribution of $10,000 from the Bank.

Left: AID Bank Scholarship Winner with Special Projects and Communications Coordinator

Right: Scholarship Winner being congratulated by Member of the Scholarship Selection Committee

PART 5
FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE

Net Income from Operations

As indicated in Table 1 below, Net Income from Operations of $3.81 million was higher than last year s restated $3.00 million by 27.09 per cent.

The Bank realised a total Net Profit for the financial year ended June 30, 2010 of $1.59 million after a foreign exchange gain of $0.39 million and providing for impairment losses on loans and receivables of $2.60 million and impairment losses on available-for sale investments of $0.02 million.

This was 23.27 per cent more than the audited Net Profit of $1.29 million recorded for the similar period last year.

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

1 Refund of overpayment of principal of $0.92 million on an existing European Investment Bank [EIB] long-term loan was offset against the liability and recognised as other income.

2 A foreign exchange gain of $0.39 million realized on translation of EIB long-term loan to exchange rate existing at Balance Sheet date, June 30, 2010.

3 A provision of $0.63 million made for impairment of investment in British American Insurance Company.

Table 1

	2010 EC$	2009 EC$
Interest income	10,306,745	10,608,894
Other operating income	2,028,248	531,426
Total income	**12,334,993**	**11,140,320**
Interest expense	(3,703,001)	(4,075,777)
Staff costs	(3,125,610)	(2,547,989)
Administrative expenses	(854,544)	(679,575)
Other operating expenses	(511,551)	(495,073)
Depreciation	(326,338)	(340,911)
Total expenses	**(8,521,044)**	**(8,139,325)**
Net income from operations before the following income/(charges):	3,813,949	3,000,995
Gain on foreign exchange	388,693	703,326
Impairment losses on loans and receivables	(2,597,323)	(1,918,310)
Impairment losses on available for-sale investments	(20,000)	(499,990)
Profit for the year	**1,585,319**	**1,286,021**

Income

Total Income recorded for the financial year was $12.33 million excluding foreign exchange gain of $388,693. This was 10.72 per cent higher than the $11.14 million recorded for the comparative period ended June 30, 2009.

Interest income was lower than recorded for the previous financial year as a result of lower loan balances for most of the year.

While loans outstanding increased in the last quarter of the financial year, it did not contribute meaningfully to interest income for the year.

Expenses

Financial Expenses at $3.70 million were lower than recorded for the corresponding period last year by 9.15 per cent due to lower balances reported for long-term loans.

Total Staff Expenses of $3.13 million were 22.67 per cent higher than last year s $2.55 million.

Administrative Expenses of $0.85 million were 25.75 per cent higher than the $0.68 million recorded for last year.

Total Operating Expenses of $8.52 million were more than the $8.14 million recorded for the similar period last year by 4.69 per cent.

Assets

The major component of assets was loans and advances to customers, which had a gross balance of $125.48 million compared to last year s balance of $121.81 million; a 3.01 per cent growth. Net loans of $116.55 million adequately offset total long-term liabilities of $82.89 million.

At June 30, 2010, assets totalled $132.54 million representing a 1.44 per cent increase from last year s audited $130.65 million.

Under current assets, cash in current account and short-term investments totalled $7.10 million; 11.03 per cent less than last year s $7.98 million. Other receivables of $0.45 million were more than last year s $0.38 million. Other receivables include insurance premiums arrears, legal and other fees paid on behalf of clients.

Net investments in treasury bills, Government debentures and shares in companies totalled $3.89 million was 0.26 per cent lower than last year s $3.90 million.

Net total fixed assets of $4.55 million were 6.38 per cent less than last year s $4.86 million.

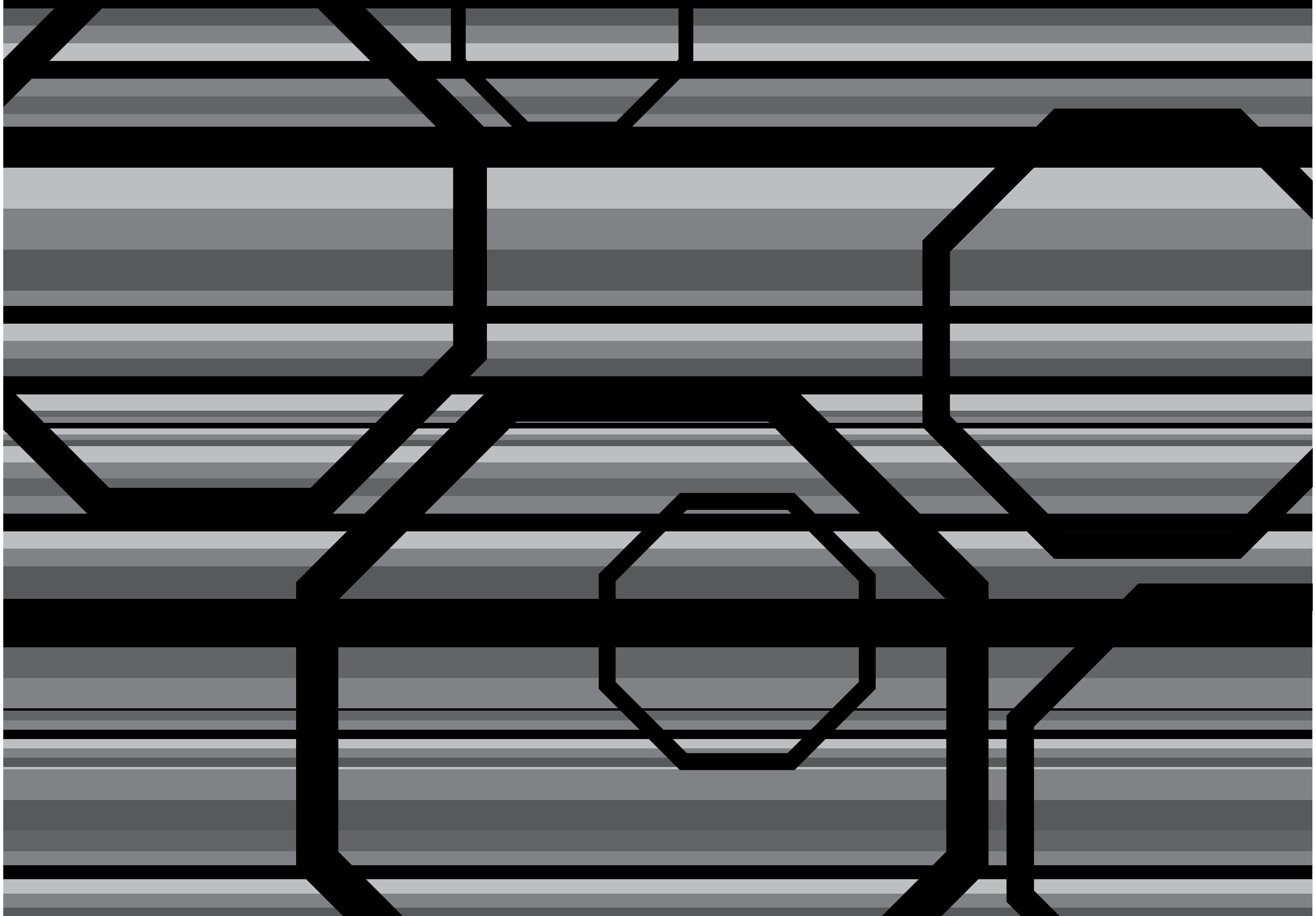
Liabilities

Current Liabilities totalled $21.65 million and were 1.65 per cent more than last year s total of $21.30 million.

Long-term liabilities equalled $98.50 million and registered a net decrease of 2.72 per cent from last year s $101.26 million.

Shareholders Equity

Shareholders Equity increased by 4.29 per cent from last year s $31.22 million to $32.56 million. Retained Earnings also showed an increase of 14.10 per cent from the comparative period of last year, moving from $6.16 million to $7.02 million.



AUDITORS REPORT AND FINANCIAL STATEMENTS

DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK FINANCIAL STATEMENTS

June 30 2010 (expressed in Eastern Caribbean dollars)

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
Pointe Seraphine
P.O. Box 195
Castries
St. Lucia, West Indies
Telephone (758) 456-2600
Facsimile (758) 452-1061

September 29, 2010

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, 2010 and the statements of comprehensive 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 the Financial 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.

PRICEWATERHOUSECOOPERS

Independent Auditors' Report
Page 2

Auditors' Responsibility...*continued*

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.

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 respects, the financial position of **Dominica Agricultural Industrial and Development Bank** as of June 30, 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants

Dominica Agricultural Industrial and Development Bank
Balance Sheet
As of June 30, 2010

(expressed in Eastern Caribbean dollars)

	2010 $	2009 $
Assets		
Cash and balances with Central Bank (Note 5)	22,630	3,111,602
Treasury bills (Note 6)	2,432,960	2,430,548
Deposits with banks and other financial institutions (Note 7)	7,272,658	5,910,456
Loans and advances to customers (Note 8)	116,548,501	112,686,451
Available-for-sale investments (Note 10)	1,252,340	1,267,340
Property, plant and equipment (Note 11)	4,554,411	4,863,260
Other assets (Note 12)	454,568	382,336
Total assets	132,538,068	130,651,993
Liabilities		
Due to customers (Note 13)	10,824,454	10,167,138
Borrowed funds (Note 14)	82,892,436	84,094,446
Other liabilities (Note 15)	6,258,408	5,167,958
Total liabilities	99,975,298	99,429,542
Equity		
Share capital (Note 16)	17,547,631	17,547,631
Reserves (Note 17)	7,991,450	7,519,284
Retained earnings	7,023,689	6,155,536
Total equity	32,562,770	31,222,451
Total liabilities and equity	132,538,068	130,651,993

Approved by the Board of Directors on September 13, 2010

Director

Director

Dominica Agricultural Industrial and Development Bank

Statement of Comprehensive Income

For the year ended June 30, 2010

(expressed in Eastern Caribbean dollars)

	2010 $	2009 $ (As restated)
Interest income (Note 18)	10,306,745	10,608,894
Interest expense (Note 18)	(3,703,001)	(4,075,777)
Net interest income	6,603,744	6,533,117
Other operating income (Note 19)	2,416,941	1,234,752
Other operating expenses (Note 20)	(4,818,043)	(4,063,548)
Impairment losses on loans and receivables	(2,597,323)	(1,918,310)
Impairment losses on available-for-sale investments (Note 10)	(20,000)	(499,990)
Profit for the year	1,585,319	1,286,021
Unrealised gains/(loss) on available-for-sale investments (Notes 10 and 17)	5,000	(20,000)
Foreign exchange loss utilization (Note 17)	-	(44,086)
Impairment losses on available-for-sale investments reclassified to the statement of income (Note 17)	-	499,990
Other comprehensive income	5,000	435,904
Total comprehensive income for the year	1,590,319	1,721,925

Dominica Agricultural Industrial and Development Bank

Statement of Changes in Equity

For the year ended June 30, 2010

(expressed in Eastern Caribbean dollars)

	Share capital (Note 16) $	Reserves (Note 17) $	Retained earnings $	Total equity $
Balance at June 30, 2008, as previously reported	**17,547,631**	**6,815,208**	**5,869,420**	**30,232,259**
Prior period adjustment (Note 28)	–	(120,433)	(361,300)	(481,733)
Balance at June 30, 2008, as restated	**17,547,631**	**6,694,775**	**5,508,120**	**29,750,526**
Profit for the year	–	–	1,286,021	1,286,021
Impairment losses on available-for-sale investment (Notes 17)	–	499,990	–	499,990
Foreign exchange loss utilization (Note 17)	–	(44,086)	–	(44,086)
Unrealized gain on available-for-sale investments (Notes 10 and 17)	–	(20,000)	–	(20,000)
Transfer from retained earnings to reserves	–	388,605	(388,605)	–
Total comprehensive income	–	**824,509**	**897,416**	**1,721,925**
Dividends on ordinary shares (Note 23)	–	–	(250,000)	(250,000)
Balance at June 30, 2009, as restated	**17,547,631**	**7,519,284**	**6,155,536**	**31,222,451**
Balance at June 30, 2009, as previously reported	**17,547,631**	**7,623,397**	**6,467,876**	**31,638,904**
Prior period adjustment (Note 28)	–	(104,113)	(312,340)	(416,453)
Balance at June 30, 2009, as restated	**17,547,631**	**7,519,284**	**6,155,536**	**31,222,451**
Profit for the year	–	–	1,585,319	1,585,319
Unrealized gain on available-for-sale investments (Notes 10 and 17)	–	5,000	–	5,000
Transfer from retained earnings to reserves	–	467,166	(467,166)	–
Total comprehensive income	–	**472,166**	**1,118,153**	**1,590,319**
Dividends on ordinary shares (Note 23)	–	–	(250,000)	(250,000)
Balance at June 30, 2010	**17,547,631**	**7,991,450**	**7,023,689**	**32,562,770**

Dominica Agricultural Industrial and Development Bank

Statement of Cash Flows

For the year ended June 30, 2010

(expressed in Eastern Caribbean dollars)

	2010 $	2009 $ (As restated)
Cash flows from operating activities		
Net profit for the year	**1,585,319**	1,286,021
Adjustments for:		
Impairment losses on loans and receivables	**2,597,323**	1,918,310
Depreciation (Notes 11 and 20)	**326,338**	340,911
Impairment losses on available-for-sale investments (Note 10)	**20,000**	499,990
Gain on disposal of property, plant and equipment (Note 19)	**(27,722)**	(255)
Unrealized foreign exchange gain (Note 19)	**(388,693)**	(703,326)
Interest and similar income (Note 18)	**(10,306,745)**	(10,608,894)
Interest expense and similar charges (Note 18)	**3,703,001**	4,075,777
Cash flows before changes in operating assets and liabilities	**(2,491,179)**	(3,191,466)
Increase in loans and advances to customers	**(6,455,968)**	(636,727)
Decrease/(increase) in deposits with banks and other financial institutions	**(218,840)**	2,858,424
Decrease/(increase) in other assets	**(72,232)**	13,122
(Decrease)/increase in due to customers	**657,316**	(3,014,557)
Increase in other liabilities	**1,340,450**	985,424
Cash used in operations	**(7,240,453)**	(2,985,780)
Interest received	**10,936,340**	10,810,091
Interest paid	**(3,957,817)**	(3,420,024)
Net cash (used in)/generated from operating activities	**(261,930)**	4,404,287
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**327,715**	325
Purchase of property, plant and equipment (Note 11)	**(317,482)**	(191,235)
Net cash used in investing activities	**10,233**	(190,910)
Cash flows from financing activities		
Borrowings	**8,000,000**	8,000,000
Repayment of borrowings	**(8,558,501)**	(7,836,688)
Dividends paid	**(500,000)**	(500,000)
Foreign exchange utilization (Note 17)	**-**	(44,086)
Net cash used in financing activities	**(1,058,501)**	(380,774)
Net (decrease)/increase in cash and cash equivalents	**(1,310,198)**	3,832,603
Cash and cash equivalents, beginning of year	**8,926,985**	5,094,382
Cash and cash equivalents, end of year (Note 24)	**7,616,787**	8,926,985

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2010

(expressed in Eastern Caribbean dollars)

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.

Standards and amendments to published standards effective on or after January 1, 2009

- IFRS 7, 'Financial instruments – Disclosures' (amendment), requires enhanced disclosures about fair value measurement and liquidity risk. The Bank adopted the amendment to IFRS 7 with effect from July 1, 2009. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

  - Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

  - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

  - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

  The adoption of the amendment results in additional disclosures.

- IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the Bank presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also conforms with the revised standard. The change in accounting policy only impacts presentation aspects.

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies...*continued*

Standards and amendments that are not yet effective but relevant to the Bank
The following standards and amendments to existing standards have been published and are mandatory for the Bank's accounting periods beginning on or after July 1, 2010 or later periods.

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Bank will apply IAS 1 (amendment) from January 1, 2010. It is not expected to have a material impact on the Bank's financial statements.

- IFRS 9, 'Financial instruments'. IFRS 9 addresses classification and measurement of financial assets. IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. IFRS 9 represents the first milestone in the IASB's planned replacement of IAS 39. The Bank is considering the implications of the standard and its impact on the Bank.

Cash and cash equivalents
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, treasury bills and other short-term securities.

Financial assets
The Bank classifies its financial assets in the following categories: loans and receivables and available for sale. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and 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, other than: (a) those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (b) those that the entity upon initial recognition designates as available for sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration. The Bank's loans and receivables comprise cash and cash equivalents, deposits with banks and other financial institutions and loans and advances to customers.

(b) *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 available-for-sale investments are recognised on trade-date - the date on which the Bank commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus 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.

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies...*continued*

Financial assets...*continued*

(b) *Available for sale...continued*
Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Gains and losses arising from changes in 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 is recognised in profit and 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.

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

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

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies...*continued*

Impairment of financial assets...*continued*

Assets carried at amortised cost...*continued*

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future 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 has variable interest rates, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using the observable market price.

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

For the 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 considers 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 the 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.

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 assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss, 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, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of income, the impairment loss is reversed through the statement of income.

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies...*continued*

Impairment of financial assets...*continued*

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

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.

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 the cost of the following assets to their residual values over their estimated useful lives, as follows:

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

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

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

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).

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.

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements
June 30, 2010

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies...*continued*

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.

Fiduciary activities
The Bank acts as executing and collecting agent for funds used for specific purposes issued to the Bank by the Governement of Domincia and other local agencies. The Bank earns agency fees as prescribed by the contractual agreement.

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 disclosed as a subsequent event.

Interest income and expense
Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the statement of income using the effective interest method.

The effective interest method is a method of 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.

Loan commitment fees are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

(expressed in Eastern Caribbean dollars)

2 Summary of significant accounting policies...*continued*

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.

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 both fixed and variable interest rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates while maintaining sufficient liquidity to meet all claims that may fall due.

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

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 and to industry segments. Such risks are monitored on a revolving basis and subject to monthly reviews. The Bank also undertakes supervised credit of large projects whereby loans are disbursed in tranches. A progress report is completed after each tranche is disbursed to ascertain the project value. The Bank is exposed to potential loss only in the amount of loan disbursed.

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Credit risk...*continued*

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

Bank's rating	Description of the grade
1	Pass
2	Special mention
3	Sub-standard
4	Doubtful
5	Loss

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

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

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

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

Some other specific control and mitigation measures are outlined below.

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

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

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Credit risk...*continued*

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

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

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

	2010		2009	
Bank 's rating	**Loans and advances (%)**	**Impairment provision (%)**	**Loans and advances (%)**	**Impairment provision (%)**
1 Pass	**76.30**	**19.10**	76.77	13.99
2 Special mention	**6.36**	**1.66**	5.79	1.05
3 Sub-standard	**2.72**	**0.71**	5.86	8.74
4 Doubtful	**0.85**	**4.52**	10.69	64.21
5 Loss	**13.77**	**73.21**	0.90	12.01

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

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

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

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Credit risk...*continued*

Maximum exposure to credit risk before collateral held or other credit enhancements

	2010 $	2009 $
Credit risk exposures relating to on-balance sheet assets		
Treasury bills	**2,432,960**	2,430,548
Deposits with banks and other financial institutions	**7,272,658**	5,910,456
Loans and advances to customers:		
– Demand loans	**86,736,291**	81,687,374
– Mortgage loans	**29,812,210**	30,999,077
Other assets	**450,268**	378,035
	126,704,387	121,405,490
Credit risk exposures relating to off-balance sheet items		
Loan commitments	**24,863,863**	5,364,087
	151,568,250	126,769,577

The above table represents a worse case scenario of credit risk exposure to the Bank at June 30, 2010 and 2009, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

As shown above, 76.90 % of the total maximum exposure is derived from loans and advances to customers (2009 - 88.89%).

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

- 82.66% (2009 – 82.56%) of the loans and advances portfolio is categorised in the top two grades of the internal rating system;
- 39.44% (2009 – 33.52%) of the loans and advances portfolio are considered to be neither past due nor impaired; and
- The Bank has introduced a more stringent selection process upon granting loans and advances.

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Credit risk...*continued*

Loans and advances

Loans and advances are summarised as follows:

	2010 $	2009 $
Neither past due nor impaired	49,490,114	40,828,719
Past due but not impaired	56,967,817	59,507,750
Impaired	19,020,335	21,469,329
Gross	125,478,266	121,805,798
Less allowance for impairment losses on loans and advances	(8,929,765)	(9,119,347)
Net	116,548,501	112,686,451

The total impairment provision for loans and advances is $8,929,765 (2009 - $9,119,347) of which $6,941,479 (2009 - $7,747,624) represents the individually impaired loans and the remaining amount of $1,988,286 (2009 - $1,371,723) represents the portfolio provision. Further information of the allowance for impairment losses on loans and advances to customers is provided in Notes 8 and 9.

(a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank.

	Demand loans $	Mortgage loans $	Total $
June 30, 2010			
Grades			
1. Pass	35,875,813	13,614,301	49,490,114
2. Special mention	–	–	–
3. Sub-standard	–	–	–
Total	35,875,813	13,614,301	49,490,114
June 30, 2009			
Grades			
1. Pass	26,607,529	14,221,190	40,828,719
2. Special mention	–	–	–
3. Sub-standard	–	–	–
Total	26,607,529	14,221,190	40,828,719

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Credit risk...*continued*

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

	Demand loans $	Mortgage loans $	Total $
At June 30, 2010			
Past due up to 30 days	36,768,456	16,236,358	**53,004,814**
Past due 30 - 60 days	372,386	57,404	**429,790**
Past due 60 - 90 days	430,636	55,258	**485,894**
Past due over 90 days	2,732,958	314,361	**3,047,319**
	40,304,436	**16,663,381**	**56,967,817**
At June 30, 2009			
Past due up to 30 days	43,182,187	13,298,965	56,481,152
Past due 30 - 60 days	345,947	63,512	409,459
Past due 60 - 90 days	342,448	55,592	398,040
Past due over 90 days	1,936,863	282,236	2,219,099
	45,807,445	13,700,305	59,507,750

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

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

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

	Demand loans $	Mortgage loans $	Total $
At June 30, 2010			
Individually impaired loans	16,258,179	2,762,156	**19,020,335**
At June 30, 2009			
Individually impaired loans	18,401,632	3,067,697	21,469,329

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Credit risk...*continued*

Loans and advances renegotiated
Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of Bank's management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans. Renegotiated loans that would otherwise be past due or impaired totaled $3,056,770 as of June 30, 2010 (2009 - $6,360,578).

Repossessed collateral
At the end of 2010 the Bank had repossessed collateral amounting to $32,000 (2009 - nil).

Geographical and economic concentrations of assets and liabilities
The Bank operates primarily in the Commonwealth of Dominica and the exposure to credit risk is concentrated in this area.

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

	%	2010 $ (000's)	%	2009 $ (000's)
Education	**28.15**	**35,322**	30.39	37,019
Mortgage	**24.13**	**30,278**	25.44	30,990
Tourism	**21.11**	**26,487**	19.28	23,481
Industrial	**16.77**	**21,037**	13.66	16,644
Agricultural	**4.75**	**5,961**	5.75	6,999
Other consumers	**4.93**	**6,186**	5.21	6,340
Distribution and commerce	**0.16**	**207**	0.27	333
Total before deduction for allowance for losses on loans and advances		**125,478**		121,806

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Market risk

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

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

Price risk

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

At June 30, 2010, if equity securities prices had been 10% higher/lower with all other variables held constant, equity for the year would have been $13,333 higher/lower as a result of the increase/decrease in fair value of available-for-sale equity securities.

Currency risk

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

At June 30, 2010, if the Currency had weakened/strengthened by 5% against the Euro with all other variables held constant, profit for the year would have been $169,532 lower/higher as a result of foreign exchange losses/gains on translation of Euro-denominated borrowings.

The following table summarises the Bank's exposure to foreign currency exchange rate risk at June 30, 2010. Included in the table are the Bank's assets and liabilities at carrying amount, categorised by currency.

Dominica Agricultural Industrial and Development Bank
Notes to Financial Statements
June 30, 2010

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Currency risk...*continued*

Concentration of currency risk – on- and off-balance sheet financial instruments

	EC$	US$	EURO	Total
As at June 30, 2010				
Assets				
Cash and balances with Central Bank	22,630	–	–	**22,630**
Treasury bills	2,432,960	–	–	**2,432,960**
Deposits with banks and other financial institutions	4,449,343	2,823,315	–	**7,272,658**
Loans and advances to customers	116,548,501	–	–	**116,548,501**
Available-for-sale investments	1,252,340	–	–	**1,252,340**
Other assets	450,268	–	–	**450,268**
Total financial assets	**125,156,042**	**2,823,315**	–	**127,979,357**
Liabilities				
Due to customers	10,824,454	–	–	**10,824,454**
Borrowed funds	23,780,265	54,398,323	4,713,848	**82,892,436**
Other liabilities	5,786,559	–	–	**5,786,559**
Total financial liabilities	**40,391,278**	**54,398,323**	**4,713,848**	**99,503,449**
Net on-balance sheet financial position	**84,764,764**	**(51,575,008)**	**(4,713,848)**	**28,475,908**
Credit commitments	**24,863,863**	–	–	**24,863,863**
As at June 30, 2009				
Total financial assets	125,784,432	–	–	125,784,432
Total financial liabilities	40,209,309	52,737,400	6,066,381	99,013,090
Net on-balance sheet financial position	85,575,123	(52,737,400)	(6,066,381)	26,771,342
Credit commitments	5,364,087	–	–	5,364,087

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Interest rate risk

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

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

	1 Year $	1-5 Years $	Over 5 years $	Non-interest bearing $	Total $
As at June 30, 2010					
Cash and balances with Central Bank	–	–	–	22,630	**22,630**
Treasury bills	2,432,960	–	–	–	**2,432,960**
Deposits with banks and other financial institutions	7,072,658	–	200,000	–	**7,272,658**
Loans and advances to customers	18,286,835	45,022,706	53,238,960	–	**116,548,501**
Available-for-sale investments	–	–	–	1,252,340	**1,252,340**
Other assets	–	–	–	450,268	**450,268**
Total financial assets	**27,792,453**	**45,022,706**	**53,438,960**	**1,725,238**	**127,979,357**
Due to customers	5,808,621	5,015,833	–	–	**10,824,454**
Borrowed funds	9,884,889	31,435,597	41,571,950	–	**82,892,436**
Other liabilities	–	–	–	5,786,559	**5,786,559**
Total financial liabilities	**15,693,510**	**36,451,430**	**41,571,950**	**5,786,559**	**99,503,449**
Net interest repricing gap	**12,098,943**	**8,571,276**	**11,867,010**	**(4,061,321)**	**28,475,908**
As at June 30, 2009					
Total financial assets	27,351,396	42,284,828	52,235,786	3,912,422	125,784,432
Total financial liabilities	15,186,757	38,954,888	40,119,939	4,751,505	99,013,089
Net interest repricing gap	12,164,639	3,329,940	12,115,847	(839,083)	26,771,343

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Interest rate risk...*continued*
The table below summarizes the effective interest rate by major currencies for monetary financial instruments not carried at fair value through profit or loss:

	EC$	US$	EURO
As at June 30, 2010			
Assets			
Treasury bills	6.03	–	–
Deposits with banks and other financial institutions	2.04	–	–
Loans and advances to customers	7.98	–	–
Liabilities			
Due to customers	4.90	–	–
Borrowed funds	6.91	3.51	2.00

Sensitivity analysis
Cash flow interest rate risk arises from borrowings at variable rates. At June 30, 2010 if variable interest rates had been 1% higher/lower with all other variables held constant, profit for the year would have been $315,568 higher/lower.

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 other borrowing facilities that should be placed to cover withdrawals at unexpected levels of demand.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and 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.

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

Liquidity risk...*continued*

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

	1 Year $	2-5 Years $	Over 5 years $	Total $
As at June 30, 2010				
Financial liabilities				
Due to customers	5,808,621	5,517,795	–	**11,326,416**
Borrowed funds	12,586,884	41,181,759	49,265,377	**103,034,020**
Other liabilities	3,252,827	2,533,732	–	**5,786,559**
Total financial liabilities	**21,648,332**	**49,233,286**	**49,265,377**	**120,146,995**
As at June 30, 2009				
Financial liabilities				
Due to customers	5,048,862	5,629,542	–	**10,678,404**
Borrowed funds	13,212,286	44,083,684	49,827,168	**107,123,138**
Other liabilities	3,036,645	1,714,860	–	**4,751,505**
Total financial liabilities	21,297,793	51,428,086	49,827,168	**122,553,047**

Off-balance sheet items

(a) Loan commitments
The dates of the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (Note 26), are summarised in the table below.

	1 Year $	2-5 Years $	Total $
As at June 30, 2010			
Loan commitments	**13,509,152**	**11,354,711**	**24,863,863**
At June 30, 2009			
Loan commitments	5,364,087	–	5,364,087

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

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.

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

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

Due to other banks and customer, other deposits and other borrowed funds
The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand.

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

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

	Carrying value		Fair value	
	2010	2009	2010	2009
	$	$	$	$
Financial assets				
Loans and advances to customers	**116,548,501**	112,686,451	**116,548,501**	112,686,451
Financial liabilities				
Due to customers	**10,824,454**	10,167,138	**10,813,424**	10,155,023
Borrowed funds	**82,892,436**	84,094,445	**71,791,168**	79,292,092

(expressed in Eastern Caribbean dollars)

3 Financial risk management...*continued*

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

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

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

Assets measured at fair value

	Level 1 $	Level 2 $	Level 3 $	Total $
Available for sale investments				
– equity securities	–	172,330	1,080,010	1,252,340

Capital management
The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

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

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

(expressed in Eastern Caribbean dollars)

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. 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. To the extent that the net present value of estimated cash flows differs by +/-5%, the provision would be estimated $1,014,640 lower or higher.

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 judgement, 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, 2010.

5 Cash and balances with Central Bank

	2010 $	2009 $
Cash in hand	1,100	1,100
Balances with Central Bank	21,530	3,110,502
Included in cash and cash equivalents (Note 24)	22,630	3,111,602

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2010

(expressed in Eastern Caribbean dollars)

6 Treasury bills

	2010 $	2009 $
Treasury bills (Note 24)	**2,432,960**	2,430,548

Treasury bills are debt securities issued by the Government of Dominica for a term of three months. The weighted average effective interest rate in 2010 is 6.03% (2009 - 6.03%).

7 Deposits with banks and other financial institutions

	2010 $	2009 $
Items in the course of collection with other banks (Note 24)	**5,161,197**	3,384,835
Placements with banks and other financial institutions	**2,111,461**	2,525,621
	7,272,658	5,910,456

The weighted average effective interest rate in respect of interest bearing deposits in 2010 is 2.04% (2009 - 4.28%).

During the year, the Bank recorded impairment losses amounting to $633,000 on certain investments from a financial institution. Placements in other financial institutions that are due as of June 30, 2010 amount to $673,798 for which the Bank is actively pursuing.

8 Loans and advances to customers

	2010 $	2009 $
Demand loans	**95,200,583**	90,215,564
Mortgage loans	**30,277,683**	31,590,234
	125,478,266	121,805,798
Less allowance for impairment losses on loans and advances (Note 9)	**(8,929,765)**	(9,119,347)
	116,548,501	112,686,451
Current	**18,286,836**	18,752,496
Non-current	**98,261,665**	93,933,955
	116,548,501	112,686,451

The weighted average effective interest rate on productive loans stated at amortised cost at June 30, 2010 is 7.98% (2009 – 8.74%).

(expressed in Eastern Caribbean dollars)

9 Allowance for impairment losses on loans and advances

	2010 $	2009 $
Demand loans		
At beginning of year	8,528,190	6,110,405
Provision for impairment losses	1,504,867	1,918,310
Amounts recovered during the year	20,791	78,691
Transfer from mortgage loans	–	580,249
Written-off during the year as uncollectible	(1,589,556)	(159,465)
At end of year	8,464,292	8,528,190
Mortgage loans		
At beginning of year	591,157	1,327,642
Provision for impairment losses	459,456	–
Transfer to demand loans	–	(580,249)
Amounts recovered during the year	14,886	4,671
Written-off during the year as uncollectible	(600,026)	(160,907)
At end of year	465,473	591,157
	8,929,765	9,119,347

10 Available-for-sale investments

	2010 $	2009 $
Equity securities - at fair value:		
- Listed	128,330	143,330
- Unlisted	1,124,010	1,124,010
	1,252,340	1,267,340

Movements of the Bank's available-for-sale investments follow:

	2010 $	2009 $
At beginning of year	1,267,340	1,287,340
Unrealized gain/(loss) from changes in fair value (Note 17)	5,000	(20,000)
Impairment losses	(20,000)	–
	1,252,340	1,267,340

(expressed in Eastern Caribbean dollars)

11 Property, plant and equipment

	Land $	Buildings $	Motor vehicles $	Furniture and equipment $	Computer equipment $	Total $
At June 30, 2008						
Cost or valuation	184,275	5,983,310	133,000	846,737	817,899	7,965,221
Accumulated depreciation	–	(1,499,309)	(84,200)	(698,478)	(670,228)	(2,952,215)
Net book amount	184,275	4,484,001	48,800	148,259	147,671	5,013,006
Year ended June 30, 2009						
Opening net book amount	184,275	4,484,001	48,800	148,259	147,671	5,013,006
Additions	–	–	–	148,243	42,992	191,235
Disposals	–	–	–	(1,841)	–	(1,841)
Accumulated depreciation on disposals	–	–	–	1,771	–	1,771
Depreciation (Note 20)	–	(119,667)	(12,200)	(98,160)	(110,884)	(340,911)
Closing net book amount	184,275	4,364,334	36,600	198,272	79,779	4,863,260
At June 30, 2009						
Cost or valuation	184,275	5,983,310	133,000	993,139	860,891	8,154,615
Accumulated depreciation	–	(1,618,976)	(96,400)	(794,867)	(781,112)	(3,291,355)
Net book amount	184,275	4,364,334	36,600	198,272	79,779	4,863,260
Year ended June 30, 2010						
Opening net book amount	184,275	4,364,334	36,600	198,272	79,779	4,863,260
Additions	–	190,733	–	64,917	61,832	317,482
Disposals	(143,748)	(203,765)	–	(7,715)	–	(355,228)
Accumulated depreciation on disposals	–	55,235	–	–	–	55,235
Depreciation (Note 20)	–	(122,462)	(12,200)	(103,058)	(88,618)	(326,338)
Closing net book amount	40,527	4,284,075	24,400	152,416	52,993	4,554,411
At June 30, 20010						
Cost or valuation	40,527	5,970,278	133,000	1,050,341	922,723	8,116,869
Accumulated depreciation	–	(1,686,203)	(108,600)	(897,925)	(869,730)	(3,562,458)
Net book amount	40,527	4,284,075	24,400	152,416	52,993	4,554,411

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.

(expressed in Eastern Caribbean dollars)

14 Borrowed funds

	2010 $	2009 $
Caribbean Development Bank	51,981,842	49,800,403
Dominica Social Security	18,780,265	20,290,665
European Investment Bank	4,713,848	6,066,380
Government of Dominica	5,000,000	5,000,000
Republic of China	2,184,567	2,485,098
Caisse Centrale De Co-operation Economique	231,914	451,900
	82,892,436	84,094,446
Current	9,884,889	10,137,896
Non-current	73,007,547	73,956,550
	82,892,436	84,094,446

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

15 Other liabilities

	2010 $	2009 $ (As restated)
Agency liabilities	3,276,927	2,469,543
Deferred income	471,849	416,453
Dividends payable	250,000	500,000
Grants	178,709	230,230
Others	2,080,923	1,551,732
	6,258,408	5,167,958
Current	3,421,386	3,191,915
Non-current	2,837,022	1,976,043
	6,258,408	5,167,958

Grants include funds received from European Development Fund and European Union for institutional strengthening and 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.

(expressed in Eastern Caribbean dollars)

16 Share capital

	2010 $	2009 $
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 subscribe one million ordinary shares at $5 par value and be entitled to an annual dividend of not less than 5% of the par value of the shares subscribed.

17 Reserves

	2010 $	2009 $ (As restated)
General reserve	88,234	88,234
Statutory reserve	6,435,146	6,038,816
Special reserves	1,443,070	1,372,234
Revaluation reserve – available-for-sale investments	25,000	20,000
	7,991,450	7,519,284

Movements in reserves were as follows:

	2010 $	2009 $
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.

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements
June 30, 2010

(expressed in Eastern Caribbean dollars)

17 Reserves...*continued*

	2010 $	2009 $ (As restated)
Statutory reserve		
At beginning of year, as previously reported	–	5,837,744
Prior period adjustment (Note 28)	–	(120,433)
At beginning of year, as restated	6,038,816	5,717,311
Transfer from retained earnings	396,330	321,505
At end of year	6,435,146	6,038,816

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.

	2010 $	2009 $
Special reserves		
Caribbean Development Bank provision		
At beginning and end of year	441,122	441,122
Foreign exchange equalization		
At beginning of year	931,112	908,098
Transfers from retained earnings	70,836	67,100
Foreign exchange loss utilization	–	(44,086)
At end of year	1,001,948	931,112
	1,443,070	1,372,234

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.

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.

	2010 $	2009 $
Revaluation reserve – available-for-sale investments		
At beginning of year	20,000	(459,990)
Unrealized gain/(loss) from changes in fair value (Note 10)	5,000	(20,000)
Transfer of losses to statement of comprehensive income	–	499,990
At end of year	25,000	20,000

Dominica Agricultural Industrial and Development Bank
Notes to Financial Statements
June 30, 2010

(expressed in Eastern Caribbean dollars)

18 Net interest income

	2010 $	2009 $
Interest income		
Loans and advances	**9,979,871**	10,235,876
Deposits with banks	**326,874**	373,018
	10,306,745	10,608,894
Interest expense		
Long-term debt	**(3,437,749)**	(3,643,687)
Interest on deposits	**(265,252)**	(432,090)
	(3,703,001)	(4,075,777)
	6,603,744	6,533,117

19 Other operating income

	2010 $	2009 $ (As restated)
Refund from EIB	**921,723**	–
Gain on foreign exchange	**388,693**	703,326
Commitment fees	**218,714**	207,181
Agency fees	**172,243**	139,361
Administrative fees	**30,000**	30,000
Gain on disposal of property, plant and equipment	**27,722**	255
Others	**657,846**	154,629
	2,416,941	1,234,752

20 Other operating expenses

	2010 $	2009 $
Staff costs (Note 21)	**3,125,610**	2,547,989
Administrative expenses (Note 22)	**854,544**	679,575
Building occupancy expenses	**511,551**	495,073
Depreciation (Note 11)	**326,338**	340,911
	4,818,043	4,063,548

(expressed in Eastern Caribbean dollars)

21 Staff costs

	2010 $	2009 $
Salaries and wages	2,088,073	1,839,606
Social security costs	113,295	99,551
Group insurance	51,259	59,534
Other staff costs	872,983	549,298
	3,125,610	2,547,989

22 Administrative expenses

	2010 $	2009 $
Legal and professional fees	177,456	205,350
Directors emoluments	145,973	150,234
Advertising	101,877	41,556
Printing, stationery, and office supplies	99,419	80,164
Telephone, postage and fax	84,776	75,153
Subscriptions and donations	63,799	25,620
Motor vehicle expenses	44,888	37,195
Repairs and maintenance of furniture and equipment	42,467	28,961
Annual report	31,274	7,728
Insurance	8,150	10,355
Miscellaneous expenses	54,465	17,259
	854,544	679,575

23 Dividends

The Bank declared 5% dividends amounting to $250,000 (2009 - $250,000) with respect to the ordinary shares held by the Dominica Social Security.

(expressed in Eastern Caribbean dollars)

24 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:

	2010 $	2009 $
Cash and balances with Central Bank	22,630	3,111,602
Treasury bills	2,432,960	2,430,548
Deposits with banks and other financial institutions	5,161,197	3,384,835
	7,616,787	8,926,985

25 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 year-end, Directors of the Bank and companies in which they have an interest had no loans or fixed deposits with the Bank but guaranteed loans with outstanding balances of $38,512.

In 2010, the total remuneration paid to Directors and key management personnel was $876,769 (2009 - $993,177).

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

	2010 $	2009 $
Dominica Social Security	18,780,265	20,290,665
Government of Dominica	5,000,000	5,000,000
	23,780,265	25,290,665

26 Contingent liabilities and commitments

As at year-end, loans and advances approved by the Bank but not yet disbursed, amounted to approximately $24,863,863 (2009 – $5,364,087).

27 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.

(expressed in Eastern Caribbean dollars)

28 Prior period adjustment

Prior period adjustment pertains to commitment fees which the Bank previously reported as income upon receipt from its customers. These commitment fees are now being amortised over the term of the loan and the unamortised portion are presented as deferred income under other liabilities. As a result of the prior period adjustment, retained earnings as of June 30, 2009 and 2008 were adjusted for its effects.

The reconciliation of the increasing/(decreasing) effects of prior period adjustments as they apply to equity and profit follows:

	2009 $	2008 $
Equity		
As previously reported	**31,638,904**	30,232,259
Deferred income	**(416,453)**	(481,733)
As restated	**31,222,451**	29,750,526

Accordingly, Reserves were also adjusted in 2009 by 25% of the decrease amounting to $104,105 (2008 – 120,429).

	2009 $
Profit	
As previously reported	1,220,741
Increase in commitment fees	65,280
As restated	1,286,021

The effect on the balance sheet is as follows:

	2009 $
Other liabilities	
As previously reported	4,751,505
Deferred income	416,453
As restated	5,167,958

Notes

Notes

LP 463/10 Designed and printed by Lericon Print Ltd Dominica (767) 448 6287

Dominica Agricultural Industrial & Development Bank.
Corner of Charles Ave and Rawles Lane, Goodwill, Commonwealth of Dominica

Telephone: **767-448-2853**
Facsimile: **767-448-4903**
E-mail: **aidbank@cwdom.dm**
Website: **www.aidbank.com**