Annual Report 2015

Remaining Relevant to Development In a Competitive Economic Space

Dominica Agricultural Industrial and Development Bank

Our Mission

To be a leader, catalyst and model of sustainable development in the Commonwealth of Dominica by facilitating social and economic investments, partnering with and adding value to all our stakeholders.

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Our Vision

To be a premier development finance institution in the Caribbean region.

Contents

Acronyms and Abbreviations

AFS	Available for Sale
CARICRIS	Caribbean Information & Credit Rating Services Limited
CARICOM	Caribbean Community
CDB	Caribbean Development Bank
CDF	CARICOM Development Fund
CTCS	Caribbean Technological Consultancy Services
BANDES	Banco de Desarrollo Económico y Social de Venezuela
DAIDB	Dominica Agricultural Industrial & Development Bank *(also known as AID Bank)*
DFI	Development Finance Institution
DPAC	Loan Management Software produced by FDSL
DSC	Dominica State College
DYBT	Dominica Youth Business Trust
ECCB	Eastern Caribbean Central Bank
$EC	Eastern Caribbean Dollar
EIB	European Investment Bank
ERM	Enterprise Risk Management
FEEF	Foreign Exchange Equalization Fund
FDSL	Financial Data Systems Limited
GDP	Gross Domestic Product
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IFRIC	International Financial Reporting Interpretations Committee
IEU	Industrial Estate Unit
MSME	Micro, Small and Medium-sized Enterprises
NBD	National Bank of Dominica
NEP	National Employment Program
NP	Non-performing
OCI	Other Comprehensive Income
SFR-D	Special Fund Resources - Dominica
US$	United States Dollar
USD	United States Dollar
XCD	Eastern Caribbean Dollar

Chairman's Letter of Transmittal

Honourable Roosevelt Skerrit
Prime Minister and Minister for Finance
Prime Minister's Office
Financial Centre
Kennedy Avenue
Roseau
Commonwealth of Dominica

September 30, 2015

Dear Honourable Prime Minister,

Pursuant to Section 22[1], Chapter 74:03 of the Laws of the Commonwealth of Dominica [1990 Revised Edition] I have the honour to submit to you, on behalf of the Board of Directors, the Annual Report on the operations and Audited Financial Statements of the Dominica Agricultural Industrial and Development Bank for the Financial Year ended June 30, 2015.

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

Yours sincerely,

DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Mr. Martin Charles
Chairman
Board of Directors

Members of the Board of Directors

As at June 30, 2015

Mr. Martin Charles
CHAIRMAN

Mr. Simpson Gregoire
DEPUTY CHAIRMAN

Ms. Denise Charles
DIRECTOR

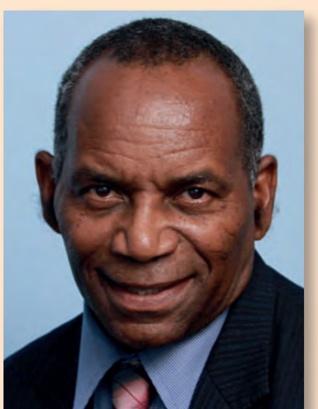
Mrs. Evannah Emmanuel
DIRECTOR

Mr. Hubert Joseph
DIRECTOR

Mr. Leon LeBlanc
DIRECTOR

Ms. Helen Pascal
DIRECTOR

Mr. Colbert Pinard
DIRECTOR



Mr. Bentley Royer
DIRECTOR

Dominica Agricultural Development Bank
P.O. Box 215
Corner Charles Avenue and Rawles Lane
Goodwill
Commonwealth of Dominica, W.I.
Tel: 767 - 448-2853
Fax: 767 448-4903
Website: www.aidbank.com
E-mail: aidbank@cwdom.dm

Senior Management

As at June 30, 2015

Mr. Julius J. Corbett
GENERAL MANAGER

Dr. Emaline Harris-Collymore
Executive Manager, Corporate Affairs

Mrs. Mathilda John Rose
Executive Manager, Credit Operations

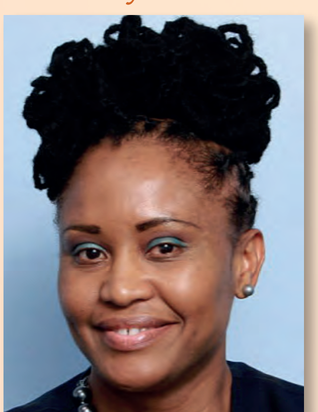
Mrs. Ursula McDowell-Job
Senior Manager, Human Resource and Administration

Mrs. Avril Copiel
Senior Manager, Management Information Systems

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

Mrs. Martha Abel
Manager, Credit

Mrs. Romualda Hyacinth
Manager, Industrial Estate (Ag.)



Ms. Patricia Etienne
Manager, Recoveries

Mrs. Roan Thomas-Pipe
Board Secretary

Mrs. Liane Irish-Wade
Internal Auditor

Mr. Stephen Lander
Risk Officer

Members of Management & Staff

As at June 30, 2015

OFFICE OF THE GENERAL MANAGER

Mr. J. J. Corbett	-	General Manager
Mrs. L. Irish-Wade	-	Internal Auditor
Mr. S. Lander	-	Risk Officer

CREDIT OPERATIONS DIVISION

Mrs. M. John Rose	-	Executive Manager, Credit Operations
Mrs. M. Abel	-	Manager Credit
Mr. F. Fabien	-	Credit Officer
Mrs. N. Faustin	-	Credit Officer
Ms. E. Alfred	-	Credit Officer
Ms. C. Joseph	-	Credit Officer *(Ag.)*
Ms. H. Sylvester	-	Securities Officer
Mr. A. Thomas	-	Disbursement Officer
Ms. M. Robinson	-	Customer Service Rep.

RECOVERIES UNIT

Ms. P. Etienne	-	Manager Recoveries
Mrs. R. Xavier	-	Special Operations Recoveries Officer
Mr. K. Albert	-	Recoveries Officer
Mrs. P. Shillingford Chambers	-	Recoveries Officer *(Ag.)*
Ms. G. Edwards	-	Recoveries Officer *(Ag.)*
Mr. K. Shillingford	-	Recoveries Officer *(Ag.)*
Mr. G. Nicholls	-	Recoveries Officer *(Ag.)*
Ms. N. Winston	-	Recoveries Officer *(Ag.)*

CORPORATE SERVICES DIVISION

Mrs. E. Harris Collymore	-	Executive Manager, Corporate Affairs
Mrs. J. Dechausay Titre	-	Special Projects/ Communications Coordinator

MIS UNIT

Mrs. A. Coipel	-	Senior Manager, Management Information Systems
Ms. L. Gonzalez-Peltier	-	Applications Support Analyst, MIS
Mr. K. Sylvester	-	Technical Officer, MIS

INDUSTRIAL ESTATE UNIT

Mrs. R. Hyacinth	-	Manager Industrial Estate *(Ag.)*
Mr. G. Eloi	-	Technical Officer
Ms. G. Shillingford	-	Recoveries Officer *(Ag.)*
Mr. J. O'garro	-	Maintenance Officer

ACCOUNTS AND FINANCE DIVISION

Ms. V. E. Abraham	-	Senior Manager, Finance and Accounts
Mrs. I. Bruno	-	Assistant Manager, Finance and Accounts *(Returned from study leave on Dec. 9, 2014)*
Ms. A. Dupigny	-	Senior Officer, Finance and Accounts
Mr. M. Allan	-	Officer Finance and Accounts
Ms. N. Laurent	-	Accounts Officer
Ms. S. Victor	-	Accounting Officer *(Ag.)*

HUMAN RESOURCE DIVISION

Mrs. U. McDowell-Job	-	Senior Manager, Human Resource and Administration
Mrs. R. Thomas-Pipe	-	Assistant Manager, Human Resource and Administration/ Board Secretary

INTERNS UNDER THE NATIONAL EMPLOYMENT PROGRAMME

Ms. A . Roache	-	Intern, Management Information Systems Unit
Mr. I. Bannis	-	Intern, Management information Systems Unit
Ms. V. Henderson	-	Intern, Human Resource Division
Ms. K. Winston	-	Intern, Human Resource Division
Ms. A. George	-	Intern, Corporate Affairs Division
Mr. D. Tyson	-	Intern, Credit Division
Mr. M. Henry	-	Intern, Credit Division
Ms. F. Royer	-	Intern, Credit Division
Ms. R. St Jean	-	Intern, Credit Division

Chairman's Statement

June 2015

Dear Shareholders,

I am honored and pleased to present the bank's Annual Report for the financial year ended June 30, 2015.

It is with profound sadness that we mourn the passing of our distinguished Board member Mr. Hubert Joseph. Mr. Joseph served as a Director from 2002 to 2015. His sterling contribution in the governance of the bank will forever be remembered. May he rest in eternal peace.

For the year in review, the global economic environment was characterized by modest growth in advanced economies and a slowdown in emerging economies. The year 2015 brought with it, its own challenges and opportunities.

Despite the challenging external environment the bank's performance was satisfactory.

While we are reporting a relatively good year, the future outlook is less encouraging, threatened by some loans that sit on the horizon of non-performing that will make our task more difficult.

The most urgent challenge faced by the bank at present is liquidity. Too much liquidity is an indication of a lack of bankable projects and too little implies that additional sources of liquidity are required. The ideal is when liquidity is adequate and it is channelled toward productive uses and opportunities. Indeed, with new lines of credit we will ensure that the resources are channelled effectively towards productive uses.

Notwithstanding the challenges of liquidity, the bank has to remain relevant to its mandate.

We see an upsurge in products and services that are now being offered by our competitors; products that were once unique to the AID Bank.

Now more than ever, we have to sharpen our skills, products and services. We need to get back to the grass roots of serving a niche market, namely, start-up businesses that cannot access traditional funding through the commercial banks. It is with this strategy that we can remain relevant to growth in the productive sectors in the economy, as the only development bank on island.

I am especially delighted to report that the net profit for the financial year was XCD 2.69 million which was 3.08 per cent less than the restated XCD 2.78 million net profit recorded in 2014. This is the bank's second largest net profit after the restated figure for the year ended June 30, 2014 which was the largest in the bank's 44 year history.

Total comprehensive income was XCD 6.12 million for the year under review, after recognizing a revaluation excess for AID Bank's office building.

While the goal of the bank is not profit maximization, in order to continue to expand its contribution to the national economy and to maximize stakeholder value, the bank's operations must be financially sustainable.

Indeed, we need to do much more to live up to our mandate. In order to better serve our target market and differentiate ourselves as a development bank we will need to be able to handle more complex financial transactions and instruments.

Institutional efficiency is critical in driving the achievement of the bank. I want to assure you that, as Chairman, I will drive needed reforms to achieve greater institutional efficiencies and effectiveness.

The bank must become more nimble. There are way too many dysfunctional processes that simply clog up the effectiveness of the bank. Everywhere I go, I am faced with the same remarks: "your bank is too slow". The Board does not intend to run a slow bank. Yes, we must become more efficient. It will be a long journey, but a journey of a thousand miles begins with the first step.

The bank is committed to supporting sustainable, inclusive growth in the economy through its lending to the private sector and specially targeted economic sectors. It is also committed to improving the quality of life of citizens through its social sector lending.

For the year in review total loan approvals amounted to XCD 28.92 million representing an increase of 7.43 per cent in comparison to the previous year's loan approvals of XCD 26.92 million.

Approvals for tourism and other productive sector enterprises amounted to XCD 13.29 million or 45.97 per cent of total approvals. Loan approvals for mortgage, student and other categories amounted to XCD 15 million or 54.03 per cent of total approvals.

In April 2015 the bank successfully launched its mega mortgage loan programme with an attractive interest rate of 6.5 per cent resulting in approvals of XCD 7.13 million by June 30, 2015.

The year in review was the first of the strategic plan period of 2014 to 2017 and the bank began the implementation of its strategies to transform the institution into a customer centric and premier development financial institution in the Caribbean.

Some specific achievements during the year included the following:

Agriculture: *Piggery Project*
Castle Bruce

- Diversifying our financial products by launching three new products which promote entrepreneurship and small business development and contribute towards differentiating the development banking brand in the competitive market place.

- Engagement of a Risk Officer and introduction of an Enterprise Risk Management Framework.

- A customer survey by the Internal Audit function and mounting added value towards the evolution of the bank's operations and attainment of the bank's overall strategic goals.

- Attraction of the first unsecured line of credit from the Caribbean Development Bank of $500,000 for Energy Efficiency and Renewable Energy loans for micro and small business enterprises. This line of credit is also in keeping with the bank's agenda of advancing financial and environmental sustainability.

- Retrofitting of a 10,000 sq. ft. building for a business process outsourcing operation was completed, increasing employment in the Industrial Estate by 145 persons over the previous year to a total of 918 persons.

- Appointment of a Human Capital Management Consulting Firm, to conduct an Institutional Strengthening and Capacity Building Consultancy, with the overall objective of enhancing the productivity and performance of employees, and the organizational and operational effectiveness of the AID Bank.

- Continued parallel testing to replace the main critical systems, which is expected to result in a financial information system which closely meets our needs as a development bank.

- Building partnerships with the private sector in the corporate responsibility program and improving its alignment with the strategic objectives of the bank.

- Reaffirmation of the bank's BBB- credit rating from CariCRIS.

We can look forward therefore to 2016 with cautious optimism. Let us also take heart from those who recognize the bank's achievements.

In recent months, we have taken steps to address the question of providing quality customer service through the introduction of our appointment service and enhancement of our customer loan check-lists.

We have sharpened our focus to deliver more to our customers in a more reasonable time-frame. AID Bank will always be the development bank of choice as we are here to influence economic development.

The bank's agenda continued to be informed by government policies and strategies and by its growing partnerships with government ministries for specific sectors served. The bank has much to contribute towards achieving national goals and is making progress in becoming a more effective institution, more strategic and results focused with the aim of realizing greater impact.

None of these achievements would have been realized without the hard-working staff members of the bank. In the face of very difficult situations – with major competition, the bank staff members remained resolute. They understood that for the bank to remain relevant they also had to be resilient. I salute their gallant efforts and the Board of Directors for supporting them.

We acknowledge the continued support of our shareholders the Government of Dominica and the Dominica Social Security.

We express our appreciation to Prime Minister and Minister for Finance Hon. Dr. Roosevelt Skerrit and the Financial Secretary, for their support particularly in accessing new lines of credit. We appreciate the opportunities to continue working with Government Ministers and other public officers in tackling development challenges.

We are thankful to our lenders the Caribbean Development Bank, the European Investment Bank, the CARICOM Development Fund, the Dominica National Petroleum Company Limited, the National

Housing: *Canefield*

Bank of Dominica and others.

We express gratitude to members of the Board of Directors for their astute guidance and diligent work in achieving the bank's results.

We are devoted to our customers, we thank you for your loyalty and patience as we strive to enhance our capacity to support your business projects and your access to finance, thereby, maintaining the bank's relevance to development in this competitive environment.

DAIDB Five-Year Highlights

At A Glance

INCOME STATEMENT	2015 XCD ('000)	2014 XCD ('000)	2013 XCD ('000)	2012 XCD ('000)	2011 XCD ('000)
		Restated			
Interest Income	12,447	12,697	12,681	11,107	10,843
- Interest Expense	4,468	4,834	4,848	4,233	3,964
= **Net interest Income**	**7,979**	**7,863**	**7,833**	**6,874**	**6,879**
+ Other Income Net	2,506	2,192	1,938	2,692	1,590
= **Operating Income**	**10,485**	**10,055**	**9,771**	**9,566**	**8,469**
- Staff Costs	3,677	4,100	3,594	3,506	3,078
- Administrative Costs	3,992	3,179	3,330	3,603	2,805
- Provisions	125	-	1,818	1,448	238
= Net profit	2,691	2,776	1,029	1,009	2,348
BALANCE SHEET	**2014 XCD ('000)**	**2014 XCD ('000)**	**2013 XCD ('000)**	**2012 XCD ('000)**	**2011 XCD ('000)**
Assets		**Restated**	**Restated**		
Cash and Balances with Central Bank	16	23	2	2	2
+ Deposit with Other Banks	5,667	8,421	3,531	8,981	8,961
+ Investments [Net of Impairment]	1,441	1,691	2,234	4,236	4,120
+ Investment Properties	33,891	31,716	30,888	30,347	30,215
+ Loans [Net of Impairment]	157,386	154,302	156,843	145,406	129,508
+ Other	12,574	9,338	9,013	9,451	9,276
= Total Assets	210,975	205,491	202,511	198,423	182,082
Liabilities					
+ Deposits	8,174	9,393	10,908	11,406	11,223
+ Borrowings	118,195	118,859	114,578	117,203	103,069
+ Other Liabilities	10,191	8,160	10,475	7,916	6,629
+ Equity	74,415	69,079	66,550	61,898	61,161
= Total Liabilities and Equity	210,975	205,491	202,511	198,423	182,082
OTHER INFORMATION	**2015 XCD**	**2014 XCD**	**2013 XCD**	**2012 XCD**	**2011 XCD**
Loan Approvals ('000)	28,921	26,918	24,700	34,565	36,333
Loan Disbursements ('000)	20,560	17,477	24,231	33,373	31,293
Estimated Number of Jobs Created	530	548	514	826	802
Industrial Estate Employment	918	773	720	663	840
Return on Equity (per cent)	3.62	4.02	1.10	1.63	3.84
Return on Assets (per cent)	1.28	1.35	0.51	0.51	1.29
Loan Provisions as per cent of Portfolio	10.86	10.18	9.46	8.98	9.20
Loan Provisions as per cent of NP Portfolio	78.54	94.94	71.27	58.13	62.87

Tourism: *Nature Island Adventure Tours Pond Case*

Part I

The Economy of Dominica[1]

This section summarizes data describing local economic conditions in 2014 and the first and second quarters of 2015.

Preliminary records of economic activity in 2014 indicated that growth in real gross domestic product was 3.42 per cent in 2014, which followed growth of 1.7 percent in 2013. In 2014 there was an improved performance in the tourism sector, though there were contractions in agriculture and construction activity and mixed performance in the manufacturing sector.

There was a decline in banana production by 44.54 per cent from 1,743.19 metric tonnes in 2013 to 966.7 metric tonnes in 2014. Consequently the industry also recorded a reduction in export revenue of 43.56 percent from XCD 2.64 million to XCD 1.49 million over the same period.

In manufacturing, there was an increase by 8.32 per cent in beverage production from 505,052 cases in 2013 to 547,058 cases in 2014. However, production value declined by 3.78 percent over the same period, resulting primarily from a decrease in production of alcoholic drinks.

Chemicals and related products registered a decline in production of 3.05 per cent from 7,088 tonnes in 2013 to 6,872 tonnes in 2014, reflecting a reduction in the demand for soap in regional markets. Export revenue from chemicals and related products declined by 5.09 per cent from XCD 40.08 million in 2013 to XCD 38.04 million in 2014.

Records of construction activity indicated a decline from 115 construction starts with a value of XCD 42.96 million in 2013 to 94 construction starts valued

Sources:
Central Statistical Office, 'Quarterly Economic Indicators', January to December 2015 and first and second Quarters 2015.
Eastern Caribbean Central Bank (ECCB), GDP Estimates for the ECCU, 1997 – 2017.
ECCB, Economic and Financial Review , Volume 35, Number 2, June 2015.

at XCD 29.62 million in 2014.

There were increases in both stay over and cruise-ship visitors in 2014. Stay over visitors increased by 2.63 per cent from 75,067 in 2013 to 77,040 in 2014. Cruise-ship visitors increased by 24.28 per cent from 230,587 in 2013 to 286,583 in 2014. There was an estimated 23.99 per cent increase in total visitor expenditure from XCD 277 million to XCD 343.46 million, attributed primarily to a rise of 123.02 per cent in expenditures by hotel business visitors.

Central Government registered a decline of 2.42 per cent in current revenue from XCD 384.05 million in 2013 to XCD 374.75 million in 2014. Over the same period current expenditure declined marginally by 0.17 per cent from XCD 341.86 million in 2013 to XCD 341.28 million in 2014. As a result the current account balance fell by 20.67 per cent from XCD 42.19 million in 2013 to XCD 33.46 million in 2014.

Preliminary indicators for the first two quarters of 2015 point to a weakening of economic activity with major sectors recording declines in relation to performance in the corresponding period of 2014.

As a result of a decline in banana production, the value of banana exports fell by 14.76 per cent from XCD 3.32 million in the first two quarters of 2014 to XCD 2.83 million in the corresponding period of 2015.

The production of chemicals and related products declined by 20.84 per cent from 3,246.96 tonnes in the first half of 2014 to 2,570.27 tonnes in the similar period of 2015. Export revenue also declined by 21.02 per cent from XCD 17.60 million in the first two quarters of 2014 to XCD 13.90 million in the corresponding period of 2015. Over the same period, the production of beverages decreased by 14.23 per cent from 264,959 cases to 227,260 cases.

The number of construction starts declined by 51.56 per cent from 64 in the first half of 2014 to 31 in the comparative period of 2015. The value of construction starts declined by 33.37 per cent from XCD 19.39 million in the first two quarters of 2014 to XCD 12.92 million in the similar period of 2015.

Stay over visitors decreased by 8.83 per cent from 42,673 in the first two quarters of 2014 to 38,906 in the same period of 2015. Cruiseship visitors declined by 6.45 per cent from 189,716 in the first two quarters of 2014 to 177,479 in the first half of 2015. The decline in stay over visitors reflected a reduction in visitors from Europe and the USA, two important growth areas.

In the first two quarters of 2015 Central Government's current revenue declined by 6.82 per cent from XCD 184.56 million in the first half of 2014 to XCD 171.97 million in the comparative period of 2015. Over the same period, current expenditure increased by 10.55 per cent, from XCD 166.75 million to XCD 184.35 million. The current balance therefore declined by 169.51 per cent from XCD 17.81 million to -XCD 12.38 million.

The consumer price index rose by 0.80 per cent in 2014 and declined by 0.74 per cent in the first two quarters of 2015.

It is projected that economic activity for the 2015 would be weakened as a result of the damage to productive sectors and infrastructure caused by Tropical Storm Erika in August 2015.

Agriculture: *Development of Poultry Unit Warner*

The Performance of the DAIDB

CREDIT OPERATIONS

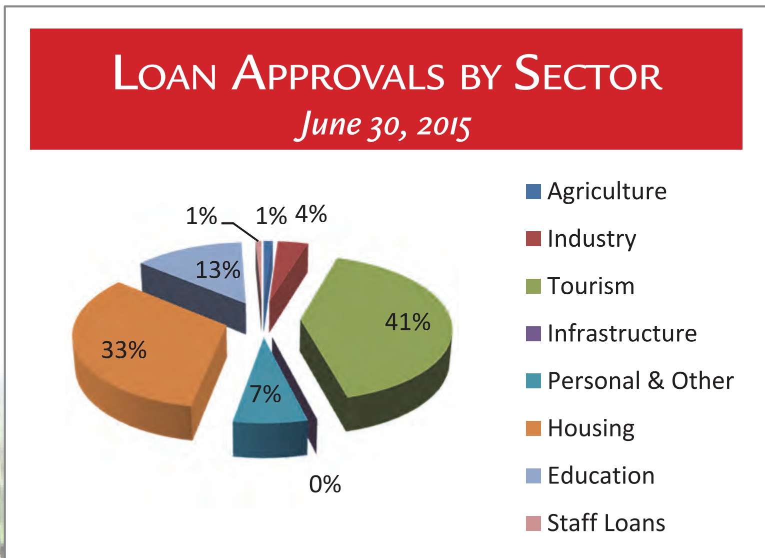
Approvals

At the end of the twelve month period ended June 30, 2015, a total of 411 loans were approved with a total value of XCD 28.92 million. This total represented an increase of 7.44 per cent in comparison to the previous year's loan approvals of XCD 26. 92 million.

Tourism loans valued at XCD 11.90 million and Housing loans valued at XCD 9.58 million combined accounted for 74.27 per cent of total approvals for the period.

Graph 1 below illustrates the sectoral distribution of approvals.

Graph 1



Tourism: Carrol's Cottages Inc. Soufriere

Disbursements

At the end of the twelve month period ended June 30, 2015, disbursements totalled XCD 20.56 million. This amount was higher by 17.62 per cent than disbursements of XCD 17.48 million for the period ended June 30, 2014.

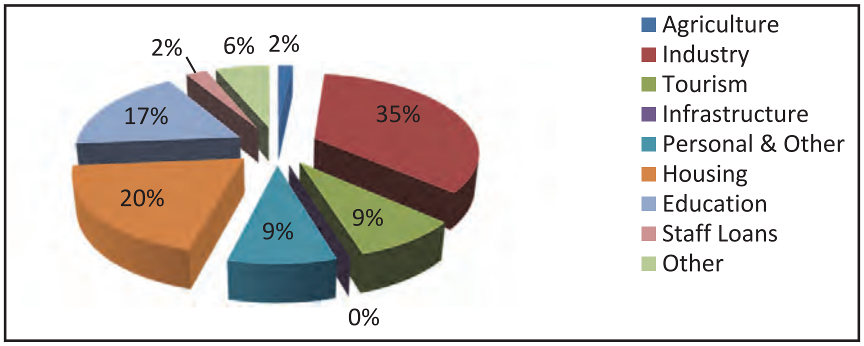
Of the total disbursements for the period ended June 30, 2015, 34.73 per cent or XCD 7.14 million were made to the industry sector, 19.65 per cent or XCD 4.04 million were made to the Housing sector and 17.61 per cent or XCD 3.62 million to the Education sector.

A total of XCD 0.14 million was disbursed during the year on behalf of the Agriculture Investment Unit of the Ministry of Agriculture. A cumulative total of XCD 2.06 million has been disbursed on behalf of the Unit since its inception in November 2009.

With regard to the Dominica Banana Recovery Programme, the bank disbursed XCD 0.38 million during the year. Since the inception of the scheme a total of XCD 0.63 million has been disbursed in loans while XCD 0.48 million has been disbursed in grants.

For the year in review, XCD 0.52 million was disbursed under the Government of Dominica Student Loan Facility. As at June 30, 2015, there has been a total disbursement to date of XCD 3.89 million under the two Government student loan facilities the first of which commenced in November 2010. To date a total amount of XCD 4.75 million has been received from the Government of Dominica in support of these facilities.

LOAN DISBURSEMENTS BY SECTOR
June 30, 2015



Graph 2

Rescheduling

For the twelve months period ended June 30, 2015, one hundred and sixteen (116) loans valued at XCD 20.13 million were approved for rescheduling. This comprised of ten (10) loans in the Agriculture sector valued at XCD 0.24 million, fifteen (15) loans in the Industry sector valued at XCD 11.82 million, three (3) loans in the Tourism sector valued at XCD 3.96 million, five (5) loans in the Personal & Other sector valued at XCD 0.09 million, eighteen (18) loans in the Housing sector valued at XCD 1.56 million and sixty-five (65) loans in the Education sector valued at XCD 2.46 million.

When compared to the twelve months period ended June 30, 2014, ninety (90) loans valued at XCD 20.95 million were approved to be rescheduled. For the year in review, the value of loans rescheduled was therefore 3.91 per cent lower than the previous year's total.

Non-Performing Loans

As at June 30, 2015 non-performing (NP) loans totalled XCD 22.46 million or 13.82 per cent of total principal outstanding of XCD 162.49 million.

For the corresponding period as at June 30, 2014, NP loans totalled XCD 17.16 million or 10.73 per cent of total principal outstanding of XCD 159.99 million.

The Housing, Education and Tourism Sectors were the best performing sectors for the bank, with NP ratios respectively of 7.55 per cent, 10.67 per cent and 14.08 per cent. Whereas, Agriculture, Industry and Personal & Other had the highest NP ratios of

48.05 per cent, 18.06 per cent and 15.62 per cent, respectively.

Portfolio at Risk (PAR) Ratio

For the month ended June 30, 2015 the Portfolio at Risk was 27.69 per cent. For the corresponding period as at June 30, 2014, the Portfolio at Risk was 28.14 per cent, an improvement of 0.45 per cent over the previous reporting period.

Loan Portfolio

At the end of the financial year, June 2015, the principal outstanding of the bank's loan portfolio was XCD 162.49 million, which can be compared to XCD 159.99 million outstanding as at June 30, 2014. The portfolio grew by 1.56 per cent over the same period last year.

Principal arrears totalled XCD 20.67 million or 12.72 per cent of the total principal outstanding. As at June 30, 2015, principal in arrears on NP loans totalled XCD 14.15 million while principal arrears on loans less than three months in arrears amounted to XCD 6.52 million.

With respect to the distribution of the Portfolio among the various sectors, the industry sector was the largest beneficiary with loans totalling XCD 46.96 million, accounting for 28.90 per cent of the total loan portfolio. This sector was followed by the Tourism sector with 25.25 per cent and Housing with 21.92 per cent of the total loan portfolio.

FUNDING

In the year in review the bank attracted loan financing amounting to XCD 13.3 million from local and regional sources to meet its customers' financing needs.

Caribbean Development Bank (CDB)

The CDB approved its first line of credit to a development bank without a government guarantee. This line of credit of USD 500,000 or XCD 1.3 million was for energy efficiency and renewable energy initiatives of micro, small and medium-sized enterprises (MSMEs). In accordance with its strategic goal of promoting sustainability, the bank is partnering with the CDB in pioneering a loan product specifically for these purposes in the local financial market.

Dominica National Petroleum Company Limited (DNPCLTD)

Through the DNPCLTD the bank obtained an additional loan of XCD 2 million for a special mortgage line of credit for low-income households at an interest rate of 5 per cent.

CARICOM Development Fund (CDF)

The bank continued onlending to customers in agriculture, industry and other small businesses from the CDF Funds during the year.

National Bank of Dominica (NBD)

The NBD approved a loan of XCD 2.5 million at a special interest rate for onlending to a manufacturing company.

The bank also obtained approval of a credit facility of XCD 7.5 million from NBD at a concessional interest rate in order to facilitate the bank's requirements for bridging finance while awaiting disbursements from its traditional lenders.

Bank's Credit Rating

The CariCRIS conducted its annual supervision visit during the financial year. The regional credit rating agency has reaffirmed the bank's credit rating of BBB- or "adequate creditworthiness".

MANAGEMENT INFORMATION SYSTEM

Technology continues to be critical to the bank not only in providing the information needed for decision-making but also because of its impact on efficiency, effectiveness and customer service delivery. The Management Information Systems Unit is continually striving to improve the quality of the systems and to keep up-to-date with the ever changing requirements of financial information systems.

The staff of the Management Information Systems Unit was supplemented with two Interns during this financial year, both of whom played relevant roles in the unit and contributed towards the overall quality and timeliness of service delivery. The Interns received on-the-job training in several areas including network management, backup and storage management, providing support to users, testing and documentation and other valuable skills.

The unit placed heavy focus on systems testing and review during the financial year as the bank continued the parallel testing project to replace its main critical systems. This process required testing, analysis, addition and modification of functions and when completed, is expected to result in a system which closely meets our needs as a development bank.

HUMAN RESOURCES

At the end of the financial year ended June 30, 2015, the staff-complement totalled thirty-eight (38). The bank welcomed an additional staff member to its complement in the person of Mr. Stephen Lander who was appointed to the position of Risk Officer effective July 7, 2014. Mr. Lander had experience in the field of Financial Management and in his position was expected to manage the implementation of the enterprise risk management function within the bank.

The bank continued to participate in the National Employment Programme (NEP) which commenced in December 2013 by providing working experience in various Divisions for nine (9) Interns.

The bank hosted two (2) officials from SOFIHDES, a microfinance institution in Haiti, through the facilitation of the Caribbean Technological Consultancy Services (CTCS) of the CDB. There were also brief attachments of one (1) student each from the Dominica State College (DSC) and the Dominica Youth Business Trust (DYBT).

In December 2014, the bank appointed Talent Analytics Inc. (TAI), a human capital management consulting firm, to conduct an institutional strengthening and capacity building consultancy, with the overall objective of enhancing the productivity and performance of employees, and the organizational and operational effectiveness of the AID Bank. The final report was submitted by the consultants in May 2015 to the Board of Directors for consideration.

As part of the bank's corporate responsibility, staff members purchased Christmas gifts for the children at Chances and Operations Youth Quake. Both houses were elated to receive glad tidings from the AID Bank and staff members were overjoyed to be part of the celebrations.

In an effort to build and maintain an efficient and effective human resource base, the bank financed training for its staff in the following areas for the financial year: anti-money laundering, critical thinking and problem solving, enterprise risk management module 1, mortgage underwriting, project management and customer service.

INTERNAL AUDIT FUNCTION

In the first year of the bank's three-year strategic plan for 2014-2017, the internal audit unit sought to align its activities with the bank's overall strategic goals, with the aim of adding value to assist the bank in achieving its strategic objectives.

Based on continued efforts to employ a risk based approach to the audit process, audits continued to focus on areas of higher risk and those of strategic importance.

The internal audit function remains committed to providing independent and objective assessments on the appropriateness of the organization's activities and acts as a catalyst for change, advising and advocating improvements to enhance policies, procedures and practices of the bank. To maintain independence, Internal Audit continues to report directly to the Board's Finance and Audit Committee.

During the financial year 2014/2015, the unit conducted 27 audits on various divisions, procedures and processes. There continued to be a concerted emphasis on follow-up on the implementation of previous audit recommendations. The unit continued to motivate management in sustaining its efforts in the update and development of various policies and procedures for improvement and enhancement of the internal controls of the bank.

The success of any internal audit function depends on the commitment to ongoing learning and capabilities improvement. For this reason, the Internal Auditor participated in a number of online training and seminars to keep abreast of developments within the field. This serves to improve the performance and value-added to the bank by the internal audit function in enhancing strategic partnership.

It is intended that in the new financial year 2015/2016, internal audit would continue to seek deeper understanding of the organization's needs and strategic direction in determining ways of providing greater value to the institution. This is particularly important with the intended transformation of the bank in becoming a customer centric and premier development financial institution in the caribbean.

ENTERPRISE RISK MANAGEMENT

The bank recognizes that effective risk management is key to maximizing stakeholder value and achieving its mandate of fostering economic development in Dominica. Over the financial year 2014/15 the bank implemented an enterprise risk management (ERM) framework designed to identify events with the potential to adversely impact the institution, manage the associated risks and opportunities, and provide reasonable assurance that the bank will achieve its strategic objectives.

The ERM framework establishes a common framework for defining risk ownership, assigning accountability, and the development of risk management strategies. Moreover, business line managers are responsible for the identification of risks and development of associated controls and action plans.

The risk management office provides an independent review and challenge to business line managers. Internal audit provides assurances to the Board of Directors, through the Finance and Audit Committee, of the appropriateness of the ERM framework, and management's effectiveness with respect to its implementation. The risk management office is also responsible for embedding the risk culture, and, where possible, automating compliance with risk mitigation strategies.

As a lending institution the bank is particularly exposed to credit risk. Over the period under review the bank was working towards the implementation of tools designed to assign risk ratings to existing and potential borrowers, price credit accounts on a risk adjusted basis, and clearly define exposure thresholds as per the institutional risk appetite. Operational risk mitigation measures included new and enhanced policies and procedures, information technology adaptation, and staff training.

INDUSTRIAL ESTATE UNIT

The Industrial Estate Unit (IEU) is considered to be a special investment arm of the AID Bank with the sole purpose of operating an extensive portfolio of buildings and lands at the Canefield Industrial Estate, Picard, Hertford and Geneva.

The focus of the Industrial Estate is primarily leasing of factory/office space at reasonable rates to local and foreign enterprises to facilitate investments, job creation and industrial production for local consumption in keeping with the Government's overall mandate of sustainable economic growth.

Located about three miles from the capital Roseau, the Canefield Industrial Estate is the most developed of the four (4) Industrial Estates. The Industrial Estates consist of twenty (20) buildings with a total floor space of 147,140 sq.ft. The buildings have been sub divided into thirty six (36) units ranging from 780 sq.ft. to 21,000 sq.ft. Twenty-two (22) tenants currently occupy these thirty six (36) units at the Industrial Estate with some tenants occupying more than one unit. Thirteen (13) tenants rent land.

Over the past year, the AID Bank has continued to stimulate, facilitate and encourage the establishment and development of industries through the provision of space for manufacturing, warehousing, information, communication and technology (ICT) operations including call centres, and other service industries.

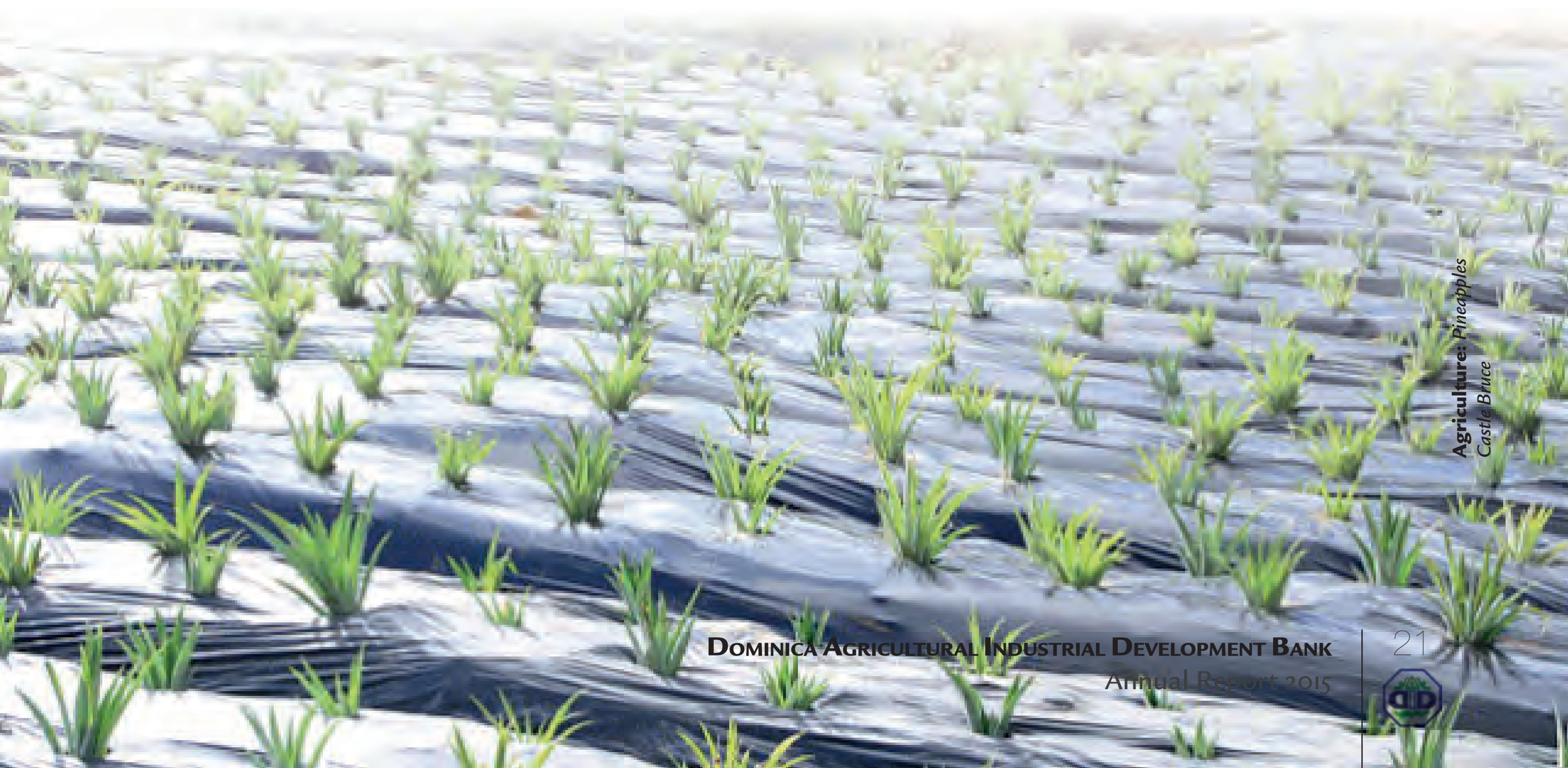
The total employment currently at the Industrial Estate is 918. The AID Bank Industrial Estate is proud to be the home of one of the largest employers on Island, Clear Harbor, a Call Centre with 759 employees.

The Industrial Estate Unit is staffed with six employees responsible for daily functions.

Over the financial year ended June 30, 2015, great emphasis was placed on rental collection and improving the condition and value of the buildings. Rental collections had shown some improvements and maintenance work had been carried out on several buildings. The IEU also focused on monitoring and maintaining constant contact with existing tenants in ensuring a high level of customer service.

During the year, the unit received 12 applications for request for space. Of the twelve applications received, six (6) were for manufacturing, two (2) for agro-processing one (1) for a tourism project and three (3) for warehousing. Due to the recent high demand for space, the bank continued its focus on the upgrading of its facilities and has completed a series of designs and costing for new and existing buildings. In addition, a new lot was acquired from the government of Dominica which will also be utilized in the proposed redevelopment project for the IEU.

The IEU partnered with the Ministry of Public Works during the year, to undertake repairs to the Donkey Beach road which was 90 per cent complete during the review period.



Agriculture: *Pineapples*
Castle Bruce

Other Activities

Financial Data Systems Limited (FDSL)

This financial year was a very busy and exciting year for FDSL as the company fully launched its newly redeveloped DPAC loans management software, a software best suited for development finance institutions (DFI).

The company has a mandate of developing a highly competitive loans management software and providing users with a high level of customer service and support. In order to assist the FDSL in fulfilling this mandate, the company hired Ms. Vernelle Elwin as Manager of Software Development, Installation and Support Services.

In the period under review the FDSL fully upgraded one of its existing customers to the newly redeveloped system. FDSL was also in the final stages of transitioning two other existing customers as well as completing the installation of the DPAC software for one of our new customers.

In the upcoming financial year, plans are ongoing to continuously upgrade the DPAC software as we seek to keep the software abreast with the ever changing needs of development finance institutions. An FDSL website will be launched to further enhance user support to our customers. FDSL will be also be undertaking a major marketing push as we seek to market the DPAC software more aggressively in the region.

Industry: *Label Printing Operations*
Canefield Industrial Estate

Part IV

AID Bank's Corporate/Social Responsbility

The bank is pleased to report that the value of its corporate/social responsibility activities for the year under review surpassed XCD100,000. As usual, the bank received requests for assistance which exceeded what could be prudently given in any one financial year and the Special Projects/Communications Unit assisted in the prioritizing of projects for funding.

The main recipients of the bank's donations continue to be various schools, sporting entities, community groups, the elderly and the disadvantaged.

The bank's contribution to the education sector in 2015, impacted institutions from Goodwill to Savanne Paille. The Robert Elford Henry Scholarship for Agriculture to a student at the Dominica State College continued. Support was also granted for orientation week at the Dominica State College, a reading-room at a pre-school in the Goodwill area, prizes and trophies for graduation ceremonies and sports days, an essay competition and a numeracy festival. These all formed part of the bank's investment in the youth.

We responded positively to requests for the fund-raising efforts of charitable institutions including the Alpha Centre, Dominica Council on Ageing, the Dominica Cancer Society, the Lupus Foundation, and individuals needing medical care.

The bank was commended for its significant contributions to the Special Olympic Committee, the Dominica Infirmary Laundry Project, the Kalinago Youth Mentorship Programme and the Dominica 4H Club.

The Pottersville Youth Sports Academy was adopted by the bank. The children from this Academy are a promising mix of boys and girls, aged 7 to 12 in the community surrounding the bank. We have been gratified to learn that these young persons are performing better at school through the application of discipline and other values learned on the field to the academic arena.

In accordance with the bank's strategic goals the bank has begun directing its sponsorships to eligible organizations and programmes which significantly impact the productive and social sectors. These include support for the work of: (i) the Dominica Hotel and Tourism Association; (ii) the Dominica Association of Industry and Commerce; (iii) the Dominica Manufacturer's Association; and (ii) the Tourism Youth Congress.

For the second year in a row, the AID Bank partnered with the Dominica Manufacturers Association to host engineering students from the Dayton University ETHOS Programme, in an initiative to industrialize coconut products.

This year, the students' stint involved assisting an agro-processor in the enhancement of virgin coconut oil production and working with women entrepreneurs and one secondary school involved in coconut cheese production.

Our contribution to culture should not go unnoticed. Attention was given to supporting a student of the Dominica institute of Arts, members of the Siboulie Cultural Group to attend a cultural event in St. Lucia, and the Riversong Chorale, to perform at a concert in Guadeloupe. A contribution was also made to the Castle Bruce Secondary School to support its participation in its Carnival School Band.

Student Loan
Kalinago Territory

Woman Entrepreneurs Fund: *Bunny's Cakes and Catering*
Roseau

Financial Performance

Net Profit

The AID Bank recorded a net profit of XCD 2.69 million in the financial year ended June 30, 2015. This figure was 3.24 per cent less than the restated XCD 2.78 million net profit recorded in 2014 as indicated in the table below.

Total comprehensive income was XCD 6.12 million for the year under review, after recognizing a revaluation excess for AID Bank's office building.

Table 1

	2015 - XCD	2014 - XCD
Interest income	12,446,819	12,697,312
Other operating income	1,945,874	1,750,137
Total income	14,392,693	14,447,449
Interest expense	(4,467,852)	(4,834,472)
Staff costs	(3,676,814)	(4,100,015)
Administrative expenses	(1,580,769)	(1,689,122)
Factory sheds expenses	(459,174)	(408,443)
Other operating expenses	(596,228)	(625,784)
Depreciation	(467,828)	(428,428)
Total expenses	(11,248,665)	(12,086,264)
Net income from operations before the following income/ (charges):	**3,144,028**	**2,361,185**
Increase in fair value of investment properties	560,227	441,605
Impairment losses on property, plant and equipment	(672,603)	-
Impairment losses on loans and receivables	(124,669)	-
Impairment losses on available for sale investments	(216,000)	(26,400)
Net profit	2,690,983	2,776,390
Revaluation excess office building	3,424,796	-
Unrealized gain available-for-sale investments	2,000	15,000
Foreign exchange loss utilization	-	(11,635)
Total comprehensive income	**6,117,779**	**2,779,756**

Income

Total income recorded for the financial year was XCD 14.39 million which was 0.38 per cent lower than the XCD 14.45 million achieved in 2014.

Interest income decreased by 1.97 per cent while other operating income increased by 11.18 per cent from the previous financial year.

Expenses

Financial Expenses of XCD 4.47 million were 7.58 per cent lower than the previous year's XCD 4.83 million due mainly to a reduction in CDB's variable interest rate, commitment fees and interest paid on fixed deposits.

Total staff expenses of XCD 3.68 million decreased by 10.32 per cent.

Administrative Expenses of XCD 1.58 million decreased by 6.41 per cent over the previous year.

Total operating expenses of XCD 11.25 million were 6.93 per cent less than the XCD 12.09 million recorded in the previous financial year.

Assets

At June 30, 2015, assets totalled XCD 210.98 million, representing a 2.67 percentage increase from last year's XCD 205.49 million.

The major component of assets, net loans and advances valued at XCD 157.39 million registered a 2.00 per cent increase from last year's XCD 154.30 million and adequately offset total long-term liabilities of XCD 118.20 million.

Net loans and advances comprised gross loan balance of XCD 162.49 million - (2014: XCD 159.99 million) and interest receivable of XCD 7.04 million – (2014: XCD 6.57 million) less loan provision of XCD 12.14 million – (2014: 12.26 million). The long-term debt to equity ratio of 1.59:1 was within the suggested range for the industry of 4:1.

Cash in current and operating account, and short-term investments totalled XCD 5.67 million, which was 34.39 per cent less than last year's XCD 8.64 million.

Other receivables of XCD 1.68 million were 59.09 per cent more than last year's XCD 1.05 million. Other receivables included insurance premiums arrears, legal and other fees paid on behalf of clients and industrial estate rental arrears.

Net investments in treasury bills, government debentures and shares in companies totalled XCD 35.33 million, of which XCD 33.89 million represented Investment Properties of the IEU. Net Investments were 6.45 per cent more than last year's XCD 33.19 million

Net total fixed assets of XCD 10.90 million were 31.54 per cent higher than last year's XCD 8.28 million.

Liabilities

Total liabilities were XCD 136.56 million, which was 0.11 per cent more than last year's XCD 136.41 million.

Due to customers was XCD 8.17 million which was 12.98 per cent lower than the XCD 9.39 million in the previous financial year.

Borrowed funds of XCD 118.20 million registered a net decrease of 0.56 per cent from last year's XCD 118.86 million.

Shareholders' Equity

Shareholders' Equity of XCD 74.41 million increased by 7.72 per cent from last year's XCD 69.08 million.

Retained Earnings of XCD 5.35 million decreased by 25.70 per cent from last year's XCD 7.20 million.

Dominica Agricultural Industrial and Development Bank

AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

Financial Statements

June 30, 2015

[Expressed in Eastern Caribbean dollars]

Grant Thornton

February 17, 2016

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Independent Auditor's 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** which comprise the financial position as of June 30, 2015 and the statements of comprehensive income, equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers 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.

Grant Thornton

Page 2

Independent Auditor's Report...*continued*

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respect, the financial position of **Dominica Agricultural Industrial and Development Bank** as of June 30, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton

Chartered Accountants

Audit · Tax · Advisory
Member of Grant Thornton International Ltd

Dominica Agricultural Industrial and Development Bank

Statement of Financial Position
As of June 30, 2015

	Notes	2015 $	2014 $ (Restated)	2013 $ (Restated)
Assets				
Cash and balances with Central Bank	7	**15,952**	22,782	2,345
Treasury bills	8	**410,000**	410,000	410,000
Deposits with banks and other financial institutions	9	**6,299,121**	8,837,285	3,946,189
Loans and advances to customers	10	**157,386,114**	154,301,617	156,842,141
Available-for-sale investments	12	**398,899**	864,502	1,408,299
Investment properties	13	**33,890,574**	31,715,654	30,888,365
Property, plant and equipment	14	**10,897,697**	8,284,453	7,904,074
Other assets	15	**1,677,140**	1,054,233	1,109,092
Total Assets		**210,975,497**	205,490,526	202,510,505
Liabilities				
Bank overdraft	16	–	186,899	1,832,124
Due to customers	17	**8,174,524**	9,393,385	10,907,838
Borrowed funds	18	**118,195,595**	118,859,488	114,577,735
Other liabilities	19	**10,190,750**	7,971,425	8,643,235
Total Liabilities		**136,560,869**	136,411,197	135,960,932
Shareholders' Equity				
Share capital	21	**47,970,205**	47,970,205	47,970,205
Contributed capital	22	**1,616,030**	–	–
Revaluation surplus	23	**3,424,796**	–	–
Reserves	24	**16,056,708**	13,912,457	13,142,627
Retained earnings		**5,346,889**	7,196,667	5,436,741
Total Equity		**74,414,628**	69,079,329	66,549,573
Total Liabilities and Shareholders' Equity		**210,975,497**	205,490,526	202,510,505

Approved by the Board of Directors on FEB 5, 2016

Mr. Martin Charles
Chairman

Ms. Denise Charles
Chairperson, Finance and Audit Committee

The accompanying notes form an integral part of these financial statements.

Dominica Agricultural Industrial and Development Bank

Statement of Comprehensive Income

For the year ended June 30, 2015

(expressed in Eastern Caribbean dollars)

	Notes	2015 $	2014 $ (Restated)
Interest income	25	**12,446,819**	12,697,312
Interest expense	25	**(4,467,852)**	(4,834,472)
Net interest income		**7,978,967**	7,862,840
Other operating income	26	**1,945,874**	1,750,137
Other operating expenses	27	**(6,996,813)**	(7,278,191)
Increase in fair value of investment property	13	**560,227**	441,605
Impairment loss on property, plant and equipment	14	**(672,603)**	–
Impairment losses on loans receivables	11	**(124,669)**	–
Net profit for the year		**2,690,983**	2,776,391
Other comprehensive income			
Revaluation of land and buildings	14	**3,424,796**	–
Unrealised gain on available-for-sale investments	24	**2,000**	15,000
Foreign exchange loss utilisation	24	**–**	(11,635)
Total other comprehensive income		**3,426,796**	3,365
Total comprehensive income for the year		**6,117,779**	2,779,756

The accompanying notes form an integral part of these financial statements.

Dominica Agricultural Industrial and Development Bank

Statement of Changes in Equity

For the year ended June 30, 2015

(expressed in Eastern Caribbean dollars)

	Notes	Share Capital $	Contributed Capital $	Revaluation Surplus $	Reserves $	Retained Earnings $	Total Equity $
Balance at July 1, 2013, as previously reported		47,970,205	–	–	8,723,496	5,417,690	62,111,391
Prior period adjustments	35	–	–	–	4,419,131	19,051	4,438,182
Balance at July 1, 2013, as restated		47,970,205	–	–	13,142,627	5,436,741	66,549,573
Comprehensive income:							
Profit for the year, as previously reported		–	–	–	–	1,114,501	1,114,501
Prior period adjustments	35	–	–	–	–	1,661,890	1,661,890
Profit for the year, as restated		–	–	–	–	2,776,391	2,776,391
Other comprehensive income:							
Unrealised gain on available-for-sale investments	24	–	–	–	15,000	–	15,000
Foreign exchange loss utilisation	24	–	–	–	(11,635)	–	(11,635)
		–	–	–	3,365	–	3,365
Total comprehensive income, as restated		–	–	–	3,365	2,776,391	2,779,756
Transaction with owners:							
Dividends	30	–	–	–	–	(250,000)	(250,000)
Transfer to statutory reserve	24	–	–	–	694,098	(694,098)	–
Transfer to loan loss reserve	24	–	–	–	721,287	(721,287)	–
Transfer from foreign exchange utilisation fund	24	–	–	–	(648,920)	648,920	–
					766,465	(1,016,465)	(250,000)
Balance at June 30, 2014, as restated		**47,970,205**	–	–	**13,912,457**	**7,196,667**	**69,079,329**

The accompanying notes form an integral part of these financial statements.

Dominica Agricultural Industrial and Development Bank

Statement of Changes in Equity ...*continued*

For the year ended June 30, 2015

(expressed in Eastern Caribbean dollars)

	Notes	Share Capital $	Contributed Capital $	Revaluation Surplus $	Reserves $	Retained Earnings $	Total Equity $
Balance at June 30, 2014, as previously reported		47,970,205	–	–	8,356,566	7,020,222	63,346,993
Prior period adjustments	35	–	–	–	5,555,891	176,445	5,732,336
Balance at June 30, 2014, as restated		47,970,205	–	–	13,912,457	7,196,667	69,079,329
Comprehensive income:							
Profit for the year		–	–	–	–	2,690,983	2,690,983
Other comprehensive income:							
Unrealised gain on available-for-sale investments	24	–	–	–	2,000	–	2,000
Unrealised gain on revaluation of land and buildings	14	–	–	3,424,796	–	–	3,424,796
		–	–	3,424,796	2,000	–	3,426,796
Total comprehensive income		–	–	3,424,796	2,000	2,690,983	6,117,779
Transaction with owners:							
Contributed capital	22	–	1,616,030	–	–	–	1,616,030
Dividends	30	–	–	–	–	(2,398,510)	(2,398,510)
Transfer to statutory reserve	24	–	–	–	672,746	(672,746)	–
Transfer to loan loss reserve	24	–	–	–	1,469,505	(1,469,505)	–
		–	1,616,030	–	2,142,251	(4,540,761)	(782,480)
Balance at June 30, 2015		**47,970,205**	**1,616,030**	**3,424,796**	**16,056,708**	**5,346,889**	**74,414,628**

The accompanying notes form an integral part of these financial statements.

Dominica Agricultural Industrial and Development Bank

Statement of Cash Flows

For the year ended June 30, 2015

(expressed in Eastern Caribbean dollars)

	Notes	2015 $	2014 $ (Restated)
Cash flows from operating activities			
Net profit for the year		**2,690,983**	2,776,391
Adjustments for:			
Impairment losses on loans and receivables	11	**124,669**	–
Increase in fair value of investment properties	13	**(560,227)**	(441,605)
Depreciation	14	**467,828**	428,428
Loss on investments	27	**216,000**	26,400
Loss/(gain) on disposal of assets		**225**	(17,222)
Interest and similar income	25	**(12,446,819)**	(12,697,312)
Interest expense and similar charges	25	**4,467,852**	4,834,472
Cash flows before changes in operating assets and liabilities		**(5,039,489)**	(5,090,448)
Change in loans and advances to customers		**(2,736,943)**	2,534,137
Change in deposits with banks and other financial institutions		**2,339,010**	(1,479,608)
Change in other assets		**(622,907)**	54,860
Change in due to customers		**(1,218,861)**	(1,514,453)
Change in other liabilities		**(179,185)**	(421,810)
Cash used in operations		**(7,458,375)**	(5,917,322)
Interest received		**11,717,436**	12,703,698
Interest paid		**(4,517,149)**	(4,842,020)
Net cash (used in)/generated by operating activities		**(258,088)**	1,944,356
Cash flows from investing activities			
Purchase of investment property	13	**(69,957)**	(385,684)
Decrease in available for sale –net		**465,603**	532,397
Purchase of property, plant and equipment	14	**(270,964)**	(809,585)
Proceeds on disposal of asset		**13,154**	18,000
Net cash generated from/(used in) investing activities		**137,836**	(644,872)
Cash flows from financing activities			
Borrowed funds		**10,395,169**	17,642,493
Repayment of borrowed funds		**(9,635,437)**	(13,353,191)
Dividends paid		**(250,000)**	(500,000)
Foreign exchange utilization		**–**	(11,635)
Net cash generated from financing activities		**509,732**	3,777,667
Net increase in cash and cash equivalents		**389,480**	5,077,151
Cash and cash equivalents, beginning of year		**3,657,372**	(1,419,779)
Cash and cash equivalents, end of year	32	**4,046,852**	3,657,372

The accompanying notes form an integral part of these financial statements.

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements
June 30, 2015

(expressed in Eastern Caribbean dollars)

1 Reporting entity

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

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

2 Acquisition of business unit

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

The cost of the acquisition is measured as the fair value of the assets and liabilities acquired at the date of the exchange, and the equity instruments issued plus costs directly attributable to the acquisition. Subsequent reporting of the assets acquired is at fair value at balance sheet date. The movement in fair value reflected in comprehensive income.

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

3 Basis of preparation of financial statements

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

The Bank's financial statements were approved for issuance by the Board of Directors on February 5, 2016.

Basis of Measurement
These financial statements are prepared under the historical cost basis, as modified by the revaluation of land and buildings, investment properties and available-for-sale investments.

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

(expressed in Eastern Caribbean dollars)

4 Summary of significant accounting policies

(a) Changes in accounting policy and disclosures

(i) New standards, amendments and interpretations adopted by the Bank for the financial year beginning July 1, 2014

- ***Amendments to IAS 32, 'Financial Instruments: Offsetting financial assets and financial liabilities'***. These amendments clarify the application of certain offsetting criteria in IAS 32, including: (a) the meaning of 'currently has a legally enforceable right of set-off'; and, (b) that some gross settlement mechanisms may be considered equivalent to net settlement. The amendments had no material effect on the Bank's financial statements.

- ***Amendments to IAS 36, 'Impairment of Assets: Recoverable amount disclosures for non-financial assets'***. These amendments clarify that an entity is required to disclose the recoverable amount of an asset (or cash generating unit) whenever an impairment loss has been recognized or reversed in the period. In addition, they introduce several new disclosures required to be made when the recoverable amount of impaired assets is based on fair value less costs of disposal, including: additional information about fair value measurement including the applicable level of the fair value hierarchy, and a description of any valuation techniques used and key assumptions made; and, the discount rates used if fair value less costs of disposal is measured using a present value technique. The amendments had no material effect on the Bank's financial statements.

- ***IFRIC 21, 'Levies'***, clarifies that: (a) the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by the government's legislation. If this activity arises on a specific date within an accounting period, then the entire obligation is recognized on that date; and, (b) the same recognition principles apply in the annual and interim financial statements. IFRIC 21 has no material effect on the Bank's financial statements.

Other standards, amendments and interpretations which are effective for the financial year beginning July 1, 2014 are not material to the Bank.

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Bank for the financial year beginning July 1, 2014

At the date of the authorization of these financial statements, certain new standards and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Bank. Information on those expected to be relevant to the Bank's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Bank's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Bank's financial statements.

- ***IFRS 9, 'Financial Instruments'***. The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The Company has yet to assess the impact of IFRS 9 on the Company's financial statements. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.

(expressed in Eastern Caribbean dollars)

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

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits with maturities three (3) months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments. These include cash and non-restricted balances with other banks, treasury bills and other short-term securities.

(c) Financial assets

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

(i) Loans and receivables

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

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

Loans and receivables are carried at amortised cost using the effective interest method, less provision for impairment.

(ii) Available for sale

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

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 transactions costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets are subsequently carried at fair value. Gains and losses arising from changes in fair value of available-for-sale financial assets are recognised in equity, until the financial assets are derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in profit and loss. However, interest calculated using the effective interest method is recognised in the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive 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 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.

(expressed in Eastern Caribbean dollars)

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

(d) Impairment of financial assets

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

(i) significant financial difficulty of the issuer or obligor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) the Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

(iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) the disappearance of an active market for that financial asset because of its financial difficulties; or

(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

- adverse changes in the payment status of borrowers in the group; or
- national or local economic conditions that correlate with defaults on the assets in the group.

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

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive 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.

(expressed in Eastern Caribbean dollars)

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

(d) Impairment of financial assets ....*continued*

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

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

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

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

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

(e) Renegotiated loans
Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans.

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

(expressed in Eastern Caribbean dollars)

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

(g) Property, plant and equipment

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

ii. Subsequent measurement

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

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

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

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

Land is not depreciated.

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

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

(h) Investment properties

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

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

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

(i) Impairment of other non-financial assets

Assets that have an adequate 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).

(j) Borrowings

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

(k) Grants

Grants are recognised at the 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 comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

(l) 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.

(m) Contributed capital

Contributed capital is reported as part of shareholders' equity and represents the excess value of assets for additional land owned by the Bank during the financial year.

(n) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are declared. Dividends that are declared after the reporting date are disclosed as a subsequent event.

(expressed in Eastern Caribbean dollars)

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

(o) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in profit or loss 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.

(p) Fees and other income

Fees and other income are recognised to the extent that it is probable that future economic benefits will flow to the Bank and the income can be measured reliably. Income is 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.

(q) 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 reporting date are discounted to present value.

(r) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

(s) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(expressed in Eastern Caribbean dollars)

5 Financial risk management

(a) Financial risk factors

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

- Credit Risk
- Market Risk
- Liquidity Risk

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework and it also assesses financial and control risks to the Bank.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Bank's Board of Directors oversees how management monitors compliance with the Bank's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risk faced by the Bank.

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 loans and advances to customers.

(expressed in Eastern Caribbean dollars)

5 Financial risk management *....continued*

(b) Credit risk

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

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

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

5 Financial risk management ....*continued*

(b) Credit risk ....*continued*

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

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

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

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

Some other specific control and mitigation measures are outlined below.

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

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

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

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

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

(expressed in Eastern Caribbean dollars)

5 Financial risk management ....*continued*

(b) Credit risk ....*continued*

(iii) Impairment and provisioning policies

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

The impairment provision shown in the statement of financial position at year-end is derived from each of five internal rating grades. 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:

	2015		2014	
Bank's rating	**Loans and advances (%)**	**Impairment provision (%)**	**Loans and advances (%)**	**Impairment provision (%)**
1. Pass	**59.58**	**16.35**	69.20	18.41
2. Special mention	**21.20**	**6.25**	13.43	3.74
3. Sub-standard	**2.60**	**1.66**	1.05	4.30
4. Doubtful	**1.08**	**2.11**	5.70	40.19
5. Loss	**15.54**	**73.63**	10.62	33.36

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

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

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

(expressed in Eastern Caribbean dollars)

5 Financial risk management *....continued*

(b) Credit risk *....continued*

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

	2015 $	2014 $ (Restated)
Credit risk exposures relating to on-balance sheet assets		
Treasury bills	**410,000**	410,000
Deposits with banks and other financial institutions	**6,299,121**	8,837,285
Loans and advances to customers:		
- Demand loans	**133,125,217**	131,806,726
- Mortgage loans	**36,403,986**	34,754,922
Other assets	**1,550,023**	1,021,065
	177,788,347	176,829,998
Credit risk exposures relating to off-balance sheet items		
Loan commitments	**23,272,944**	20,535,916
	201,061,291	197,365,914

The above table represents a worst case scenario of credit risk exposure to the Bank at June 30, 2015 and 2014, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As shown above, 84.32 % (2014 - 84.39 %) of the total maximum exposure is derived from loans and advances to customers.

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:

- 80.78% (2014 - 82.63%) of the loans and advances portfolio is categorised in the top two grades of the internal rating system;

- 42.14% (2014 - 43.05%) 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)

5 Financial risk management ....*continued*

(b) Credit risk ....*continued*

Loans and advances

Loans and advances are summarised as follows:

	2015 $	2014 $
Neither past due nor impaired	**71,434,752**	71,711,143
Past due but not impaired	**75,629,497**	77,691,852
Impaired	**22,464,954**	17,158,653
Gross	**169,529,203**	166,561,648
Less allowance for impairment losses on loans and advances	**(12,143,089)**	(12,260,031)
	157,386,114	154,301,617

The total impairment provision for loans and advances is $12,143,089 (2014 - $12,260,031) of which $9,115,893 (2014 - $9,360,109) represents the individually impaired loans and the remaining amount of $3,027,196 (2014 - $2,899,923) represents the portfolio provision. Further information of the allowance for impairment losses on loans and advances to customers is provided in Notes 10 and 11.

(i.) 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, 2015			
Grades			
1. Pass	**50,924,732**	**20,510,020**	**71,434,752**
June 30, 2014			
Grades			
1. Pass	53,146,410	18,564,733	71,711,143

(expressed in Eastern Caribbean dollars)

5 Financial risk management *....continued*

(b) Credit Risk *....continued*

(ii.) Loans and advances past due but not impaired

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

	Demand loans $	Mortgage Loans $	Total $
At June 30, 2015			
Past due up to 30 days	56,728,130	12,840,860	69,568,990
Past due 30-60 days	570,586	37,033	607,619
Past due 60-90 days	676,506	40,346	716,852
Past due over 90 days	4,448,328	287,708	4,736,036
	62,423,550	**13,205,947**	**75,629,497**
At June 30, 2014			
Past due up to 30 days	57,964,014	13,420,649	71,384,663
Past due 30-60 days	515,789	49,133	564,922
Past due 60-90 days	746,925	40,559	787,484
Past due over 90 days	4,580,040	374,743	4,954,783
	63,806,768	**13,885,084**	**77,691,852**

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

(iii.) 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, 2015			
Individually impaired loans	**19,776,936**	**2,688,018**	**22,464,954**
At June 30, 2014			
Individually impaired loans	14,853,547	2,305,106	17,158,653

(iv) 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 $20,135,254 as of June 30, 2015 (2014 - $20,945,136).

(expressed in Eastern Caribbean dollars)

5 Financial risk management *....continued*

(b) Credit risk *....continued*

(v) Repossessed collateral
At the end of 2015, the Bank had repossessed collateral valued at $10,000 (2014 - $115,000).

(vi) 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:

		2015 000'		2014 000'
	%	$	%	$
Industrial	**28.31**	**47,992**	26.22	43,678
Tourism	**24.21**	**41,038**	28.24	47,044
Mortgage	**21.30**	**36,111**	20.93	34,863
Education	**17.16**	**29,090**	17.96	29,906
Agricultural	**2.87**	**4,868**	2.94	4,897
Distribution and commerce	**0.02**	**30**	0.02	33
Other consumers	**6.13**	**10,400**	3.69	6,141
Total before deduction for allowance for losses on loans and advances	**100.00**	**169,529**	100.00	166,562

(c) Market risk

The Bank takes on exposure to market risk, 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.

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

At June 30, 2015, if equity securities prices had been 10% higher/lower with all other variables held constant, equity for the year would have been $16,533 (2014 - $16,333) higher/lower as a result of the increase/decrease in fair value of available-for-sale equity securities.

(expressed in Eastern Caribbean dollars)

5 Financial risk management ....*continued*

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

(ii.) 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, 2015 there were no borrowings held in Euro currency.

The following table summarises the Bank's exposure to foreign currency exchange rate risk at June 30, 2015. Included in the table are the Bank's assets and liabilities at carrying amount, categorised by currency.

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

	EC$	US$	Total
As at June 30, 2015			
Assets			
Cash and balances with Central Bank	15,952	–	15,952
Treasury bills	410,000	–	410,000
Deposits with banks and other financial institutions	6,291,342	7,779	6,299,121
Loans and advances to customers	157,386,114	–	157,386,114
Available-for-sale investments	398,899	–	398,899
Other assets	1,677,140	–	1,677,140
Total financial assets	166,179,447	7,779	166,187,226
Liabilities			
Due to customers	8,174,524	–	8,174,524
Borrowed funds	33,772,803	84,422,792	118,195,595
Other liabilities	10,190,750	–	10,190,750
Total financial liabilities	52,138,077	84,422,792	136,560,869
Net on-balance sheet financial position	114,041,370	(84,415,013)	29,626,357
Credit commitments	23,272,944	–	23,272,944
As at June 30, 2014			
Total financial assets	162,277,534	3,212,885	165,490,419
Total financial liabilities	51,144,010	85,267,187	136,411,197
Net on-statement of financial position	111,133,524	(82,054,302)	29,079,222
Credit commitments	20,535,916	–	20,535,916

(expressed in Eastern Caribbean dollars)

5 Financial risk management ....*continued*

(c) Market Risk ....*continued*

(iii.) Interest rate risk

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

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

	1 Year $	2-5 Years $	Over 5 Years $	Non-interest bearing $	Total $
As at June 30, 2015					
Cash and balances with Central Bank	–	–	–	15,952	15,952
Treasury bills	410,000	–	–	–	410,000
Deposits with banks and other financial institutions	3,920,900	2,178,221	200,000	–	6,299,121
Loans and advances to customers	20,276,121	44,006,035	93,103,958	–	157,386,114
Available-for-sale investments	–	–	–	398,899	398,899
Other assets	–	–	–	1,677,140	1,677,140
Total financial assets	24,607,021	46,184,256	93,303,958	2,091,991	166,187,226
Due to customers	1,420,281	6,754,243	–	–	8,174,524
Borrowed funds	13,509,441	50,967,851	53,718,303	–	118,195,595
Other liabilities	–	–	–	10,190,750	10,190,750
Total financial liabilities	14,929,722	57,722,094	53,718,303	10,190,750	136,560,869
Net interest repricing gap	9,677,299	(11,537,838)	39,585,655	(8,098,759)	29,626,357
As at June 30, 2014 - Restated					
Total financial assets	26,714,794	48,178,323	89,543,069	1,054,233	165,490,419
Total financial liabilities	13,712,964	62,182,894	52,357,015	8,158,324	136,411,197
Net interest repricing gap	13,001,830	(14,004,571)	37,186,054	(7,104,091)	29,079,222

(expressed in Eastern Caribbean dollars)

5 Financial risk management ....*continued*

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

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

	EC$	US$
As at June 30, 2015		
Assets		
Treasury bills	5.66	–
Deposits with banks and other financial institutions	2.28	–
Loans and advances to customers	8.63	–
Liabilities		
Due to customers	4.45	–
Borrowed funds	4.06	3.35
As at June 30, 2014		
Assets		
Treasury bills	5.68	–
Deposits with banks and other financial institutions	2.25	–
Loans and advances to customers	7.81	–
Liabilities		
Due to customers	5.17	–
Borrowed funds	4.88	3.50

(iv.) Sensitivity analysis
Cash flow interest rate risks arise from borrowings at variable rates. At June 30, 2015 if variable interest rates had been 1% higher/lower with all other variables held constant, profit for the year would have been $90,977 (2014 - $112,670) higher/lower.

(expressed in Eastern Caribbean dollars)

5 Financial risk management ....*continued*

(d) Liquidity risk

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

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

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

(i.) Non-derivative cash flows

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

	1 Year $	2 – 5 Years $	Over 5 Years $	Total $
Assets at June 30, 2015				
Financial liabilities				
Due to customers	1,445,373	6,923,427	–	8,368,800
Borrowed funds	17,472,839	61,765,690	60,860,373	140,098,902
Other liabilities	1,804,678	7,517,308	868,764	10,190,750
Total financial liabilities	20,722,890	76,206,425	61,729,137	158,658,452
Assets at June 30, 2014				
Financial liabilities				
Due to customers	3,124,914	6,548,594	–	9,673,508
Borrowed funds	14,865,644	68,136,154	61,385,993	144,387,791
Other liabilities	1,327,558	5,988,563	655,304	7,971,425
Total financial liabilities	19,318,116	80,673,311	62,041,297	162,032,724

(expressed in Eastern Caribbean dollars)

5 Financial risk management ....*continued*

(d) Liquidity risk ....*continued*

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

	1 Year $	2 – 5 Years $	Total $
As at June 30, 2015			
Loan commitments	**11,476,785**	**11,796,159**	**23,272,944**
As at June 30, 2014			
Loan commitments	2,685,000	17,850,916	20,535,916

(e) 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.

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

<u>Investment securities</u>
Assets classified as available for sale are measured at fair value.

(expressed in Eastern Caribbean dollars)

5 Financial risk management ....*continued*

(e) Fair values of financial assets and liabilities ....*continued*

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

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

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

	Carrying value		Fair value	
	2015 $	2014 $	2015 $	2014 $
Financial assets				
Loans and advances to customers	**157,386,114**	154,301,617	**139,806,457**	138,325,234
Financial liabilities				
Due to customers	**8,174,524**	9,393,385	**8,174,524**	9,393,385
Borrowed funds	**118,195,595**	118,859,488	**114,121,459**	114,377,494

(f) Fair value hierarchy

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

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

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

Financial assets measured at fair value

	Level 1	Level 2	Level 3	Total
Available for sale investments				
- Equity securities	–	182,930	215,969	398,899

There were no transfers between Level 2 and Level 3 in 2015 or 2014.

(expressed in Eastern Caribbean dollars)

5 Financial risk management *....continued*

(g) Capital management

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

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

6 Critical accounting estimates and judgments in applying accounting policies

Critical accounting estimates and judgements

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

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

(a) Impairment losses on loans and advances

The Bank reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Bank makes judgment as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the net present value of estimated cash flows differs by +/-5%, the provision would be estimated $7,469,213 (2014 - $6,143,437) 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 judgment. In making this judgment, the Bank evaluates among other factors, 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, 2015.

(expressed in Eastern Caribbean dollars)

6 Critical accounting estimates and judgments in applying accounting policies...*continued*

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

During the year, the IEU did not recognize revenue on rental amounting to $408,534 (2014 - $331,514), as significant uncertainties regarding recovery exist. This relates to rental from tenants who are in difficult economic situations and have not paid their rents for several years now.

7 Cash and balances with Central Bank

	Note	2015 $	2014 $
Cash in hand		**14,642**	21,537
Balances with Central Bank		**1,310**	1,245
	32	**15,952**	22,782

8 Treasury bills

	Note	2015 $	2014 $
Treasury bills	32	**410,000**	410,000

Treasury bills are debt securities issued by the Government of Dominica for a term of three (3) months. The weighted average effective interest rate in 2015 is 5.66% (2014 - 5.68%).

9 Deposits with banks and other financial institutions

	Note	2015 $	2014 $
Items in the course of collection with other banks	32	**3,620,900**	3,411,489
Placements with banks and other financial institutions		**2,678,221**	5,425,796
		6,299,121	8,837,285

The weighted average effective interest rate in respect of interest bearing deposits in 2015 is 2.28% (2014 - 2.25%).

Included in placements with banks and other financial institutions is a certificate of deposit amounting to $1,746,351 used to secure certain borrowings of the Bank (Note 18).

(expressed in Eastern Caribbean dollars)

10 Loans and advances to customers

	Note	2015 $	2014 $ (Restated)
Demand loans		**133,125,217**	131,806,726
Mortgage loans		**36,403,986**	34,754,922
		169,529,203	166,561,648
Less allowance for impairment losses on loans and advances	11	**(12,143,089)**	(12,260,031)
		157,386,114	154,301,617
Current		**25,776,500**	23,549,795
Non-current		**131,609,614**	130,751,822
		157,386,114	154,301,617

The weighted average effective interest rate on productive loans at June 30, 2015 is 8.63% (2014 - 7.81%).

11 Allowance for impairment losses on loans and advances

	Note	2015 $	2014 $ (Restated)
Demand loans			
At beginning of year		**12,051,686**	11,928,973
Provision for impairment losses		**124,669**	–
Amounts recovered during the year		**379,179**	190,625
Written-off during the year as uncollectible		**(644,741)**	(67,912)
At the end of year		**11,910,793**	12,051,686
Mortgage loans			
At beginning of year		**208,345**	122,758
Amounts recovered during the year		**26,647**	88,087
Written-off during the year as uncollectible		**(2,696)**	(2,500)
At the end of year		**232,296**	208,345
	10	**12,143,089**	12,260,031

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12 Available-for-sale investments

	2015 $	2014 $
Equity securities - at fair value		
- Listed	**165,330**	163,330
- Unlisted	**233,569**	701,172
	398,899	864,502

Movements of the Bank's available-for-sale investments are as follows:

	2015 $	2014 $
At beginning of year	**864,502**	1,408,299
Equity investment liquidated	**(467,603)**	(532,397)
Unrealised gain on investments	**2,000**	15,000
Realised loss on investments	**–**	(26,400)
	398,899	864,502

13 Investment properties

	Note	Land $	Factory building $	Total $
As at June 30, 2013		12,161,363	18,727,002	30,888,365
Additions during the year		–	385,684	385,684
Increase in fair value		–	441,605	441,605
As at June 30, 2014		**12,161,363**	**19,554,291**	**31,715,654**
As at June 30, 2014		12,161,363	19,554,291	31,715,654
Additions during the year		–	69,957	69,957
Transfer from property, plant and equipment	14	1,544,736	–	1,544,736
Increase in fair value		–	560,227	560,227
As at June 30, 2015		**13,706,099**	**20,184,475**	**33,890,574**

Included in the investment property is land amounting to EC$2,772,309 for which the Bank does not yet have satisfactory title, as the documents to effect the transfer of the title are still being processed by the Bank's lawyers and the government authorities.

The investment properties are industrial sheds being held for long and short term rental for use in the production or supply of goods or services, or administrative purposes for or sale in the ordinary course of business; and lands held for capital appreciation or sale in the ordinary course of business.

(expressed in Eastern Caribbean dollars)

14 Property, plant and equipment

	Notes	Land $	Buildings $	Motor vehicles $	Furniture and equipment $	Computer equipment $	Work-in-progress $	Total $
At June 30, 2013								
Cost or valuation		1,896,183	7,173,506	133,000	1,511,188	1,044,543	446,737	12,205,157
Accumulated depreciation		–	(2,099,184)	(133,000)	(1,125,657)	(943,242)	–	(4,301,083)
Net book amount		1,896,183	5,074,322	–	385,531	101,301	446,737	7,904,074
Year ended June 30, 2014								
Opening net book amount		1,896,183	5,074,322	–	385,531	101,301	446,737	7,904,074
Additions		–	309,187	165,863	110,472	224,063	–	809,585
Depreciation	27	–	(151,572)	(33,172)	(148,569)	(95,115)	–	(428,428)
Disposals		–	–	(72,000)	(100,437)	(129,377)	–	(301,814)
Accumulated depreciation on disposals		–	–	72,000	99,659	129,377	–	301,036
Closing net book amount		1,896,183	5,231,937	132,691	346,656	230,249	446,737	8,284,453
At June 30, 2014								
Cost or valuation		1,896,183	7,482,693	165,863	1,521,223	1,139,229	446,737	12,651,928
Accumulated depreciation		–	(2,250,756)	(33,172)	(1,174,567)	(908,980)	–	(4,367,475)
Net book amount		1,896,183	5,231,937	132,691	346,656	230,249	446,737	8,284,453
Year ended June 30, 2015								
Opening net book amount		1,896,183	5,231,937	132,691	346,656	230,249	446,737	8,284,453
Revaluation surplus	23	–	3,424,796	–	–	–	–	3,424,796
Impairment loss		–	(672,603)	–	–	–	–	(672,603)
Contributed capital	22	1,616,030	–	–	–	–	–	1,616,030
Additions		–	17,250	–	212,028	41,686	–	270,964
Depreciation	27	–	(149,816)	(33,173)	(166,873)	(117,966)	–	(467,828)
Transfers	13	(1,544,736)	–	–	–	–	–	(1,544,736)
Disposals		–	–	–	(250,973)	(18,937)	–	(269,910)
Accumulated depreciation on disposals		–	–	–	250,438	6,093	–	256,531
Closing net book amount		1,967,477	7,851,564	99,518	391,276	141,125	446,737	10,897,697
At June 30, 2015								
Cost or valuation		1,967,477	10,252,136	165,863	1,482,278	1,161,978	446,737	15,476,469
Accumulated depreciation		–	(2,400,572)	(66,345)	(1,091,002)	(1,020,853)	–	(4,578,772)
Net book amount		1,967,477	7,851,564	99,518	391,276	141,125	446,737	10,897,697

(expressed in Eastern Caribbean dollars)

14 Property, plant and equipment...*continued*

An independent valuation of the Bank's land and buildings was performed by valuers in 2015 to determine the fair value of the land and building. The valuation was determined by reference to recent market transactions on arm's length terms. The revaluation surplus was credited to other comprehensive income and is shown in 'revaluation surplus' in equity.

If land and buildings were stated on the historical cost basis, the amount would be $6,394,245 as at June 30, 2015 (2014 - $7,128,120).

15 Other assets

	2015 $	2014 $
Rent receivable	**668,486**	725,019
Other receivables	**1,467,986**	889,941
Less allowance for impairment losses	**(586,449)**	(593,895)
	1,550,023	1,021,065
Prepayments	**127,117**	33,168
	1,677,140	1,054,233

16 Bank overdraft

	Note	2015 $	2014 $
National Bank of Dominica	32	–	186,899

The overdraft facility is guaranteed by the Government of Dominica in accordance with the provision of the Loans Act, Chapter 64:05 Section 3(1) of the 1990 Revised Laws of the Commonwealth of Dominica. Interest is charged on the facility at a rate of 8% per annum.

(expressed in Eastern Caribbean dollars)

17 Due to customers

	2015 $	2014 $
Fixed deposits	**4,488,800**	5,965,140
Refundable deposits	**2,492,871**	2,352,385
Loan prepayments	**1,192,853**	1,075,860
	8,174,524	9,393,385
Current	**1,420,282**	3,089,615
Non-current	**6,754,242**	6,303,770
	8,174,524	9,393,385

All fixed deposits carry fixed interest rates. The weighted average effective interest rate of fixed deposits at June 30, 2015 is 4.45% (2014 - 5.17%).

18 Borrowed funds

	Note	2015 $	2014 $
Caribbean Development Bank		**39,369,930**	44,683,973
European Investment Bank		**23,914,965**	17,982,494
BANDES – Economic and Social Development Bank of Venezuela		**14,238,787**	15,594,863
Dominica Social Security	31	**11,993,712**	13,784,066
Petrocaribe Fund		**10,000,000**	10,000,000
National Bank of Dominica		**6,090,044**	4,500,000
Caricom Development Fund		**5,400,000**	5,400,000
Government of Dominica	31	**3,689,048**	5,298,143
Dominica National Petroleum Company Ltd.		**2,000,000**	–
Republic of China		**1,499,109**	1,615,949
		118,195,595	118,859,488
Current		**13,509,441**	10,623,349
Non-current		**104,686,154**	108,236,139
		118,195,595	118,859,488

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

The National Bank of Dominica loan is secured by the Bank's certificate of deposit amounting to $1,746,351 (Note 9) and certificate of titles to land and building.

(expressed in Eastern Caribbean dollars)

19 Other liabilities

	2015 $	2014 $ (Restated)
Agency liabilities	**4,118,764**	3,905,304
Dividends payable	**2,398,510**	250,000
Deferred income	**429,324**	511,914
Grants	**230**	230
Others	**3,243,922**	3,303,977
	10,190,750	7,971,425
Current	**1,804,678**	1,327,558
Non-current	**8,386,072**	6,643,867
	10,190,750	7,971,425

Deferred income relates to unearned portion of appraisal fees from loans and advances to customers.

Agency liabilities are funds issued to the Bank by the Government of Dominica and other local agencies to be used for qualifying purposes. The Bank earns agency fees as prescribed by contractual agreement.

Others relates to accrued liabilities comprised as follows:

	2015 $	2014 $
Gratuity payable	**2,323,585**	2,372,839
Vacation leave and salaries payable	**368,345**	407,583
IEU tenants security deposits	**250,537**	203,452
Other payables	**301,455**	320,103
	3,243,922	3,303,977

20 Fiduciary activities

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

(expressed in Eastern Caribbean dollars)

21 Share capital

	2015 $	2014 $
Authorised:		
10,000,000 ordinary shares with a $5 par value	**50,000,000**	50,000,000
Issued and fully paid:		
3,509,526 ordinary shares	**17,547,631**	17,547,631
6,084,515 ordinary shares	**30,422,574**	30,422,574
	47,970,205	47,970,205

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.

22 Contributed capital

	Note	2015 $	2014 $
Land on which AID Bank is located	14	**1,616,030**	–

23 Revaluation surplus

	Note	2015 $	2014 $
Revaluation of the AID Bank office building	14	**3,424,796**	–

24 Reserves

	2015 $	2014 $ (Restated)
General reserve	**88,234**	88,234
Statutory reserve	**10,004,973**	9,332,227
Loan loss reserve	**5,500,379**	4,030,874
Special reserves	**441,122**	441,122
Unrealised gain from changes in fair value	**22,000**	20,000
	16,056,708	13,912,457

(expressed in Eastern Caribbean dollars)

24 Reserves...*continued*

Movements in reserves were as follows:

	2015 $	2014 $
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.

	2015 $	2014 $ (Restated)
Statutory reserve		
At beginning of year	**9,332,227**	8,638,129
Transfer from retained earnings	**672,746**	694,098
At end of year	**10,004,973**	9,332,227

This represents 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.

	2015 $	2014 $ (Restated)
Loan loss reserve		
At beginning of year	**4,030,874**	3,309,587
Transfer from retained earnings	**1,469,505**	721,287
At end of year	**5,500,379**	4,030,874

The loan loss reserve was set up in compliance with the provision of European Investment Bank (EIB) loan agreement, which requires the Bank to set aside provision to cover potential loan losses, which shall not be less than 40% of the Portfolio at Risk as of June 30, 2015 (2014 - 30%).

(expressed in Eastern Caribbean dollars)

24 Reserves...*continued*

	2015 $	2014 $
Special reserves		
Caribbean Development Consolidated Entity Provision		
At beginning and end of year	**441,122**	441,122
Foreign exchange equalization		
At beginning of year	–	660,555
Transfers to retained earnings	–	(648,920)
Foreign exchange loss utilization	–	(11,635)
At end of year	–	–
	441,122	441,122

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

Special reserves include accumulated transfers from retained earnings based on European Investment Bank Loan Agreement Section 6.07 requiring interest received by the Bank on 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. The loan to EIB was closed last financial year ended June 30, 2014.

	2015 $	2014 $
Revaluation reserve – available-for-sale investments		
At beginning of year	**20,000**	5,000
Unrealized gain from changes in fair value	**2,000**	15,000
At end of year	**22,000**	20,000

Dominica Agricultural Industrial and Development Bank
Notes to Financial Statements
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(expressed in Eastern Caribbean dollars)

25 Net interest income

	2015 $	2014 $ (Restated)
Interest income		
Loans and advances	**12,189,659**	12,483,554
Deposits with banks	**257,160**	213,758
	12,446,819	12,697,312
Interest expense		
Long-term debt	**(4,322,344)**	(4,607,477)
Interest on deposits	**(145,508)**	(226,995)
	(4,467,852)	(4,834,472)
	7,978,967	7,862,840

26 Other operating income

	2015 $	2014 $ (Restated)
Rental income from IEU operations	**1,383,060**	1,109,479
Others	**242,495**	272,356
Commitment fees	**224,867**	248,324
Agency fees	**95,452**	119,978
	1,945,874	1,750,137

27 Other operating expenses

	Notes	2015 $	2014 $
Staff costs	28	**3,676,814**	4,100,015
Administrative expenses	29	**1,536,912**	1,689,121
Building occupancy expenses		**547,521**	546,004
Depreciation	14	**467,828**	428,428
Factory sheds expenses		**459,174**	408,443
Loss on investments		**216,000**	26,400
Foreign exchange loss		**48,481**	79,780
Bad debt expense		**44,083**	–
		6,996,813	7,278,191

(expressed in Eastern Caribbean dollars)

28 Staff costs

	Note	2015 $	2014 $
Salaries and wages		**2,735,818**	3,007,645
Social security costs		**147,926**	146,476
Group insurance		**76,921**	62,468
Other staff costs		**716,149**	883,426
	27	**3,676,814**	4,100,015
Number of employees		**49**	38

29 Administrative expenses

	Note	2015 $	2014 $
Legal and professional fees		**520,690**	629,986
Directors' emoluments and expenses		**221,366**	208,748
Advertising s		**158,951**	184,487
Subscriptions and donations		**144,174**	115,675
Telephone, postage and fax		**102,431**	98,685
Printing, stationery, and office supplies		**84,618**	99,595
Annual report		**42,225**	34,482
Motor vehicle expenses		**38,696**	48,563
Repair and maintenance of furniture and equipment		**37,861**	41,582
Insurance		**31,625**	29,300
Miscellaneous expenses		**154,275**	198,018
	27	**1,536,912**	1,689,121

30 Dividends

The Bank declared a 5% dividend amounting to $2,398,510 (2014 - $250,000) with respect to the ordinary shares held by the Dominica Social Security and the Government of Dominica.

(expressed in Eastern Caribbean dollars)

31 Related party transactions

A party is related to the Bank, if:

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

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

Loans and advances outstanding from related parties are as follows:

	2015 $	2014 $
Financial Data Services Limited	**789,195**	709,360
Rain Forest Tram Ltd.	**–**	1,759,950
	789,195	2,469,310

At year-end, directors of the Bank and companies in which they have an interest had fixed deposits with the Bank of $11,500 and had loans and guaranteed loans with outstanding balances of $323,645.

In 2015, the total remuneration paid to directors and key management personnel was $1,354,012 (2014 - $1,270,682).

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

	Note	2015 $	2014 $
Dominica Social Security	18	**11,993,712**	13,784,066
Government of Dominica	18	**3,689,048**	5,298,143
		15,682,760	19,082,209

(expressed in Eastern Caribbean dollars)

32 Cash and cash equivalents

	Notes	2015 $	2014 $
Cash and balances with Central Bank	7	**15,952**	22,782
Treasury bills	8	**410,000**	410,000
Items in course of collection with other banks	9	**3,620,900**	3,411,489
Bank overdraft	16	–	(186,899)
		4,046,852	3,657,372

33 Contingent liabilities and commitments

As at year-end, loans and advances approved by the Bank but not yet disbursed, amounted to approximately $23,272,944 (2014 - $20,535,916).

34 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)

35 Prior period adjustments

The financial statements of 2013 and 2014 have been restated to recognise the interest on non-performing loans that are not impaired and to reallocate the excess allowance for impairment losses on loans and advances to a reserve.

Moreover, the financial statements of 2014 have been restated to reflect the increase in fair value of investment properties during the year and defer the unearned portion of commitment fees previously booked as income.

The effects of the prior period adjustments on the statement of financial position at July 1, 2013 and June 30, 2014 are as follows:

	Loans and advances to customers $	Investment properties $	Other liabilities $	Reserves $	Retained earnings $
Balance at July 1, 2013, as previously reported	152,403,959	30,888,365	(8,643,235)	(8,723,496)	(5,417,690)
Interest on unimpaired non-performing loans	1,128,596	–	–	(282,149)	(846,447)
Overstated allowance for impairment losses on loans and advances	3,309,586	–	–	(827,396)	(2,482,190)
Transfer to reserve in compliance with loan covenant	–	–	–	(3,309,586)	3,309,586
Balance at July 1, 2013, as restated	156,842,141	30,888,365	(8,643,235)	(13,142,627)	(5,436,741)
Balance at June 30, 2014, as previously reported	148,498,972	31,274,049	(7,459,511)	(8,356,566)	(7,020,222)
Interest on unimpaired non-performing loans, brought forward	1,128,596	–	–	(282,149)	(846,447)
Interest on unimpaired non-performing loans, credited to comprehensive income	643,175	–	–	(160,794)	(482,381)
Overstated allowance for impairment losses on loans and advances, brought forward	3,309,586	–	–	(827,396)	(2,482,190)
Overstated allowance for impairment losses on loans and advances, credited to comprehensive income	721,288	–	–	(180,322)	(540,966)
Transfer to reserve in compliance with loan covenant, brought forward	–	–	–	(3,309,586)	3,309,586
Transfer to reserve in compliance with loan covenant, for the year	–	–	–	(721,288)	721,288
Increase in fair value of investment properties	–	441,605	–	(110,401)	(331,204)
Deferred commitment fees	–	–	(511,914)	36,045	475,869
Balance at June 30, 2014, as restated	154,301,617	31,715,654	(7,971,425)	(13,912,457)	(7,196,667)

(expressed in Eastern Caribbean dollars)

35 Prior period adjustments...*continued*

The effects of the prior period adjustments on the statement of comprehensive income for the year ended June 30, 2014 are as follows:

	2014 **$**
Comprehensive income, as previously reported	1,117,866
Interest on unimpaired non-performing loans	643,175
Overstated allowance for impairment losses on loans and advances	721,288
Increase in fair value of investment property	441,605
Adjustment to commitment fees	(144,178)
Comprehensive income, as restated	2,779,756

36 Subsequent events

Subsequent to balance sheet date, but prior to signing of these financial statements, the island of Dominica was struck by Tropical Storm Erika. This event caused disruption to the entire country and is not known how much damage has been done to the Bank's properties and other assets, including assets held by the Bank as collateral for its loans and receivables.

The Bank, however, has put in place plans to deal with clients and staff and to continue business. At the current time, the Directors consider that they are adequately insured to cover any losses arising from damage to properties and other assets.

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