



Dominica Agricultural Industrial and Development Bank

ANNUAL REPORT

For the Year Ended June 30th 2017

"Committed to Building a Resilient Dominica"





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.

Our Vision

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

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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
OECS	Organization of Eastern Caribbean States
PAR	Portfolio-at-Risk
SFR-D	Special Fund Resources - Dominica
TS Erika	Tropical Storm Erika
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

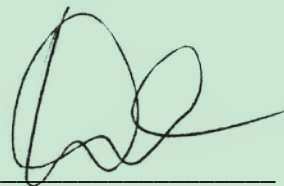
September 30, 2017

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, 2017.

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, 2017

MR. MARTIN CHARLES - *Chairman*

MR. SIMPSON GREGOIRE - *Deputy Chairman*

MS. DENISE CHARLES - *Director (Until March 2017)*

MRS. EVANNAH EMANUEL - *Director*

MR. LEON LeBLANC - *Director*

MS. HELEN PASCAL - *Director*

MR. COLBERT PINARD - *Director*

MR. BENTLEY ROYER - *Director*

MS. JOY ROBERTS - *Director*



Dominica Agricultural Development Bank

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Standing (from right to left): Mr. Martin Charles - Chairman, Mr. Simpson Gregoire - Deputy Chairman, Mr. Colbert Pinard - Director, Mr. Leon Leblanc - Director, Mr. Bentley Royer - Director
Sitting (from left to right): Ms. Joy Roberts - Director, Ms. Helen Pascal - Director, Mrs. Evannah Emanuel - Director
Not Shown: Ms. Denise Charles - (Director Until March 2017)



Members of Senior Management

As at June 30, 2017

Mr. J. J. Corbett	-	General Manager (until May 8, 2017)
Mrs. M. John Rose	-	General Manager (Ag) (from May, 2017) Executive Manager, Credit Operations
Mrs. E. Harris Collymore	-	Executive Manager, Corporate Affairs (until December 8, 2016)
Ms. V. E Abraham	-	Senior Manager, Finance and Accounts (until December 8, 2016)
Ms. T. Jean Jacques	-	Senior Manager, Finance and Accounts (from September, 2016)
Mrs. R. Hyacinth	-	Senior Manager, Human Resource and Administration
Mrs. A. Coipel	-	Senior Manager, Management Information Systems
Mrs. M. Abel	-	Manager Credit
Ms. P. Etienne	-	Special Credit Officer (Nov. 2016 to April 2017)
Mr. F. Fabien	-	Manager - Industrial Estate Unit (Ag)
Mrs. I. Prosper-Bruno	-	Manager Recoveries (Ag.) (from November, 2016)
Mrs L. Irish-Wade	-	Internal Auditor
Mrs. P. Pogson	-	Risk Officer (from June 2017)



Members of Management & Staff

As at June 30, 2017

OFFICE OF THE GENERAL MANAGER

Mr. J. J. Corbett	-	General Manager (until May 8, 2017)
Mrs. M. John Rose	-	General Manager (Ag) (from May, 2017)
Mrs L. Irish-Wade	-	Internal Auditor
Mrs. P. Pogson	-	Risk Officer (from June 2017)
Mrs. P. Shillingford-Chambers	-	General Manager's Secretary (Ag.)
Mr. N. Brewster	-	Admin Assistant Internal Audit/Risk

CREDIT OPERATIONS DIVISION

Mrs. M. Abel	-	Manager Credit
Mrs. N. Faustin	-	Credit Officer
Ms. E. Alfred	-	Credit Officer
Ms. P. Etienne	-	Special Credit Officer (Nov. 9, 2016 to April 20, 2017)
Ms. H. Albert	-	Securities Officer
Mr. A. Thomas	-	Disbursement Officer
Ms. M. Robinson	-	Customer Service Representative
Ms. S. Victor	-	Receptionist

RECOVERIES UNIT

Mrs. I. Prosper-Bruno	-	Manager Recoveries (Ag.) (from November, 2016)
Mrs. R. Xavier	-	Special Operations Recoveries Officer
Mr. K. Albert	-	Recoveries Officer
Ms. G. Edwards	-	Recoveries Officer (Ag)
Mr. K. Shillingford	-	Recoveries Officer (Ag)
Mr. G. Nicholls	-	Recoveries Officer (Ag)

CORPORATE AFFAIRS DIVISION

Mrs. E. Harris Collymore	-	Executive Manager, Corporate Affairs (<i>until December 8, 2016</i>)
Mrs. J. Dechausay Titre	-	Special Projects/ Communications Coordinator
Ms. B. Bethel	-	Agricultural Development Officer

MIS UNIT

Mrs. A. Coipel	-	Senior Manager, Management Information Systems
Mr. K. Sylvester	-	Technical Officer
Mr. Ike Bannis	-	Technical Officer

INDUSTRIAL ESTATE UNIT

Mr. F. Fabien	-	Manager - Industrial Estate Unit (Ag.)
Mr. G. Eloi	-	Technical Officer
Mr. J. O'garro	-	Maintenance Officer
Ms. M. Quammie	-	Administrative Officer

LEGAL UNIT

Ms. Saudia Cyrus	-	Legal Counsel
Ms. N. Winston	-	Legal Secretary

FINANCE AND ACCOUNTS DIVISION

Ms. V. E Abraham	-	Senior Manager, Finance and Accounts (<i>Until December 8, 2016</i>)
Ms. Tammy Jean Jacques	-	Senior Manager, Finance and Accounts
Mrs. L. Gonzalez-Peltier	-	Assistant Manager, Finance and Accounts (Ag.) (<i>from November 8, 2016</i>)
Ms. A. Dupigny	-	Senior Officer, Finance and Accounts
Ms. N. Laurent	-	Accounts Officer

HUMAN RESOURCE DIVISION

Mrs. R. Hyacinth	-	Senior Manager, Human Resource and Administration
Ms. V. Henderson	-	Administrative Assistant, Human Resource and Administration
Mr. T. Harry	-	Office Attendant (Ag) (<i>until May 2017</i>)

INTERNS UNDER THE NATIONAL EMPLOYMENT PROGRAMME

Ms. A. Roache	-	Intern, Management Information Systems Unit
Mr. D. Tyson	-	Intern, Credit Division
Mr. M. Henry	-	Intern, Credit Division
Ms. F. Royer	-	Intern, Credit Division
Mr. Kestar Toussaint	-	Intern, Corporate Affairs Division
Ms. R. St. Jean	-	Intern, Finance & Accounts Division

Chairman's Statement

June 2017



Dear Shareholders,

It is my pleasure to present to you today the Annual Report of the Dominica Agricultural Industrial and Development Bank for the financial year ended June 30, 2017. As the only development bank in Dominica, the role of the Bank becomes increasingly more germane.

This financial year 2016/2017 can be considered as a period of gradual rebuilding, stemming from the effects of Tropical Storm Erika in August 2015 which devastated the agricultural, manufacturing and tourism sectors. The bank played a critical role in the economic recovery process by increasing its investment in these sectors by 134% over the previous financial year. This was made possible from funds received from the Government of Dominica under the Citizenship by Investment Programme.

We can report that for the period under review, a total of 114 farms were developed with a total investment of over \$2 million. 61% of this investment went towards farm development and 16% went towards the development of poultry enterprises. The major proportion of this investment or 24% was made in the northeast region of Calibishie to Marigot followed by 23% in the southeast region of Castle Bruce to Delices.

Operating in a small open economy and given the ongoing macroeconomic challenges following Tropical Storm Erika, this continues to impact negatively the bank's loan portfolio quality and overall financial performance. The bank's mandate of promoting economic development which it has done particularly to the Tourism and Industry sectors puts it at risk of a feeble portfolio quality due to the deteriorating performance of these sectors.

The bank continues to make space available at the Industrial Estate for manufacturing, services, ICT,



Communications and Warehousing. As at the end of the financial year, more than 1,000 individuals were employed from activities generated at the estates.

Notwithstanding the effects of two natural disasters that have virtually eroded our income stream, the bank continues to maintain its relevance therefore, I am pleased to report a net profit on operations of \$0.48 million as at June 30, 2017.

Despite the challenges faced by Venezuela, the bank was able to mobilize a second draw-down of funds from BANDES in the amount of US\$3.97 million and together with funds received from the Government of Dominica under the Citizenship By Investment Programme for Agriculture, Tourism and Manufacturing, we were able to increase the overall loan approvals over the last financial period by 21.5% with a value of \$16.8 million. The loan disbursements however declined over the same period by 20.81% recording an amount of \$13.82 million.

Overall, the bank reported a slight decline in its loan portfolio by 1.33% from \$169.02 m in June 2016 to \$168.8 m as at June 2017.

During the period 2016/2017, the bank received grant funding from the European Investment Bank and the CARICOM Development Fund to strengthen its risk management processes, business continuity and staff training.

Shareholders, I wish to report that the bank's Strategic Plan for the period 2017 – 2020 under the theme, "Committed to building a resilient Dominica" was approved. The main outcome of the Strategic Plan is to achieve an effective and efficient institution with favourable liquidity, a high quality loan portfolio, empowered human resource, optimal visibility and expanding market share. We are committed to building resilience to the effects of climate

change by ensuring that consideration of climate change risks is reflected throughout our operation.

Concurrently the bank has also revised its organisational structure which caters for a realignment of activities and a leaner and more efficient organisation.

With the achievement of this outcome the AID Bank will maintain its sustainability and be in a better position to build a more resilient Dominica.

With the passage of Hurricane Maria, the Plan has had to be augmented due to the change of events and priorities. Increased focus will be placed in the following overall objectives:

1. To strengthen focus on customer care and corporate image by further streamlining its procedures, enhance relationship building strategies and highlight the customer service culture. Increased focus will be placed on enhancing the bank's corporate image by strengthening our identity as the primer customer service centre.
2. To increase investment in the productive sector, without compromising further the quality of its portfolio. Achievement of this goal requires adequate financial resources, increased intelligence gathering and strategic partnership and enhanced project appraisal to include risk assessment and monitoring tools all of which are vigorously being pursued.
3. To expand its products and services by targeting specific segments of the population. The bank recently enhanced two of its existing products namely **WE Fund** and **Star-Up Stars** which offer a maximum loan of \$50,000 and \$30,000 respectively to women entrepreneurs and youth under the age of 35, at a reduced interest rate of 6%, with extremely relaxed security, for the development of productive sector enterprises. So far, the bank can report that the performance has been encouraging.

The bank will continue to promote sustainability through Energy Efficiency/Renewable Energy initiatives. In addition to an EE/RE component to businesses, the bank has introduced an energy efficient component under its mortgage line

of credit where existing and prospective home owners can now include in their mortgage, any cost relating to energy efficiency such as solar power, solar water heaters etc.

We will be established as a benchmark for EE/RE investment by showcasing savings to be obtained through the implementation of these initiatives.

4. To seek funding for the promotion of Climate Resilient projects. Grant funding in the amount of US\$35,000 has already been obtained from the Caribbean Development Bank for the provision of technical assistance to integrate appropriate climate risk assessment provisions into our investment policies and procedures and strengthen staff skills in order to improve the overall due diligence process for credit risk appraisal.
5. To further enhance its information systems by strengthening focus on enhanced processes, an improved network, additional document storage and the implementation of a corporate wide Document Management Solution.
6. To strengthen Risk and Compliance by strengthening policies and procedures, continued structured Risk and Compliance Training and Awareness Programme and enhance and operationalize the bank's business continuity, emergency preparation, response and recovery plan.
7. To continue focus on human resource development with continued improvements to health and wellness, safety and security in an effort to manage the risks associate with the bank's operation and activities. Attention will be placed on the implementation of a succession plan, systematic training and development program to retool and upgrade skills and the enhancement of performance management.
8. The bank continues to pursue vigorously the restoration of the industrial estate buildings post Hurricane Maria. Further upgrades and expansion will be undertaken in order to position the estate to be better able to fulfil its mandate of providing the physical infrastructure to support businesses.

We are grateful to the Government of Dominica for its continued financial and regulatory support. We believe that the funds made available for investment in the productive sectors will help our country to: (i) earn much needed foreign exchange and (ii) add to the overall GDP.

We applaud the Honourable Minister of Finance and Prime Minister for his foresight and aggressive pursuit in restoring the economy post Hurricane Maria into a more resilient nation. With the participation of all stakeholders particularly the AID Bank, this goal will definitely be attained.

We express heartfelt thanks to the Government for its confidence placed in the AID Bank to be given the opportunity to be the vehicle through which the concessionary lines of credit are made available to the productive sectors.

Continued gratitude is expressed to the Financial Secretary for her oversight and guidance to the bank.

We thank also the Dominica Social Security, our minority shareholder for its support throughout the financial year.

Special appreciation is extended to members of the Board of Directors for their diligent and steadfast service to the bank over the years. Your resilience and commitment are exemplary, as we all seek to build our beautiful country.

We express sincere appreciation to management and staff for their contributions and commitment throughout the year.

To our customers we express our appreciation for your tenacity in your pursuit to economic development and state our unwavering commitment in assisting towards this goal in keeping with our mandate of promoting the economic development of the Commonwealth of Dominica.



DAIDB Five-Year Highlights At A Glance

INCOME STATEMENT	2017 XCD ('000)	2016 XCD ('000)	2015 XCD ('000)	2014 XCD ('000)	2013 XCD ('000)
Interest Income	9,705	11,191	12,447	12,697	12,681
- Interest Expense	4,522	4,444	4,694	4,834	4,848
= Net interest Income	5,183	6,747	7,753	7,863	7,833
+ Other Income Net	1,919	1,909	1,946	2,192	1,938
= Operating Income	7,102	8,656	9,699	10,055	9,771
- Staff Costs	3,567	4,044	3,677	4,100	3,594
- Administrative Costs	2,165	3,165	3,432	3,179	3,330
- Provisions	887	246	125	-	1,818
= Net profit	483	1,201	2,465	2,776	1,029
BALANCE SHEET	2017 XCD ('000)	2016 XCD ('000)	2015 XCD ('000)	2014 XCD ('000)	2013 XCD ('000)
Assets					
Cash and Balances with Central Bank	21	19	16	23	2
+ Deposit with Other Banks	22,695	2,713	5,667	8,421	3,531
+ Investments [Net of Impairment]	1,452	1,449	1,441	1,691	2,234
+ Investment Properties	34,634	33,634	33,891	31,716	30,888
+ Loans [Net of Impairment]	161,724	162,028	157,386	154,302	156,843
+ Other	12,587	12,863	12,574	9,338	9,013
= Total Assets	233,113	212,706	210,975	205,491	202,511
Liabilities					
Deposits	7,124	7,548	8,174	9,393	10,908
+ Borrowings	146,351	124,894	118,195	118,860	114,578
+ Other Liabilities	10,034	10,894	13,340	11,082	10,475
+ Equity	69,604	69,370	71,266	66,156	66,550
= Total Liabilities and Equity	233,113	212,706	210,975	205,491	202,511
OTHER INFORMATION	2017 XCD ('000)	2016 XCD ('000)	2015 XCD ('000)	2014 XCD ('000)	2013 XCD ('000)
Loan Approvals ('000)	16,762	13,796	28,921	26,918	24,700
Loan Disbursements ('000)	13,819	17,451	20,560	17,477	24,231
Estimated Number of Jobs Created	820	354	530	548	514
Industrial Estate Employment	1,000	916	930	773	720
Return on Equity (per cent)	0.69	1.73	3.46	4.20	1.55
Return on Assets (per cent)	0.21	0.56	1.17	1.35	0.51
Loan Provisions as per cent of Portfolio	9.15	8.68	7.16	7.36	9.46
Loan Provisions as per cent of NP Portfolio	39.40	56.08	54.05	71.45	71.27



Agriculture

Part I

The Economy of Dominica¹

For the year 2016 the economy experienced mixed movements. Sharp growth was recorded in the construction and Central Government sectors while negative growth was recorded in the manufacturing and tourism sectors. By the end of the first two quarters of 2017, the pace of economic activity was above that of the corresponding period of 2016. There was increased activities in the construction, agricultural and tourism sectors, notwithstanding subdued performance in the manufacturing sector.

For the period January to December 2016 there was a slight increase of 0.41 per cent in the production of beverages from 537,665 to 539,864 cases, however production value declined by 28.87 per cent from \$9.56 million to \$6.80 million, due to a drop in sales from the local market and the region. By the second half

of the year 2017, output in the manufacturing sector is estimated to have contracted due to a decline in the production of paints and vanishes and beverages.

The production of chemicals and related products registered a significant decrease of 75.4 per cent over the year 2016, moving from 3,668.54 to 902.43 tons. Consequently the value of production declined by 73.94 per cent from \$21.45 million to \$5.59 million. This drastic change was due to the closure of a major company in the sector.

For the period January to December 2016, the tourism sector recorded negative growth of 0.34 per cent with a decline in total visitors arrivals from 357,519 to 356,302 visitors. An assessment of the second half of 2017 revealed that visitor arrivals declined by 3.1

Sources:

Central Statistical Office, 'Quarterly Economic Indicators', Third and Fourth Quarters, 2016 and First Quarter 2017.
ECCB, Economic and Financial Review, Volume 36, Number 1, June 2017.
International Monetary Fund, IMF Executive Board Concludes the 2016 Article IV Consultation with Dominica, Press Release No. 16/346, July 20, 2016..

per cent to 207,227. This contraction in arrivals was driven predominantly by a 7.7 per cent reduction in the number of cruise ship passengers to 156,026, consistent with a fall in the number of cruise ship calls from 105 to 102. Conversely, during this period the number of stay over visitors rose by 16.4 per cent to 41,307 which was influenced by improved flight connections to Dominica and an improvement in marketing and promotion.

For the year 2016 activities in the construction sector rose due to an increase in the value and number of construction starts. Construction starts recorded a



Housing

significant increase of 46.97 per cent from 66 to 97 buildings over the period. The value of those starts also increased by 40.79 per cent. Moving into the first half of 2017, construction activity is also estimated to have accelerated due to activities both in the public and private sectors.

Government revenue registered a significant growth of 65.51 per cent during the period January to December 2016. Current expenditure also rose slightly by 6.20 per cent. The current account balance thus recorded \$279.12 million at the end of the period. During the first half of 2017 a current account surplus of \$125.9 million was recorded. Current revenue totalled \$355.4 million which registered a decrease of \$44.2 million over the amount collected the corresponding period last year. This decline was due to a reduction in non-tax revenue. Current expenditure increased by \$33.2 million to \$229.5 million during the period.

The consumer price index recorded an increase of 0.15 per cent from 102.24 to 102.39 over the year 2015 to 2016. The Food Index registered a 0.10 per cent increase from 110.91 to 111.02. By the end of the first



Agriculture

half of 2017 the consumer price index increased by 0.5 per cent which can be compared to an increase of 0.8 per cent in the corresponding period.

According to the Eastern Caribbean Central Bank, Economic and Financial Review, June 2017, the overall level of economic activity is expected to decline in the remainder of 2017. This assessment is based on the devastation of the productive sectors caused by Hurricane Maria in September 2017. The agricultural sector is expected to contract owing to significant damage to farming infrastructure, crop and livestock production. Similarly, activities in the tourism industry is also likely to deteriorate since many hotels were greatly affected by the hurricane. There is also expected to be a decline in the number of cruise ship passenger arrivals on account of an anticipated cancellation of



Agriculture

cruise calls. Manufacturing output is expected to remain subdued. In conclusion, Dominica remains vulnerable to external shocks such as adverse weather conditions which would compound the unfavourable economic outlook.

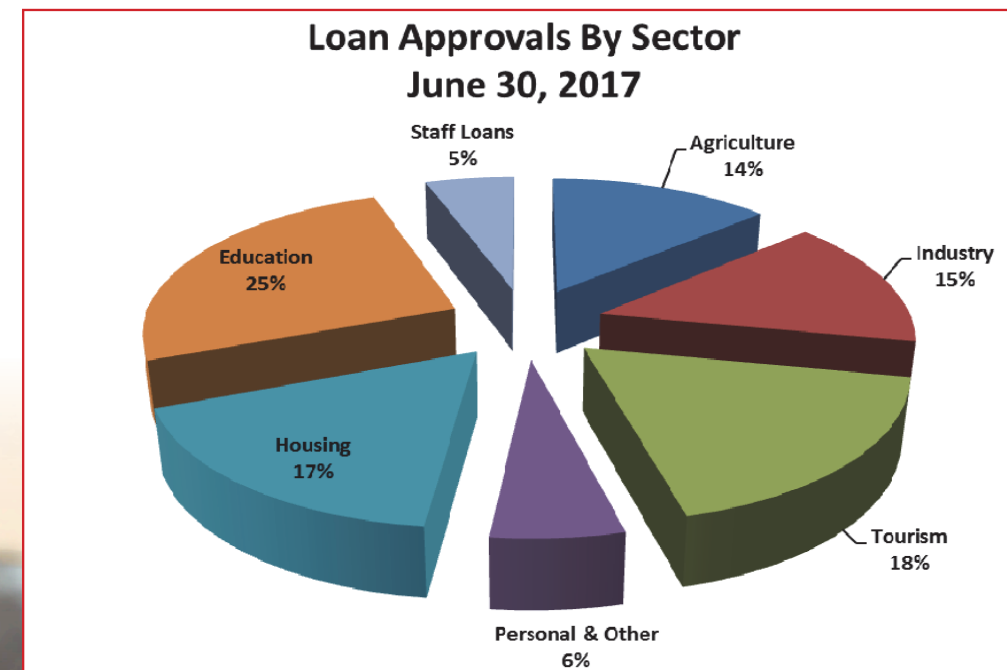
Part II The Performance of the DAIDB

CREDIT OPERATIONS

Approvals

For the year ended June 30, 2017, the Bank approved 391 loans with a total value of \$16.76 million. Education loans valued at \$4.27 million and Tourism loans valued at \$3.01 million combined, accounted for 43.44 percent of the total approvals for the period. The sectoral allocation of approvals is presented in Graph 1.

Graph 1



Education

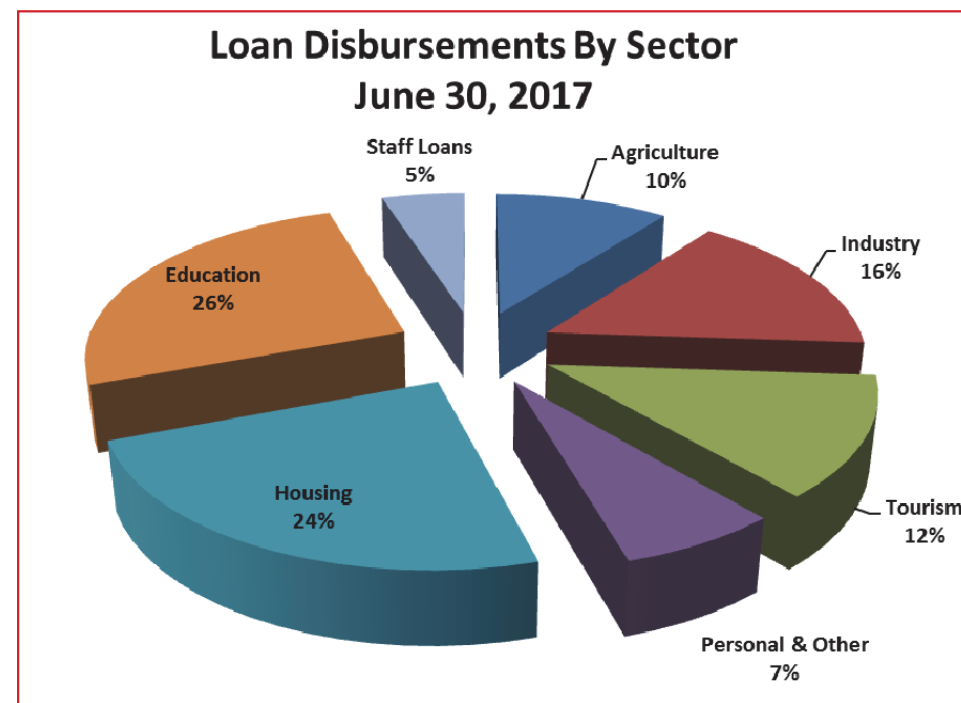


Disbursements

For the twelve months ended June 30, 2017, disbursements totalled \$13.81 million. This amount was lower than the actual disbursements for the period ended June 30, 2016 by 20.81 percent, when an amount of \$17.45 million was disbursed. Disbursements for the year ended June 30, 2017 were made primarily in the Education sector with a value of \$3.41 million or 24.70 percent of total disbursements and the Housing sector valued at \$3.17 million or 22.98 percent of total disbursements.

The Bank also disbursed an amount of \$1.09 million under the Special Agricultural Loan Facility funded under the CBI Programme for the year ended June 30, 2017. The sectoral distribution of disbursements is presented in Graph 2.

Graph 2



The bank disbursed a cumulative total of \$2.3 million on behalf of the Agriculture Investment Unit of the Ministry of Agriculture as at the year ended June 30, 2017. A total of \$0.63 million in loans and \$0.48 million in grants was also disbursed on behalf of the Ministry of Agriculture, Banana Recovery Programme.

The bank also facilitates loan disbursements on behalf of the Ministry of Education under its Student Loan Programme. To date the Bank has received a total of \$5,250,000 under this facility, from which a total of \$5.12 million has been disbursed.

Rescheduling

For the twelve months ended June 30, 2017, eighty-nine loans valued at \$13.21 million were approved to be rescheduled. This comprised of seven loans in the Agriculture sector valued at \$0.16 million, seven loans in the Industry sector valued at \$5.7 million, four loans in the Tourism sector valued at \$3.16 million; two loans in the Personal and Other sector valued at \$0.018 million, nineteen loans in the Housing sector valued at \$1.67 million, forty-nine loans in the Education sector valued at \$2.48 million and one staff loan valued at \$0.016 million.

Non-Performing Loans

As at June 30, 2017 Non-Performing (NP) loans totalled \$41.4 million or 24.50 percent of total loans outstanding of \$168.79 million.

For the corresponding period of June 30, 2016, NP

In comparison, for the twelve months ended June 30, 2016, ninety-five loans valued at \$8.96 million were approved to be rescheduled. This comprised seven loans in the Agriculture sector valued at \$0.083 million, eleven loans in the Industry sector valued at \$0.91 million, seven loans in the Tourism sector valued at \$4.15 million, four loans in the Personal and Other Sector valued at \$0.040 million, twenty loans in the Housing sector valued at \$1.39 million, forty-five loans in the Education sector valued at \$2.31 million and one staff loan valued at \$0.076 million.

loans totalled \$27.61 million or 16.34 percent of total loans outstanding of \$169.02 million. The non-performing loans ratio registered an increase of 8.16 per cent over the same period last year.

With respect to the distribution of the total loan portfolio, the Industry sector made up the largest proportion of 28.18 percent and also formed the largest percentage of Non-Performing loans of 42.51 percent. The Tourism sector contributed the second highest or 24.50 percent of the loan portfolio with non-performing loans of 36.09 percent. The Housing sector contributed 24.36 percent of the loan portfolio but was only 7.95 percent of the non-performing portfolio. The Education sector formed 16.45 percent of the loan portfolio and contributed 7.81 percent to the non-performing portfolio.

Portfolio at Risk (PAR) Ratio

As at the year ended June 30, 2017, the Portfolio at Risk was 37.95 percent, a 3.67 percent increase from the corresponding period June 2016 which was 34.28 percent.

Loan Portfolio

At the end of the financial year, June 2017, the Bank's loan portfolio totalled \$168.79 million compared to \$169.02 million as at June 30, 2016. The loan portfolio as at June 30, 2017 represents a decrease of 1.33 per cent over the same period last year.

FUNDING

The bank was able to mobilize loan funds amounting to US\$16 million and grant funds in the amount of US\$215,000 from its existing funding agencies during the financial year.

European Investment Bank (EIB)

The bank obtained grant funding in the amount of EURO 44,985.85 for technical assistance from EIB during the period. This amount was approved for consultancy for Risk Assessment.

Caribbean Development Bank (CDB)

A Loan Agreement guaranteed by the Government

of Dominica, was executed between the AID Bank and the CDB in the amount of US\$12 million. The Agreement caters for financing for mortgages and education. Of the approved amount, an amount of US\$2 million caters to underprivileged students.

A Grant Agreement was also executed in the amount of US\$35,000.00 for technical assistance to improve the institutional capacity within the bank. The assistance will focus on the assessment and management of climate risks in the project appraisal process.

Banco de Desarrollo Económico y Social de Venezuela (BANDES)

The bank received a second portion under the BANDES Line of Credit in that amount of US\$3,973,000. The allocation of the amount was as follows:

Mortgage	-	\$4,000,000.00
Education	-	\$3,000,000.00
Other Productive sector-		\$2,300,000.00
Women Entrepreneurs -		\$ 500,000.00
Micro credit to young entrepreneurs -		\$500,000.00

The bank has commenced the promotion of these facilities through a series of advertisements and intends to strengthen its outreach programmes.

CARICOM Development Fund (CDF)

The bank is in the process of implementing the activities under the grant agreement in the amount of US\$150,000.00 received from the CDF. The grant funding catered for business continuity, accounting policy and staff training.

MANAGEMENT INFORMATION SYSTEMS

Technology continues to play an important role in enhancing the productivity and efficiency of the workforce. Customer's needs are becoming increasingly complex and organizations need to be able to adapt and respond to these complexities in

a timely and effective manner in order to provide customer satisfaction. It is therefore critical that the bank's information systems remain relevant and applicable.

The Management Information Systems (MIS) Unit of the bank recognizes and understands the constant evolution of both user and customer needs and during the financial year 2016/2017, sought to improve all aspects of operations.

Areas covered during the year include:

- i. Improvements to telecommunication and data access within the bank and between the bank and the Industrial Estate Unit
- ii. Upgrading/updating of systems
- iii. Conducting of user training

The MIS Unit expects to play a key role in the implementation of International Financial Reporting Standard 9 (IFRS 9) and as such, attended an IFRS training session in St. Kitts in March 2017. The MIS Unit will assist in the design and automation of the Credit Rating system for loans and will also provide assistance in data processing and statistical modelling required for the implementation of IFRS9.

The focus for the coming year will be on strengthening controls and procedures and on staff training with a view to improving information security and efficiency. Increased focus will also be placed on Business Continuity as part of building resiliency for future disasters.

HUMAN RESOURCES

The Bank continues to place emphasis on its human resource capacity in order to achieve the goals and targets set out for the year in its trust to influence developmental activities in the aftermath of Tropical Storm Erika. To that end, the bank ensured that its human resource was well equipped to face the task ahead, which was articulated in the visionary theme

of the last years' annual report "Fulfilling Our Role in the Development of a Resilient Dominica".

The year under review saw the departure of four members of staff. Two of its senior managers namely Dr. Emaline Harris-Collymore, Executive Manager, Corporate Affairs and Miss V. Elfreda Abraham, Senior Manager, Finance & Accounts retired while the engagement of the General Manager, Mr. Julius Corbett ended on May 8, 2017. The bank also lost the services of Miss Patricia Etienne during the year.

The Bank expresses appreciation to these officers for their valuable and dedicated service over the years.

The bank engaged Mrs Pamela Pogson as Risk Officer in June 2017.

The Bank continued on its thrust in encouraging staff development and sponsored a number of training sessions both locally and regionally in Sales and Marketing, Underwriting, Energy Efficiency, Debt Recovery Management and International Financial Reporting Standard 9 (IFRS 9). The annual Money Laundering and Counter Financing of Terrorism refresher training was also undertaken. Training was also conducted by the Dominica Red Cross in First AID to a cross section of staff. A Staff Training Development Plan geared at improving performance management has been prepared and will be incorporated into the Bank's revised budget for the next financial year.

The Ministry of Employment, National Employment Program (NEP) continues to be a strategic partner of the Bank in delivering its mandate. The bank is pleased to report the appointment of four interns under the programme during the financial year.. The Bank continues to benefit from the services of five other interns who are still on staff in various divisions within the Bank.

INTERNAL AUDIT FUNCTION

In the financial year 2016/2017, the internal audit function focused on four main areas:

- i. Having a positive impact on the control environment through comprehensive audits and following up on the implementation of recommendations;
- ii. Updating the internal audit manual;
- iii. Revisiting the Internal Audit mission and value statements in ensuring that the internal audit function and audit plan for 2017/2018 aligned with the Bank's Strategic Plan for 2017-2020; and
- iv. Providing support to the Finance and Audit Committee and the Board in their corporate governance responsibilities and risk management oversight.

The execution of the internal audit plan for the financial year 2016/2017 continued to adopt a risk based approach in the audit methodology to ensure that the internal audit priorities were consistent with the Bank's goals and objectives and that the higher risk areas were given dedicated audit coverage. The use of online anonymous survey was still employed in obtaining perspectives from management and staff for improvement in various processes and procedures.

In the second half of the financial year, the Internal Audit function benefited from the employment of an Administrative Assistant who is shared with the risk function of the Bank. This human resource addition added much needed value to the sole audit function as the new staff member not only focused on the administrative function of the unit but also assisted in the audit field work.

The internal audit function maintains its independence by reporting directly to the Board's Finance and Audit Committee. During the financial year 2016/2017, twenty-two audits including three special audits and nine follow-up audits were conducted on various departments, procedures and processes. The Internal Auditor also provided refresher training to the Board of Directors in Money Laundering and Counter

Financing of Terrorism.

With the onset of the implementation of International Financial Reporting Standard 9 (IFRS 9) in 2018, the Internal Auditor along with other management staff attended an IFRS 9 workshop at the ECCB Headquarters in St Kitts during the financial year. Emanating for the training, it was clear that the Internal Audit function will have a major role in providing assurance on the effectiveness of the governance and control framework to facilitate data quality and availability, methodologies and modelling and systems and processes which are required in fulfilling the requirements for the implementation of IRFS 9. Hence, the implementation of IFRS 9 will be one of the areas of focus for the internal audit function in the financial year 2017/2018.

Updating of the audit manual was not completed in the financial year. Therefore efforts will be made in the next financial year to finalise the updates to this manual while continuing to give further attention to the implementation of outstanding audit recommendations by management

ENTERPRISE RISK MANAGEMENT

AID Bank is mindful that its ability to maximize shareholders' value is heavily reliant on the enterprise wide management of risks, more specifically the inherent risks associated with development financing and other events with the potential to adversely impact the Bank's operations.

During the period under review, the bank continued to place emphasis on setting/maintaining the proper tone and risk management culture that permeates throughout the organization.

AID Bank managers held the responsibility of implementing the Bank's risk management policy in line with the Bank's operating environment, applicable laws, regulations and other internal policies and procedures. Management was also responsible for the identification of key risks or threats that would impede the realization of goals

for their respective departments with a view to taking a proactive approach towards the development of related procedures and controls.

The Risk and Compliance function provided the objective view of risk taking activities, supported management with the development of risk management strategies and provided guidance to staff to ensure that there was a consistent approach to risk mitigation.

The Bank continues to play a pivotal role in the development process of Dominica through its productive and social lending programs. While some financial institutions may have a lower appetite for risk taking ventures undertaken by development banks in general and while others may have little experience in this area, the core business of the Bank calls for the strengthening of its overall risk management policies and processes.

In this regard, the European Investment Bank approved grant funding to AID Bank for the purpose of technical assistance to further enhance its Risk Management policies and processes.

Consequently this grant facility will go a long way in building the Bank's capability in a wide range of risk management areas.

Credit Risk remains a material risk to Bank operations. Given the significant impact that quality credit facilities could have on the realization of the Bank's objectives, strategy emphasis was placed on enhancing the process through ongoing training and awareness of our staff on best practices relating to credit application, adjudication and loan recovery.

All financial institutions and economies that follow International Financial Reporting Standards (IFRS) are required to transition to IFRS 9, a new accounting principle that became effective in January 2018. This accounting principle introduced a new model for the classification and measurement of financial assets, a two stage model for impairments and reformed

hedging accounting. Given the pending impact that this standard could have on our profitability, Managers attended training to become familiar with its requirements.

With respect to Regulatory Compliance, the Bank aimed to comply with all applicable legislation in relation to Anti-Money Laundering and Counter Terrorist Financing (AML/CTF). In keeping with Section 7 of the Money Laundering (Prevention) Regulations 2013, refresher training on AML/CTF was held for all management and staff during the period under review. The Risk Officer also attended a conference to keep current with AML/CTF industry best practices. Work continued on integrating into the core banking software the risk assessment tool, which would require that enhanced due diligence be conducted on customers assessed as posing a high risk. The AML/CTF program will continue to be strengthened to ensure that our standards are in keeping with related best practices.

INDUSTRIAL ESTATE UNIT

The AID Bank Industrial Estates provides a platform for the expansion of the economy by providing affordable space to local and foreign investors engaged in manufacturing, warehousing, business process outsourcing, such as call centres, within its four Industrial Estates at Canefield, Geneva, Picard and Hertford, Jimmit. The operations continue to add value to the economy and registered employment of over 1,000 individuals by the end of this financial year.

For the year in review, the maintenance and upgrade of the properties continued to be of paramount importance and the Unit was actively involved in the execution of shed improvements, the provision of space to new tenants and rent collection. The Unit was also instrumental in providing support to the Bank, particularly as it relates to the assessment of projects and properties required for the processing of loans, disbursement of funds and to complement the internal audit functions.



Industry



Part III

Other Activities

FINANCIAL DATA SYSTEMS LIMITED (FDSL)

Financial Data Systems Limited (FDSL) is a software company set up by five Development Banks in the Organisation of Eastern Caribbean States (OECS) - including the AID Bank - to develop, maintain and market “DPAC”, a loans management software package.

AID Bank continued to hold the role as chair of FDSL. Other current shareholders are St. Kitts Development Bank, Grenada Development Bank, Antigua Development Bank and Bank of St. Lucia.

FDSL continued its development works on its flagship

software DPAC which is now a fully integrated loans management software comprising of the following modules; customer visits management, customer management, loan application management, loan management, collections management, collateral management, reminders administration, field visits, provisioning, letters management as well as a wide range of accounting functions. With the integrated system, users are able to view all aspects of the customer’s interaction with the bank from one platform.

In the upcoming financial year, FDSL will continue to market the DPAC software so as to remain competitive in the region as a provider of loans management software.



Part IV

AID Bank’s Corporate/Social Responsibility

Inspired to Think Beyond Our Mandate

For the Dominica Agricultural Industrial and Development Bank (DAIDB), Corporate Social Responsibility (CSR) is a year-round focus on activities which inspire us to think beyond our mandate to promote and influence economic development.

In reflecting on the AID Bank’s Corporate Social Responsibility activities throughout the Financial Year 2016/17, notable contributions were made to the education sector, in particular, the participation of the Dominica State College (DSC) Debate Team at the first debate competition among Community Colleges in the Windward Islands, which took place at the Sir Arthur Lewis Community College in St Lucia

The bank was also pleased to support the Kweyol Speaking Competition, Numeracy Week, the observance of the “Down Syndrome and Autism Event, the payment of tuition fees to underprivileged students to attend a secondary school, travel tickets to members of the Dominica’s “all-male” team, to the 4-H Caribbean Junior Culinary Conference in Barbados and support to graduation and fun activities

for students of primary schools among other activities.

Continued direct support to the fund-raising activities of the President Charity Foundation was particularly rewarding because of the remarkable impact on a



number of charitable organizations island-wide, which in turn, selflessly serve the less fortunate among us.

Whether the outcome was uplifting or melancholic, the bank was touched and responded to requests of a medical nature to individuals in this regard. Throughout the year, it was also a great source of joy to recognize elderly farmers and to contribute also to cultural and sporting events.



A Primary School Fun Day



Donation to Down Syndrome and Autism Event



Donation to Local Bridge Tournament



Christmas Event at a Primary School

Part V
**Financial
Performance**

Net Profit

The AID Bank recorded a net profit of XCD 0.48 million in the financial year ended June 30, 2017. This figure was 59.83 per cent less than the XCD 1.2 million net profit recorded in 2016 as indicated in the table below.

Total comprehensive income was XCD 0.48 million for the year under review or approximately 59.69 per cent less than that recorded for the preceding financial year.

The table below presents a summary of the financial results for the last two financial years.

Table 1

	2017 - XCD	2016 - XCD
Interest income	9,705,147	11,190,798
Other operating income	1,919,153	1,909,194
Total income	11,624,300	13,099,992
Interest Expense	(4,521,913)	(4,443,837)
Staff Costs	(3,567,408)	(4,043,621)
Administrative Expenses	(1,932,141)	(1,458,344)
Factory sheds expenses	(330,739)	(463,126)
Other operating expenses	(479,484)	(521,109)
Depreciation	(422,995)	(466,286)
Total expenses	(11,254,680)	(11,396,323)
Net income from operations before the following income/ (charges):	369,620	1,703,669
(Decrease)/Increase in Fair Value Investment Properties	1,000,000	(257,002)
Impairment Losses on Property, Plant and Equipment	-	-
Impairment Losses on Loans and Receivables	(887,229)	(245,877)
Impairment Losses on Available for Sale Investments	-	-
Net Profit	482,391	1,200,790
Revaluation Excess Office Building	-	-
Unrealized gain available-for-sale investments	1,600	-
Total Comprehensive Income	483,991	1,200,790

Income

Total income recorded for the financial year was XCD 11.62 million which was 11.26 per cent lower than the XCD 13.10 million achieved in the previous year.

Interest income decreased by 13.28 per cent while other operating income increased by 0.52 per cent from the previous financial year.

Expenses

Financial Expenses of XCD 4.52 million were 1.76 per cent higher than the previous year's XCD 4.44 million.

Total staff expenses of XCD 3.57 million decreased by 11.78 per cent.

Administrative Expenses of XCD 1.93 million increased by 32.49 per cent over the previous year due mainly to the write-off of work-in-progress related to works undertaken at the Industrial Estate in prior years.

Total operating expenses of XCD 11.25 million were less than the XCD 11.40 million recorded in the previous financial year by 1.24 per cent.

Assets

At June 30, 2017, assets totalled XCD 233.11 million representing a 9.59 percentage increase from last year's XCD 212.71 million.

The major component of assets, net loans and advances valued at XCD 161.72 million registered a 0.19 per cent decrease from last year's XCD 162.03 million and adequately offset total long-term liabilities of XCD 146.35 million.

Net loans and advances comprised of gross loan balance of XCD 168.79 million - (2016: XCD 169.02m) and interest receivable of XCD 9.22 million - (2016: XCD 8.42m) less loan provision of XCD 16.29 million - (2015: XCD 15.41m).

The long-term debt to equity ratio of 2.10:1 was within

the suggested range for the industry of 4:1.

Cash in current and operating account, and short-term investments totalled XCD 22.70 million, which was 736.67 per cent more than last year's XCD 2.71 million.

Other receivables of XCD 2.52 million were 16.09 per cent more than last year's XCD 2.17 million. Other receivables include 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 36.09 million, of which XCD 34.63 million represents Investment Properties of the Industrial Estate Unit (IEU). Net Investments were 2.86 per cent more than last year's XCD 35.08 million.

Net total fixed assets of XCD 10.07 million were 5.85 per cent lower than last year's XCD 10.69 million.

Liabilities

Total liabilities were XCD 163.51 million, which was 14.07 per cent more than last year's XCD 143.34 million.

Due to customers was XCD 7.12 million which was 5.62 per cent lower than the XCD 7.55 million in the previous financial year.

Borrowed funds of XCD 146.35 million registered a net increase of 17.18 per cent from last year's XCD 124.89 million.

Shareholders' Equity

Shareholders' Equity of XCD 69.60 million decreased by 0.34 per cent from last year's XCD 69.37 million.

Retained Earnings of XCD 3.88 million increased by 4.83 per cent from last year's XCD 3.70 million.



Dominica Agricultural Industrial and Development Bank

AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

Financial Statements

June 30, 2017

[Expressed in Eastern Caribbean dollars]



April 5, 2018

Independent Auditor's Report

To the Shareholders of
Dominica Agricultural Industrial and Development Bank

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Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Dominica Agricultural Industrial and Development Bank** (the Bank), which comprise the financial position as of June 30, 2017, and the statements of comprehensive income, equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of June 30, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Eastern Caribbean, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Partners:
Anthony Atkinson - Managing Partner
Richard Peterkin
Rosilyn Novela
Malaika Theobalds

Audit - Tax - Advisory
Member of Grant Thornton International Ltd



Page 2

Independent Auditor's Report...continued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Accountants

Grant Thornton

Audit - Tax - Advisory
Member of Grant Thornton International Ltd

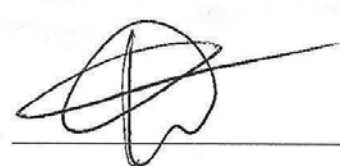
Dominica Agricultural Industrial and Development Bank

Statement of Financial Position
As of June 30, 2017

(expressed in Eastern Caribbean dollars)

	Notes	2017 \$	2016 \$
Assets			
Cash and balances with Central Bank	6	20,804	18,766
Treasury bills	7	411,977	411,722
Deposits with banks and other financial institutions	8	23,334,626	3,351,752
Loans and advances to customers	9	161,724,282	162,028,031
Available-for-sale investments	11	400,499	398,899
Investment properties	12	34,633,572	33,633,572
Property, plant and equipment	13	10,068,369	10,693,511
Other assets	14	2,519,000	2,169,829
Total Assets		233,113,129	212,706,082
Liabilities			
Bank overdraft	15	–	142,575
Due to customers	16	7,124,178	7,548,073
Borrowed funds	17	146,350,613	124,893,832
Other liabilities	18	10,033,923	10,751,177
Total Liabilities		163,508,714	143,335,657
Equity			
Share capital	20	47,970,205	47,970,205
Contributed capital	21	1,616,030	1,616,030
Revaluation surplus	22	3,289,174	3,356,300
Reserves	23	12,845,819	12,723,621
Retained earnings		3,883,187	3,704,269
Total Equity		69,604,415	69,370,425
Total Liabilities and Equity		233,113,129	212,706,082

Approved by the Board of Directors on April 4, 2018



Director



Director

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, 2017

(expressed in Eastern Caribbean dollars)

	Note	2017 \$	2016 \$
Interest income	24	9,705,147	11,190,798
Interest expense	24	(4,521,913)	(4,443,837)
Net interest income		5,183,234	6,746,961
Other operating income	25	1,919,153	1,909,194
Other operating expenses	26	(6,286,031)	(6,952,486)
Increase/(decrease) in fair value of investment property	12	1,000,000	(257,002)
Impairment loss on property, plant and equipment	13	(446,737)	–
Impairment losses on loans receivables	10	(887,229)	(245,877)
Net profit and comprehensive income for the year		482,390	1,200,790
Other comprehensive income			
Unrealised gain on available-for-sale investments	23	1,600	–
Total comprehensive income for the year		483,990	1,200,790

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, 2017

(expressed in Eastern Caribbean dollars)

	Notes	Share capital \$	Contributed capital \$	Revaluation surplus \$	Reserves \$	Retained earnings \$	Total equity \$
Balance at July 1, 2015		47,970,205	1,616,030	3,424,796	15,269,472	2,985,181	71,265,684
Total comprehensive income:							
Profit for the year		–	–	–	–	1,200,790	1,200,790
Transaction with owners:							
Dividends	29	–	–	–	–	(250,000)	(250,000)
Transfer to statutory reserve	23	–	–	–	300,198	(300,198)	–
Loan loss reserve utilized during the year	23	–	–	–	(2,846,049)	–	(2,846,049)
Amortization of revaluation surplus	22	–	–	(68,496)	–	68,496	–
		–	–	(68,496)	(2,545,851)	(481,702)	(782,480)
Balance at June 30, 2016		47,970,205	1,616,030	3,356,300	12,723,621	3,704,269	69,370,425

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, 2017

(expressed in Eastern Caribbean dollars)

	Notes	Share capital \$	Contributed capital \$	Revaluation surplus \$	Reserves \$	Retained earnings \$	Total equity \$
Balance at July 1, 2016		47,970,205	1,616,030	3,356,300	12,723,621	3,704,269	69,370,425
Comprehensive income:							
Profit for the year		–	–	–	–	482,390	482,390
Other comprehensive income:							
Unrealized gain on available-for sale investments		–	–	–	1,600	–	1,600
Total comprehensive income		–	–	–	1,600	482,390	483,990
Transaction with owners:							
Dividends	29	–	–	–	–	(250,000)	(250,000)
Transfer to statutory reserve	23	–	–	–	120,598	(120,598)	–
Amortization of revaluation surplus	22	–	–	(67,126)	–	67,126	–
		–	–	(67,126)	120,598	(303,472)	(250,000)
Balance at June 30, 2017		47,970,205	1,616,030	3,289,174	12,845,819	3,883,187	69,604,415

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, 2017

(expressed in Eastern Caribbean dollars)

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Net profit for the year		482,390	1,200,790
Adjustments for:			
Impairment losses on loans and receivables	10	887,229	416,881
Change in fair value of investment properties	12	(1,000,000)	257,002
Depreciation	13	422,995	466,286
Impairment loss on property, plant and equipment	13	446,737	—
Loss on disposal of assets		—	2,640
Interest and similar income	24	(9,705,147)	(11,190,798)
Interest expense and similar charges	24	4,521,913	4,443,837
Cash flows before changes in operating assets and liabilities		(3,943,883)	(4,403,362)
Change in loans and advances to customers		224,495	(6,528,802)
Change in deposits with banks and other financial institutions		(10,025,498)	300,000
Change in other assets		(349,171)	(492,689)
Change in due to customers		(371,805)	(681,691)
Change in other liabilities		(717,254)	560,427
Cash used in operations		(15,183,116)	(11,246,117)
Interest received		8,726,628	9,733,916
Interest paid		(4,555,665)	(4,525,813)
Net cash used in operating activities		(11,012,153)	(6,038,014)
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(244,590)	(264,740)
Cash flows from financing activities			
Borrowed funds		38,050,000	11,175,000
Repayment of borrowed funds		(16,611,557)	(7,488,491)
Dividends paid		(250,000)	(250,000)
Net cash generated from financing activities		21,188,443	3,436,509
Net increase/(decrease) in cash and cash equivalents		9,931,700	(2,866,245)
Cash and cash equivalents, beginning of year		1,180,607	4,046,852
Cash and cash equivalents, end of year	31	11,112,307	1,180,607

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

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements
June 30, 2017

(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 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 April 4, 2018.

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 5.

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

3 Summary of significant accounting policies

(a) Changes in accounting policies and disclosures

(i) New and revised standards that are effective for annual periods beginning on or after July 1, 2016

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after July 1, 2016 that would be expected to have a material impact on the Bank's financial results or position. Accordingly, the Bank have made no changes to its accounting policies in the financial year beginning July 1, 2016.

(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, 2016

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 new standard for financial instruments (IFRS 9) 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.

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the Bank's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.
- an expected credit loss-based impairment will need to be recognised on the Bank's loans and advances to customers and investments in debt-type assets currently classified as AFS, unless classified as at fair value through profit or loss in accordance with the new criteria.
- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the Bank makes an irrevocable designation to present them in other comprehensive income.
- if the Bank elect the fair value option for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to the Bank's own credit risk.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

3 Summary of significant accounting policiescontinued

(a) Changes in accounting policies and disclosurescontinued

(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, 2016continued

IFRS 15, 'Revenue from Contracts with Customers'. IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018.

IFRS 16, 'Leases'. IFRS 16 will replace IAS 17 and three related Interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.

IFRS 16 is effective from periods beginning on or after 1 January 2019. Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact the Bank are in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices
- assessing their current disclosures for finance leases and operating leases as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions
- considering the IT system requirements and whether a new leasing system is needed. This is being considered in line with implementing IFRS 15 and IFRS 9 so the bank only have to undergo one set of system changes
- assessing the additional disclosures that will be required.

(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.

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

3 Summary of significant accounting policiescontinued

(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.

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

3 Summary of significant accounting policiescontinued

(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.

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

3 Summary of significant accounting policiescontinued

(d) Impairment of financial assetscontinued

Assets carried at amortised costcontinued

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.

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

3 Summary of significant accounting policiescontinued

(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.

Furniture and Equipment

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

iii. 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.

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

3 Summary of significant accounting policiescontinued

(h) Investment properties

Properties held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Bank, 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 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.

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

3 Summary of significant accounting policiescontinued

(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.

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

4 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.

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

4 Financial risk managementcontinued

(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 (IEU) 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

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

4 Financial risk managementcontinued

(b) Credit riskcontinued

(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.

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

4 Financial risk managementcontinued

(b) Credit riskcontinued

(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:

	2017		2016	
	Loans and advances (%)	Impairment provision (%)	Loans and advances (%)	Impairment provision (%)
Bank's rating				
1. Pass	62.34	8.05	58.29	6.30
2. Special mention	1.99	27.75	6.80	1.90
3. Sub-standard	2.46	0.09	6.45	23.67
4. Doubtful	10.83	2.32	10.56	10.21
5. Loss	22.38	61.79	17.90	57.92

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.

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

4 Financial risk management....continued

(b) Credit risk....continued

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

	2017 \$	2016 \$
Credit risk exposures relating to on-balance sheet assets		
Treasury bills	411,977	411,722
Deposits with banks and other financial institutions	23,334,626	3,351,752
Loans and advances to customers:		
- Demand loans	120,691,430	120,650,512
- Mortgage loans	41,032,852	41,377,519
Other assets	2,484,009	2,109,116
	187,954,894	167,900,621
Credit risk exposures relating to off-balance sheet items		
Loan commitments	13,570,941	21,895,546
	201,525,835	189,796,167

The above table represents a worst case scenario of credit risk exposure to the Bank at June 30, 2017 and 2016, 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, 80.25% (2016 - 85.37%) 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:

- 64.33% (2016 - 65.09%) of the loans and advances portfolio is categorised in the top two grades of the internal rating system;
- 31.79% (2016 - 34.63%) 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.

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

4 Financial risk managementcontinued

(b) Credit riskcontinued

Loans and advances

Loans and advances are summarised as follows:

	2017 \$	2016 \$
Neither past due nor impaired	56,593,617	61,445,220
Past due but not impaired	80,069,424	88,516,872
Impaired	41,354,489	27,471,958
Gross	178,017,530	177,434,050
Less allowance for impairment losses on loans and advances	(16,293,248)	(15,406,019)
	161,724,282	162,028,031

The total impairment provision for loans and advances is \$16,293,248 (2016 - \$15,406,019) of which \$14,981,559 (2016 - \$13,328,484) represents the individually impaired loans and the remaining amount of \$1,311,689 (2016 - \$2,077,535) represents the portfolio provision. Further information of the allowance for impairment losses on loans and advances to customers is provided in Notes 9 and 10.

(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, 2017			
Grades			
1. Pass	32,896,028	23,697,589	56,593,617
June 30, 2016			
Grades			
1. Pass	37,356,178	24,089,042	61,445,220

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

4 Financial risk managementcontinued

(b) Credit Riskcontinued

(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, 2017			
Past due up to 30 days	61,232,497	14,528,295	75,760,792
Past due 30-60 days	321,039	30,517	351,556
Past due 60-90 days	362,731	28,186	390,917
Past due over 90 days	3,351,052	215,107	3,566,159
	65,267,319	14,802,105	80,069,424
At June 30, 2016			
Past due up to 30 days	69,513,388	14,083,145	83,596,533
Past due 30-60 days	511,588	28,475	540,063
Past due 60-90 days	700,364	24,538	724,902
Past due over 90 days	3,443,439	211,935	3,655,374
	74,168,779	14,348,093	88,516,872

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, 2017			
Individually impaired loans	38,068,529	3,285,960	41,354,489
At June 30, 2016			
Individually impaired loans	23,896,878	3,575,080	27,471,958

(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 current 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 \$13,212,623 as of June 30, 2017 (2016 - \$8,964,765).

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

4 Financial risk managementcontinued

(b) Credit riskcontinued

(v) Repossessed collateral

At the end of 2017, the Bank had repossessed collateral valued at \$18,000 (2016 - \$38,000).

(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:

	%	2017 000' \$	%	2016 000' \$
Industrial	27.62	49,170	27.57	48,920
Tourism	23.92	42,577	23.92	42,445
Mortgage	23.29	41,467	23.49	41,676
Education	15.98	28,446	16.20	28,750
Agricultural	3.27	5,824	2.77	4,914
Distribution and commerce	0.02	31	0.02	31
Other consumers	5.90	10,503	6.03	10,698
Total before deduction for allowance for losses on loans and advances	100.00	178,018	100.00	177,434

(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, 2017, if equity securities prices had been 10% higher/lower with all other variables held constant, equity for the year would have been \$16,533 (2016 - \$8,200) higher/lower as a result of the increase/decrease in fair value of available-for-sale equity securities.

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

4 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\$). 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, 2017 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, 2017. 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, 2017			
Assets			
Cash and balances with Central Bank	20,804	–	20,804
Treasury bills	411,977	–	411,977
Deposits with banks and other financial institutions	23,327,019	7,607	23,334,626
Loans and advances to customers	161,724,282	–	161,724,282
Available-for-sale investments	400,499	–	400,499
Other assets	2,484,009	–	2,484,009
Total financial assets	188,368,590	7,607	188,376,197
Liabilities			
Due to customers	7,124,178	–	7,124,178
Borrowed funds	77,431,148	68,919,465	146,350,613
Other liabilities	10,033,923	–	10,033,923
Total financial liabilities	94,589,249	68,919,465	163,508,714
Net on-balance sheet financial position	93,779,341	(68,911,858)	24,867,483
Credit commitments	13,570,941	–	13,570,941
As at June 30, 2016			
Total financial assets	168,371,392	7,607	168,378,999
Total financial liabilities	62,760,025	80,433,057	143,193,082
Net on-statement of financial position	105,611,367	(80,425,450)	25,185,917
Credit commitments	21,895,546	–	21,895,546

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

4 Financial risk managementcontinued

(c) Market Riskcontinued

(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, 2017					
Cash and balances with Central Bank	–	–	–	20,804	20,804
Treasury bills	411,977	–	–	–	411,977
Deposits with banks and other financial institutions	13,165,673	9,968,953	200,000	–	23,334,626
Loans and advances to customers	22,348,518	43,036,178	96,339,586	–	161,724,282
Available-for-sale investments	–	–	–	400,499	400,499
Other assets	–	–	–	2,484,009	2,484,009
Total financial assets	35,926,168	53,005,131	96,539,586	2,905,312	188,376,197
Due to customers	2,841,708	4,282,470	–	–	7,124,178
Borrowed funds	18,551,927	56,043,989	71,754,697	–	146,350,613
Other liabilities	–	–	–	10,033,923	10,033,923
Total financial liabilities	21,393,635	60,326,459	71,754,697	10,033,923	163,508,714
Net interest repricing gap	14,532,533	(7,321,328)	24,784,889	(7,128,611)	24,867,483
As at June 30, 2016					
Total financial assets	23,539,930	49,353,668	92,897,907	2,587,494	168,378,999
Total financial liabilities	18,955,517	56,807,588	56,678,800	10,751,177	143,193,082
Net interest repricing gap	4,584,413	(7,453,920)	36,219,107	(8,163,683)	25,185,917

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

4 Financial risk managementcontinued

(c) Market riskcontinued

(iii) Interest rate riskcontinued

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, 2017		
Assets		
Treasury bills	5.66	
Deposits with banks and other financial institutions	1.60	
Loans and advances to customers	5.50	
Liabilities		
Due to customers		
Borrowed funds	2.64	3.43
	2.77	
As at June 30, 2016		
Assets		
Treasury bills	5.69	–
Deposits with banks and other financial institutions	2.93	–
Loans and advances to customers	7.01	–
Liabilities		
Due to customers	3.94	–
Borrowed funds	3.91	3.25

(iv) Sensitivity analysis

Cash flow interest rate risks arise from borrowings at variable rates. At June 30, 2017 if variable interest rates had been 1% higher/lower with all other variables held constant, profit for the year would have been \$23,884 (2016 - \$57,431) higher/lower.

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

4 Financial risk managementcontinued

(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 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 mature, 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 \$
As at June 30, 2017				
Financial liabilities				
Due to customers	2,910,597	4,362,020	–	7,272,617
Borrowed funds	22,572,273	67,783,169	80,874,295	171,229,737
Other liabilities	2,515,308	3,569,135	3,949,480	10,033,923
Total financial liabilities	27,998,178	75,714,324	84,823,775	188,536,277
As at June 30, 2016				
Financial liabilities				
Due to customers	2,399,560	5,398,028	–	7,797,588
Borrowed funds	20,902,819	63,536,420	63,840,626	148,279,865
Other liabilities	2,005,000	3,250,000	5,496,177	10,751,177
Total financial liabilities	25,307,379	72,184,448	69,336,803	166,828,630

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

4 Financial risk managementcontinued

(d) Liquidity riskcontinued

(ii) Loan commitments

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

	1 Year \$	2 – 5 Years \$	Total \$
As at June 30, 2017			
Loan commitments	8,000,000	5,570,941	13,570,941
As at June 30, 2016			
Loan commitments	11,500,000	10,395,546	21,895,546

(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.

Loans and advances to customers

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

Investment securities

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

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.

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

4 Financial risk managementcontinued

(e) Fair values of financial assets and liabilitiescontinued

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	
	2017 \$	2016 \$	2017 \$	2016 \$
Financial assets				
Loans and advances to customers	161,724,282	162,028,031	153,293,158	151,413,915
Financial liabilities				
Due to customers	7,124,178	7,548,073	7,124,178	7,548,074
Borrowed funds	146,350,613	124,893,832	141,448,946	120,682,029

(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
June 30, 2017				
Available for sale investments				
- Equity securities	-	184,530	215,969	400,499
June 30, 2016				
Available for sale investments				
- Equity securities	-	182,930	215,969	398,899

There were no transfers between Level 2 and Level 3 in 2017 or 2016.

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

4 Financial risk managementcontinued

(g) Non-financial assets measured at fair value

The investment properties measured at fair value on a recurring basis as at June 30, 2017 is \$33,633,572 (2016 - 34,633,572) can all be considered as level 3 within the hierarchy of non-financial assets.

The fair value of the Bank's main property assets was carried out using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the property in question, including plot size, location, current use, and estimated amount of accumulated depreciation for buildings.

The fair value is estimated based on appraisals performed by an independent valuer who is a chartered engineer. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the board and audit committee at each reporting date.

The reconciliation of the carrying amounts of non-financial assets classified within level 3 is included in Note 12.

(h) 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.

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

5 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 \$9,526,507 (2016 - \$7,909,619) lower or higher.

(b) Revaluation of property, plant and equipment

The Bank measures land and buildings at revalued amounts through external independent valuers, but the nature of the process is such that it is subject to significant judgment, for example through the use of earnings and costs based valuation techniques where there is a lack of comparable market data.

An accumulated depreciation rate was estimated using the discounted method approach in order to arrive at the estimated revaluation amounts. Had the straight-line method was used, the fair value of the investment properties would be lower by \$897,671.

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

5 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 \$140,189 (2016 - \$283,161), 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 more than a year.

6 Cash and balances with Central Bank

	Note	2017 \$	2016 \$
Cash in hand		19,494	17,456
Balances with Central Bank		1,310	1,310
	31	<u>20,804</u>	<u>18,766</u>

7 Treasury bills

	Note	2017 \$	2016 \$
Treasury bills	31	<u>411,977</u>	<u>411,722</u>

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 2017 is 5.66% (2016 - 5.69%).

8 Deposits with banks and other financial institutions

	Note	2017 \$	2016 \$
Items in the course of collection with other banks	31	10,679,526	892,694
Placements with banks and other financial institutions		<u>12,655,100</u>	<u>2,459,058</u>
		<u>23,334,626</u>	<u>3,351,752</u>

The weighted average effective interest rate in respect of interest bearing deposits in 2017 is 1.60% (2016 - 2.93%).

Included in placements with banks and other financial institutions are certificate of deposit amounting to \$11,843,834 (2016 - \$1,798,742) used to secure certain borrowings of the Bank (Note 17).

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

9 Loans and advances to customers

	Note	2017 \$	2016 \$
Demand loans		136,231,875	135,421,836
Mortgage loans		<u>41,785,655</u>	<u>42,012,214</u>
		<u>178,017,530</u>	<u>177,434,050</u>
Less allowance for impairment losses on loans and advances	10	<u>(16,293,248)</u>	<u>(15,406,019)</u>
		<u>161,724,282</u>	<u>162,028,031</u>
Current		22,348,518	22,349,643
Non-current		<u>139,375,764</u>	<u>139,678,388</u>
		<u>161,724,282</u>	<u>162,028,031</u>

The weighted average effective interest rate on productive loans at June 30, 2017 is 5.50% (2016 - 7.01%).

10 Allowance for impairment losses on loans and advances

	Note	2017 \$	2016 \$
Demand loans			
At beginning of year		14,771,324	11,910,793
Provision for the year		769,121	245,877
Provision transferred from reserve	23	–	2,468,812
Amounts recovered during the year		–	164,877
Written-off during the year as uncollectible		–	(19,035)
At end of year		<u>15,540,445</u>	<u>14,771,324</u>
Mortgage loans			
At beginning of year		634,695	232,296
Provision for the year		118,108	–
Provision transferred from reserve	23	–	377,237
Amounts recovered during the year		–	89,246
Written-off during the year as uncollectible		–	(64,084)
At end of year		<u>752,803</u>	<u>634,695</u>
	9	<u>16,293,248</u>	<u>15,406,019</u>

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

11 Available-for-sale investments

	2017 \$	2016 \$
Equity securities - at fair value		
- Listed	165,330	165,330
- Unlisted	235,169	233,569
	<u>400,499</u>	<u>398,899</u>

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

	2017 \$	2016 \$
At beginning of year	398,899	398,899
Unrealised gain from changes in fair value (Note 23)	1,600	-
At end of year	<u>400,499</u>	<u>398,899</u>

12 Investment properties

	Land \$	Building \$	Total \$
As at June 30, 2015	13,706,099	20,184,475	33,890,574
Decrease in fair value	(58,100)	(198,902)	(257,002)
As at June 30, 2016	<u>13,647,999</u>	<u>19,985,573</u>	<u>33,633,572</u>
As at June 30, 2016	13,647,999	19,985,573	33,633,572
Increase in fair value	-	1,000,000	1,000,000
As at June 30, 2017	<u>13,647,999</u>	<u>20,985,573</u>	<u>34,633,572</u>

Included in the investment property is land amounting to \$2,556,339 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.

An independent valuation of the Bank's investment properties was performed by a chartered engineer in 2017 to determine the fair value. The valuation was carried out using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the property in question, including plot size, location and current use.

Rental income from investment properties recognised in comprehensive income was \$1,365,049 (2016 - \$1,427,430) while direct operating expenses arising from these investment properties during the year was \$330,739 (2016 - \$463,126).

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

13 Property, plant and equipment

	Note	Land \$	Buildings \$	Motor vehicles \$	Furniture and equipment \$	Computer equipment \$	Work-in- progress \$	Total \$
At June 30, 2015		1,967,477	10,252,136	165,863	1,482,278	1,161,978	446,737	15,476,469
Cost or valuation		-	(2,400,572)	(66,345)	(1,091,002)	(1,020,853)	-	(4,578,772)
Accumulated depreciation		1,967,477	7,851,564	99,518	391,276	141,125	446,737	10,897,697
Net book amount		1,967,477	7,851,564	99,518	391,276	141,125	446,737	10,897,697
Year ended June 30, 2016		-	3,850	-	252,657	8,233	-	264,740
Opening net book amount		-	(160,673)	(33,173)	(186,760)	(85,680)	-	(466,286)
Additions	26	-	-	-	(8,708)	-	-	(8,708)
Depreciation		-	-	-	6,068	-	-	6,068
Disposals		-	-	-	-	-	-	-
Accumulated depreciation on disposals		1,967,477	7,694,741	66,345	454,533	63,678	446,737	10,693,511
Closing net book amount		1,967,477	10,255,986	165,863	1,726,227	1,170,211	446,737	15,732,501
At June 30, 2016		-	(2,561,245)	(99,518)	(1,271,694)	(1,106,533)	-	(5,038,990)
Cost or valuation		1,967,477	7,694,741	66,345	454,533	63,678	446,737	10,693,511
Accumulated depreciation		-	11,947	-	-	-	-	-
Net book amount		1,967,477	7,694,741	66,345	454,533	63,678	446,737	10,693,511
Year ended June 30, 2017		-	-	-	-	-	-	-
Opening net book amount		-	-	-	-	-	-	-
Additions		-	11,947	-	-	-	-	-
Depreciation	26	-	(160,912)	(33,173)	(173,104)	(55,806)	(446,737)	(446,737)
Impairment		-	-	-	-	-	-	-
Closing net book amount		1,967,477	7,545,776	33,172	474,272	47,672	-	10,068,369
At June 30, 2017		1,967,477	10,267,933	165,863	1,919,070	1,210,011	-	15,530,354
Cost or valuation		-	(2,722,157)	(132,691)	(1,444,798)	(1,162,339)	-	(5,461,985)
Accumulated depreciation		1,967,477	7,545,776	33,172	474,272	47,672	-	10,068,369
Net book amount		1,967,477	7,545,776	33,172	474,272	47,672	-	10,068,369

Dominica Agricultural Industrial and Development Bank

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June 30, 2017

(expressed in Eastern Caribbean dollars)

13 Property, plant and equipment...continued

An independent valuation of the Bank's land and buildings was performed by a chartered engineer in 2017 to determine the fair value. The valuation was carried out using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the property in question, including plot size, location and current use. 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 \$8,632,982 as at June 30, 2017 (2016 - \$7,268,715).

14 Other assets

	2017 \$	2016 \$
Rent receivable	686,988	688,812
Other receivables	2,383,470	2,006,753
Less allowance for impairment losses	<u>(586,449)</u>	<u>(586,449)</u>
	2,484,009	2,109,116
Prepayments	<u>34,991</u>	60,713
	<u>2,519,000</u>	<u>2,169,829</u>

15 Bank overdraft

	Note	2017 \$	2016 \$
National Bank of Dominica	31	<u>–</u>	<u>142,575</u>

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.

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

16 Due to customers

	2017 \$	2016 \$
Fixed deposits	3,265,268	3,585,902
Refundable deposits	2,244,349	2,499,565
Loan prepayments	<u>1,614,561</u>	<u>1,462,606</u>
	<u>7,124,178</u>	<u>7,548,073</u>
Current	2,370,854	2,307,269
Non-current	<u>4,753,224</u>	<u>5,240,804</u>
	<u>7,124,178</u>	<u>7,548,073</u>

All fixed deposits carry fixed interest rates. The weighted average effective interest rate of fixed deposits at June 30, 2017 is 2.64% (2016 - 3.94%).

17 Borrowed funds

	Note	2017 \$	2016 \$
Government of Dominica	30	28,085,412	3,449,045
Caribbean Development Bank		26,472,671	33,183,949
Dominica Social Security	30	23,891,880	13,516,713
European Investment Bank		20,443,589	22,796,783
National Bank of Dominica		13,937,941	15,582,457
BANDES – Economic and Social Development Bank of Venezuela		11,526,638	12,882,713
PetroCaribe Fund		9,692,557	10,000,000
Caricom Development Fund		9,219,492	10,190,306
Dominica National Petroleum Company Ltd.		1,823,358	1,912,560
Republic of China		<u>1,257,075</u>	<u>1,379,306</u>
		<u>146,350,613</u>	<u>124,893,832</u>
Current		22,572,273	16,648,248
Non-current		<u>123,778,340</u>	<u>108,245,584</u>
		<u>146,350,613</u>	<u>124,893,832</u>

These loans earn interest ranging from 2% to 7% 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 \$1,843,834 (2016 - \$1,798,742) (Note 8) and certificate of titles to land and building.

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

18 Other liabilities

	2017 \$	2016 \$
Agency liabilities	4,305,970	4,593,884
Dividends payable	2,398,510	2,398,510
Deferred income	342,847	396,968
Grants	230	230
Others	2,986,366	3,361,585
	<u>10,033,923</u>	<u>10,751,177</u>
Current	1,430,000	2,005,000
Non-current	8,603,923	8,746,177
	<u>10,033,923</u>	<u>10,751,177</u>

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:

	2017 \$	2016 \$
Gratuity payable	1,915,684	2,443,026
Vacation leave and salaries payable	284,616	343,659
IEU tenants security deposits	245,569	253,309
Other payables	640,497	321,591
	<u>3,086,366</u>	<u>3,361,585</u>

19 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.

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

20 Share capital

	2017 \$	2016 \$
Authorised:		
10,000,000 ordinary shares with a \$5 par value	<u>50,000,000</u>	50,000,000
Issued and fully paid:		
3,509,526 ordinary shares	17,547,631	17,547,631
6,084,515 ordinary shares	<u>30,422,574</u>	<u>30,422,574</u>
	<u>47,970,205</u>	<u>47,970,205</u>

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.

21 Contributed capital

	Note	2017 \$	2016 \$
Land on which AID Bank is located	13	<u>1,616,030</u>	1,616,030

22 Revaluation surplus

	Note	2017 \$	2016 \$
At beginning of year		3,356,300	3,424,796
Amortization for the year		<u>(67,126)</u>	<u>(68,496)</u>
At end of year		<u>3,289,174</u>	<u>3,356,300</u>

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

23 Reserves

	2017 \$	2016 \$
General reserve	88,234	88,234
Statutory reserve	9,638,533	9,517,935
Loan loss reserve	2,654,330	2,654,330
Special reserves	441,122	441,122
Unrealised gain from changes in fair value	23,600	22,000
	<u>12,845,819</u>	<u>12,723,621</u>

Movements in reserves were as follows:

	2017 \$	2016 \$
General reserve		
At beginning and end of year	<u>88,234</u>	<u>88,234</u>

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.

	2017 \$	2016 \$
Statutory reserve		
At beginning of year	9,517,935	9,217,737
Transfer from retained earnings	120,598	300,198
At end of year	<u>9,638,533</u>	<u>9,517,935</u>

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.

	2017 \$	2016 \$
Loan loss reserve		
At beginning of year	2,654,330	5,500,379
Utilized during the year (Note 10)	–	(2,846,049)
At end of year	<u>2,654,330</u>	<u>2,654,330</u>

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 30% of the Portfolio at Risk as of June 30, 2017 (2016 - 40%).

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

23 Reserves...continued

	2017 \$	2016 \$
Special reserves		
Caribbean Development Consolidated Entity Provision		
At beginning and end of year	<u>441,122</u>	<u>441,122</u>

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, 2016.

	2017 \$	2016 \$
Revaluation reserve – available-for-sale investments		
At beginning of year	22,000	22,000
Unrealized gain from changes in fair value	1,600	–
At end of year	<u>23,600</u>	<u>22,000</u>

24 Net interest income

	2017 \$	2016 \$
Interest income		
Loans and advances	9,311,233	11,060,181
Deposits with banks	393,914	130,617
	<u>9,705,147</u>	<u>11,190,798</u>
Interest expense		
Long-term debt	(4,462,987)	(4,340,056)
Interest on deposits	(58,926)	(103,781)
	<u>(4,521,913)</u>	<u>(4,443,837)</u>
	<u>5,183,234</u>	<u>6,746,961</u>

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

25 Other operating income

	2017 \$	2016 \$
Rental income from IEU operations	1,365,049	1,427,430
Commitment fees	186,173	211,997
Agency fees	5,466	5,759
Others	362,465	264,008
	<u>1,919,153</u>	<u>1,909,194</u>

26 Other operating expenses

	Note	2017 \$	2016 \$
Staff costs	27	3,567,408	4,043,621
Administrative expenses	28	1,485,405	1,458,344
Building occupancy expenses		429,059	455,802
Depreciation	13	422,995	466,286
Factory sheds expenses		330,739	463,126
Foreign exchange loss		50,425	65,307
		<u>6,286,031</u>	<u>6,952,486</u>

27 Staff costs

	Note	2017 \$	2016 \$
Salaries and wages		2,718,312	2,991,900
Social security costs		151,500	155,456
Group insurance		62,301	66,216
Other staff costs		635,295	830,049
	26	<u>3,567,408</u>	<u>4,043,621</u>
Number of employees		<u>47</u>	<u>50</u>

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

28 Administrative expenses

	Note	2017 \$	2016 \$
Legal and professional fees		509,737	519,731
Directors' emoluments and expenses		250,529	273,112
Telephone, postage and fax		208,525	129,380
Advertising		126,269	147,727
Subscriptions and donations		104,932	121,284
Printing, stationery, and office supplies		79,940	79,264
Repair and maintenance of furniture and equipment		54,061	15,000
Motor vehicle expenses		40,260	33,959
Insurance		27,080	32,375
Annual report		26,526	30,916
Miscellaneous expenses		57,546	75,596
	26	<u>1,485,405</u>	<u>1,458,344</u>

29 Dividends

On February 8, 2017, the Directors of the Bank declared a 5% dividend amounting to \$250,000 with respect to the ordinary shares held by the Dominica Social Security. The amount of dividends declared in 2016 was \$250,000 for Dominica Social Security.

30 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.

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

30 Related party transactionscontinued

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:

	2017 \$	2016 \$
Financial Data Services Limited	<u>743,690</u>	756,725

At year-end, directors of the Bank and companies in which they have an interest had fixed deposits with the Bank of \$4,104 (2016 - \$11,500) and had loans and guaranteed loans with outstanding balances of \$104,222 (2016 - \$323,592).

In 2017, the total remuneration paid to directors and key management personnel was \$1,393,794 (2016 - \$1,430,364).

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

	Note	2017 \$	2016 \$
Dominica Social Security	17	23,891,880	13,516,713
Government of Dominica	17	<u>28,085,412</u>	3,449,045
		<u>51,977,292</u>	16,965,758

31 Cash and cash equivalents

	Note	2017 \$	2016 \$
Cash and balances with Central Bank	6	20,804	18,766
Treasury bills	7	411,977	411,722
Items in the course of collection with other banks	8	10,679,526	892,694
Bank overdraft	15	<u>-</u>	(142,575)
		<u>11,112,307</u>	1,180,607

Dominica Agricultural Industrial and Development Bank

Notes to Financial Statements

June 30, 2017

(expressed in Eastern Caribbean dollars)

32 Contingent liabilities and commitments

As at year-end, loans and advances approved by the Bank but not yet disbursed, amounted to approximately \$13,570,941 (2016 - \$21,895,546).

33 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.

34 Subsequent events

Subsequent to balance sheet date, but prior to signing of these financial statements, the island of Dominica was struck by Hurricane Maria. 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.

