DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

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.

Contents

Acronyms & 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 and Development 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	Organisation 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

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, 2018

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, 2018.

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, 2018

Mr. Martin Charles	CHAIRMAN
Mr. Simpson Gregoire	DEPUTY CHAIRMAN
Mrs. Evannah Emanuel	DIRECTOR
Mr. Leon LeBlanc	DIRECTOR
Ms. Helen Pascal	DIRECTOR
Mr. Colbert Pinard	DIRECTOR
Mr. Bentley Royer	DIRECTOR
Ms. Joy Roberts	DIRECTOR

CONTACT DETAILS

Dominica Agricultural Industrial & Development Bank
P.O Box 215
Corner of Charles Ave. and Rawles Lane,
Goodwill, Commonwealth of Dominica

Tel. No.	767-255-9400
	767-448-2853
Facsimile	767-448-4903
E-mail	aidbank@cwdom.dm
Website	www.aidbank.com

MEMBERS OF MANAGEMENT As at June 30, 2018

Mrs Mathilda John Rose	General Manager (Ag.)
Mrs. Martha Abel	Head of Credit (Ag
Mrs. Ingrid Prosper	Senior Manager - Human Resource and Administration (Ag)
Mrs Avril Coipel	Senior Manager, Management Information Systems
Ms. Tammy Jean Jacques	Chief Financial Officer
Ms. Saudia Cyrus	Legal Officer
Mrs. Nicole Azile - Faustin	Manager Credit (Ag)
Mr. Glenroy Eloi	Manager Industrial Estate (Ag)
Mrs Pamela McAlmont - Pogson	Risk Officer

MEMBERS OF MANAGEMENT AND STAFF

NAME	POSITION
	OFFICE OF THE GENERAL MANAGER
MATHILDA JOHN-ROSE	General Manager (Ag.)
MEKELLE QUAMMIE	General Manager/Board Secretary (Ag.)
CREDIT	
MARTHA ABEL	Head of Credit (Ag.)
ELSA ALFRED	Credit Officer
NICHOL AZILLE-FAUSTIN	Manager, Credit (Ag.)
MERVIN HENRY	Intern, Credit Officer
PATRICIA SHILLINGFORD CHAMBERS	Credit Officer
DAHREO TYSON	Intern, Credit Officer
SHERNELL VICTOR	Loans Administrative Assistant
	BUSINESS DEVELOPMENT
NIKITA LAURENT	Receptionist
BERTILIA BETHEL	Agricultural Development Officer
FRANKA ROYER	Intern, Customer Service Representative
KESTAR TOUSSAINT	Intern, Assistant to Agricultural Development Officer
JOSEPHINE DECHAUSAY TITRE	Marketing and Communications Officer
FRANKLYN FABIEN	Team Leader, Agricultural Development Unit
	FINANCE AND ACCOUNTS
ANDREA DUPIGNY	Accounts Officer
TAMMY JEAN JACQUES	Chief Financial Officer
MARISCA JOSEPH	Accountant
MELLISA ROBINSON	Disbursement Officer (Ag.)
NIGEL BREWSTER	Accounts Clerk (Ag.)
SHARNITA THOMAS	Accounting Assistant
JALILA WAYLAND	Teller
	RECOVERIES
KENNETH ALBERT	Senior Recoveries Officer (Ag.)
GEORGINA EDWARDS	Recoveries Officer
KERRY SHILLINGFORD	Recoveries Officer
ADRIAN THOMAS	Recoveries Officer (Ag.)
RUBY XAVIER	Manager Recoveries (Ag.)
	HUMAN RESOURCE & ADMINISTRATION
INGRID PROSPER-BRUNO	Senior Manager, Human Resource and Administration (Ag.)
VERLENA HENDERSON	Administrative Assistant, Human Resource and Administration
GABRIEL NICHOLLS	Office Attendant
	RISK
PAMELA MCALMONT-POGSON	Risk Officer
	MIS
IKE BANNIS	Technical Assistant, MIS
AVRIL COIPEL	Senior Manager, MIS
LINDA GONZALEZ-PELTIER	Applications Support Analyst
KHAN SYLVESTER	Technical Officer, MIS
	LEGAL
HERMINA SYLVESTER ALBERT	Securities Officer
SAUDIA CYRUS	Legal Officer
NATASHA WINSTON	Legal Secretary
	INDUSTRIAL ESTATE
GLENROY ELOI	Manager, Industrial Estates (Ag.)
SANDRA GREGOIRE	Technical Officer, Industrial Estates
RAISA ST.JEAN	Intern, Administrative Assistant, Industrial Estates
JOHN O'GARRO	Maintenance Officer

CHAIRMAN'S STATEMENT

Dear Shareholders,

It is with sincere gratification that I present to you the Annual Report of the Dominica Agricultural Industrial and Development Bank (AID Bank) for the financial year ended June 30, 2018. AID Bank recognises its pivotal role towards the growth and development of the economy and stands resolute in playing its part towards this endeavour.

In the wake of Hurricane Maria, the Government of Dominica embarked vigorously on a National Resilience Development Strategy which is a broad framework that provides the guidelines for achieving its national strategic objectives by 2030. The 2018 National Budget informed that, "Maria proved to us that in planning and executing policy and in the conduct of our daily lives, excellence and resilience will be the tools by which we survive and the tools by which we succeed". This is the context in which I present to you this report on the Bank's performance for the year ended June 30, 2018, more precisely, AID Bank's contribution towards sustainable and resilient growth.

By the end of June 2018, less than one year after Hurricane Maria, it was no surprise that the bank's financial performance was less favourable than the previous year. The bank saw the deterioration in its loan portfolio quality, portfolio growth and rental income. That notwithstanding, Hurricane Maria presented an excellent opportunity to strengthen our operating mechanisms towards greater resilience. The bank took the opportunity to restore its investment properties at the Industrial Estates towards greater resilience which contributed to an overall improvement in its asset base.

The overall financial performance of the bank realized total comprehensive income on operations of $0.73 million as at June 30, 2018. During the audit review which was undertaken by our newly appointed auditors, the prior year's Statement of Comprehensive Income was restated to show an improved total comprehensive income on operations of $1.37 million from the $0.48 million which was reported last year.

We can report that during this financial year the bank continued its rebuilding efforts by injecting much needed financial resources into the productive sectors. As at June 30, 2018, a total of 213 farmers and fishermen with an investment value of $4.1 million benefited from the Government of Dominica's CBI funding. 54% of the investment amount went towards farm development while 24% went towards poultry enterprises and 15% towards fishing. The major proportion of this investment or 32% was made in the southeast region of Castle Bruce to Delices while 22% was made in the northeast region of Calibishie to Marigot.

Following Hurricane Maria, the Government of Dominica modified the CBI loan facilities with more attractive terms in an effort to meet the needs of the target groups. The interest rate within the targeted sectors was reduced to 2%. The tourism facility was modified to include a broader utilization of the funds to include property restoration, renewable energy, energy efficient components and a working capital component.

Ten months following Hurricane Maria, some tourism facilities were at an advanced stage of restoration of their properties with funds contracted from the CBI loan facility which showed a total injection of $3 million during that period. A total of $5.3 million has been utilized from this facility towards the tourism sector.

Overall, the bank reported a slight decrease of 1.53% in its loan portfolio from $168.8 million as at June 30, 2017 to $166.2 million as at June 30, 2018.

Greater emphasis was placed following Hurricane Maria on improving sustainability and resilience. Consequently, the bank revised its Strategic Plan for the period 2017 – 2020 and will focus on the following objectives:

1. BUSINESS CONTINUITY

   The Bank executed its Business Continuity Training program at the end of which eleven staff members obtained certification in that field. The bank is in the process of documenting its business continuity policies and procedures manual. This is intended to outline and operationalize the business continuity, emergency preparation, response and recovery of the bank.

2. ENTERPRISE RISK MANAGEMENT

   Development of the bank's Enterprise Risk Management Framework is at an advanced stage. Training has been conducted in this regard and with this established framework the bank will have in place an Enterprise Risk Management Policies and Procedures Manual, an established risk rating system, a financial simulation model for stress testing the bank's financial position among other areas.

3. CUSTOMER CARE

   The bank will continue to focus and place great importance on customer care, customer service and its corporate image by streamlining our processes, building stakeholder relationships and enforcing the customer service culture. Throughout the year in review, the bank embarked on a series of townhall meetings sensitizing existing and potential customers on the services and products being offered by the bank. Public confidence is critical to the future success of the bank, therefore we will continue to maintain our public presence and also fulfil our corporate social responsibility.

4. RISK AND COMPLIANCE

The bank's Risk and Compliance structure has also been strengthened through a more structured approach to risk and compliance issues.

5. HUMAN RESOURCE

Human Resource development is also given priority through increased training in specific areas of the bank's operations. The bank will also focus on health and wellness, safety and security. The restoration process of the bank's offices was pursued in earnest to ensure that officers were settled in a safe environment.

6. INDUSTRIAL ESTATE UNIT

The bank continues the restoration of the industrial estate buildings post Hurricane Maria. The buildings are being restored in keeping with the climate resilient concept. To date approximately 95% of the buildings have been restored which have reflected an increased value of our investment properties. The bank will continue with its plan to seek funding to develop modern state of the art facilities to attract more companies.

7. RECOVERIES

During this period, the bank will continue to pursue delinquent borrowers. The bank will not allow delinquent borrowers to jeopardize its credit rating nor its viability. Therefore, it is imperative for those who have neglected their obligations to make good on their commitments to the bank.

8. PROJECTS

The bank, in the fulfilment of its mandate, will be aggressively pursuing viable projects that will create employment, increase economic activity, generate foreign exchange and increase trade.

We are grateful to the Government of Dominica for its continued financial and regulatory guidance and for the confidence placed in the AID Bank for being the agent through which funding is provided to the targeted productive sectors.

We applaud the Honourable Prime Minister and Minister of Finance for his perseverance and tenacity towards the objectives of excellence and resilience. We also thank him for understanding the many challenges and difficulties faced by the productive sector organs of the economy thereby making resources available at very concessionary interest rates and terms that are easily accessible.

Gratitude is also expressed to the Financial Secretary for her continued oversight, guidance and representation of the bank. Mrs. Edwards, over the years you have assisted the bank profoundly to maintain its good standings and adherence to good corporate governance.

We also recognize and appreciate the critical role of the bank's minority shareholder, the Dominica Social Security.

Special appreciation is extended to members of the Board of Directors for their diligent and steadfast service to the bank over the years. Your service is definitely one of service to the nation.

We wish to thank our committed and dedicated management and staff for their contributions and commitment throughout the year.

To our customers we express appreciation for your determination in your pursuit to economic development beneath several natural setbacks. We reaffirm our commitment to you in maintaining our mandate of promoting and influencing the economic development of our beautiful Dominica.

DAIDB FIVE-YEAR HIGHLIGHTS AT A GLANCE

INCOME STATEMENT	2018 XCD ('000)	2017 XCD ('000) Restated	2016 XCD ('000)	2015 XCD ('000)	2014 XCD ('000)
Interest Income	9,229	9,705	11,191	12,447	12,697
- Interest Expense	4,635	4,522	4,444	4,694	4,834
= Net interest Income	4,594	5,183	6,747	7,753	7,863
+ Other Operating Income Net	1,421	1,919	1,909	1,946	2,192
- Other operating expenses					
- Staff Costs	3,226	3,567	4,044	3,677	4,100
- Administrative Costs	3,381	2,719	3,165	3,432	3,179
= Operating (Loss) / Income	(592)	816	1,447	2,590	2,776
+ Income on insurance claim	8,268	-	-	-	-
+ Increase in fair value of properties	9,768	1,002	-	-	-
- Impairment on properties / loss on disposal	9,839	447	-	-	-
- Provisions	6,871	-	246	125	-
= Net profit	734	1,371	1,201	2,465	2,776
BALANCE SHEET	**2018 XCD ('000)**	**2017 XCD ('000)**	**2016 XCD ('000)**	**2015 XCD ('000)**	**2014 XCD ('000)**
Assets					
Cash and Balances with Central Bank	17	21	19	16	23
+ Deposit with Other Banks	29,434	22,695	2,713	5,667	8,421
+ Investments [Net of Impairment]	1,443	1,452	1,449	1,441	1,691
+ Investment Properties	35,591	34,958	33,634	33,891	31,716
+ Loans [Net of Impairment]	151,795	158,723	162,028	157,386	154,302
+ Other	22,019	12,203	12,863	12,574	9,338
= Total Assets	240,299	230,052	212,706	210,975	205,491
Liabilities					
Deposits	8,703	6,857	7,548	8,174	9,393
+ Borrowings	149,819	146,351	124,894	118,195	118,860
+ Other Liabilities	14,483	10,034	10,894	13,340	11,082
+ Equity	67,294	66,810	69,370	71,266	66,156
= Total Liabilities and Equity	240,299	230,052	212,706	210,975	205,491

DAIDB FIVE-YEAR HIGHLIGHTS AT A GLANCE (CONT'D)

OTHER INFORMATION	2018 XCD ('000)	2017 XCD ('000)	2016 XCD ('000)	2015 XCD ('000)	2014 XCD ('000)
Loan Approvals ('000)	12,896	16,762	13,796	28,921	26,918
Loan Disbursements ('000)	10,687	13,819	17,451	20,560	17,477
Estimated Number of Jobs Created	524	820	354	530	548
Industrial Estate Employment	844	1,000	916	930	773
Return on Equity (per cent)	1.09	2.05	1.73	3.46	4.20
Return on Assets (per cent)	0.31	0.60	0.56	1.17	1.35
Loan Provisions as per cent of Portfolio	14.10	10.84	8.68	7.16	7.36
Loan Provisions as per cent of NP Portfolio	36.87	46.66	56.08	54.05	71.45

PART I

THE ECONOMY OF DOMINICA

For the year 2017 economic activity in Dominica contracted by 4.2 per cent compared to a growth of 2.6 per cent the previous year. Notwithstanding an expansion in output in the first nine months of 2017 economic activity plummeted following the devastation caused by Hurricane Maria in September 2017. By the end of the first half of 2018 economic activity also contracted compared to the previous period.

As was expected, activities in the agriculture, livestock and forestry sectors contracted by 6.5 per cent due to the destruction of crops and limited access to farms. As such the agricultural sector's contribution to total GDP fell from 12.9 per cent to 12.6 per cent. By the first half of 2018 output in the agricultural sector registered a decrease over the previous period.

For the period January to December 2017 activities in the hotel and restaurant sectors contracted by 17.9 per cent as a result of a decrease in tourism arrivals. The total number of visitor arrivals was estimated to have declined by 35.3 per cent to 236,876 following the passage of Hurricane Maria. The number of cruise ship passenger arrivals fell by 43.7 per cent to 156,026 in 2017 due to a cancellation of cruise calls in the last quarter of the year which is traditionally the beginning of the cruise season. A decrease of 8.6 per cent was recorded in the number of stayover visitors due to significant damage to the tourism infrastructure and limited air access following Hurricane Maria. By the first half of 2018 activity in the tourism sector registered a decrease since the sector had not recovered from Hurricane Maria. For the said period, total arrivals decreased by 77.3 per cent to 47,024 compared to a decline of 3.0 per cent during the corresponding period in 2017.

Output in the manufacturing sector declined by 32.7 per cent in 2017 causing the sector's contribution to total output to have declined further to 1.7 per cent from 2.3 per cent the previous year. More specifically, output of beverages declined by 33.2 per cent while the production of paints fell by 31.3 per cent. By the first half of 2018, the manufacturing sector registered mixed performance. There was a 58.3 per cent increase in the production of paints while the production of beverages registered a decrease by 74.3 per cent reflecting a substantial reduction in productive capacity following Hurricane Maria.

The economic contraction during 2017 was partially offset by growth in the construction sector whose contribution to total output increased from 5.2 per cent in 2016 to 6.6 per cent in 2017. Construction activity is estimated to have increased by 22.0 per cent during the year mainly due to developments in the public sector namely reconstruction activities following Tropical Storm Erika in 2015 and other infrastructural improvements and rehabilitation works post Hurricane Maria. The public sector projects were complemented by private sector projects most notably the Range Developments' Cabrits Resort Kempinski project and the Jungle Bay Villas. Construction activity continued to accelerate into the first half of 2018 which partially offsetted the fall off in activity in the other sectors.

The consumer price index recorded an increase of 0.6 per cent in 2017 compared to an increase of 0.7 per cent the previous year. By the end of the first half of 2018 the consumer price index rose to 0.9 per cent compared to 0.5 per cent the corresponding period. The inflation was largely attributed to a 6.7 per cent increase in the price of food and non-alcoholic beverages.

During the year 2017, Government's fiscal operation registered an overall deficit of $87.9 million or 5.8 per cent of GDP compared to an overall surplus of $508.5 million or 33.5 per cent of GDP the previous year. Likewise, the primary balance contracted to a deficit of $65.7 million or 4.3 per cent of GDP from a surplus of $535.4 million or 35.3 per cent of GDP. The deterioration in the overall balance was mainly attributed to developments on both the capital and current accounts.

According to the Eastern Caribbean Central Bank, Economic and Financial Review, June 2018, given the massive impact of Hurricane Maria on the productive and supporting sectors of the economy a protracted recovery is anticipated leading to a further decline in the overall level of economic activity in the remainder of 2018. Growth in the construction sector is expected to continue given ongoing reconstruction and rehabilitation activities. In the agricultural sector, although the process of replanting has begun, activity is expected to contract given the significant damage to the sector. Activity in the tourism sector is also likely to deteriorate for the same reason. Output in the manufacturing sector is projected to contract since the productive capacity of facilities in this sector was considerably reduced following the hurricane. Given the closure of Ross University School of Medicine campus, economic recovery will be further delayed due to implications for complementary sectors including real estate, renting and business activities and employment.

Dominica remains vulnerable to external shocks which would compound the unfavourable economic outlook. However, given the concessionary financing opportunities provided by the Government which are available to businesses in the productive sectors, the recovery process will be further enhanced. Additionally, the advancement of public sector projects such as the geothermal energy plant and the private sector tourism projects will contribute positively to the economy.

PART II

THE PERFORMANCE OF DAIDB

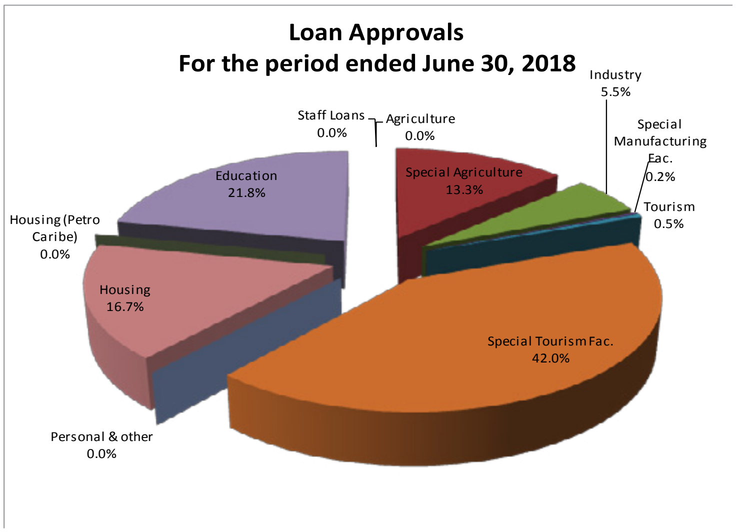
CREDIT OPERATIONS

Approvals

For the year ended June 30, 2018, two hundred and seventy-two (272) loans were approved with a total value of $12.89 million. Education loans valued at $4.21 million and Housing loans valued at $3.02 million combined accounted for 56.14 percent of the total approvals for the period.

The sectoral allocation of approvals is presented in Graph 1 below.

Graph 1



Disbursements

For the twelve months ended June 30, 2018, disbursements totalled $10.68 million. This amount was lower than the actual disbursements for the period ended June 30, 2017 by 22.66%, when an amount of $13.81 million was disbursed.

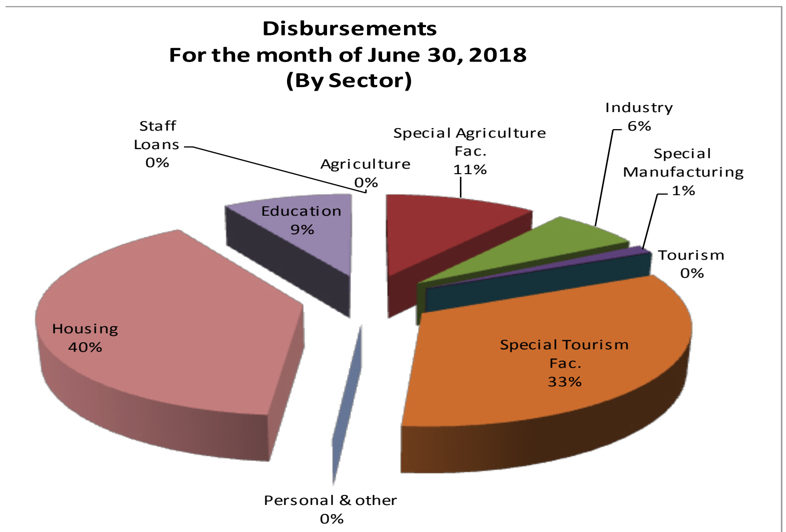
Disbursements as at June 30, 2018 were made primarily in the Education sector with a value of $3.09 million or 28.88% and the Tourism sector with a value of $2.47 million or 23.11%.

The bank also disburses funds under two projects on behalf of the Government of Dominica, Ministry of Agriculture. As at June 30, 2018, a cumulative total of $2.30 million has been disbursed on behalf of the Agriculture Investment Unit (AIU), since its inception in November 2009. During that period a total of $0.62 million has been disbursed in loans on behalf of the Dominica Banana Recovery Programme, while $0.48 million has been disbursed in grant.

Under the Government of Dominica, Ministry of Education, Student Loan Programme, the total disbursement to date under the first Student Loan Facility, which commenced in November 2010, amounted to $1.71 million, while an amount of $4.19 million has been disbursed under the second facility which began in September 2011.

A total of $5.90 million has been disbursed under these two student loan facilities as at June 30, 2018. The sectoral distribution of disbursements is presented in Graph 2 below.

Graph 2



Rescheduling

For the twelve month period ended June 30, 2018, two hundred and twenty-five loans valued at $18.16 million were approved to be rescheduled. This comprised of sixty-five loans in the Housing sector with a value of $7.28 million, nine loans in the Tourism sector valued at $5.13 million, eighteen in the Industry sector with a value of $1.64 million, forty-two loans in the Education sector valued at $1.70 million, thirteen in the Personal & Other Sector valued at $0.25 million, seventy-one loans in the Agriculture sector valued at $1.16 million and seven Staff loans valued at $0.97 million .

In comparison, for the twelve months ended June 30, 2017, eighty-nine loans valued at $13.21 million were approved to be rescheduled. This comprised seven loans in the Agriculture sector valued at $0.17 million, seven loans in the Industry sector valued at $5.69 million four loans in the Tourism sector valued at $3.16

million; two loans in the Personal and Other sector valued at $0.18 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 $0.16 million..

Non-Performing Loans

The total Non-Performing percentage (NP) ratio increased by 3.84 percent over last year June 30, 2017.

With respect to the distribution of the total loan portfolio, the Industry sector made up the largest proportion or 28.48 percent and also formed the largest of non-performing loans of 43.04 percent. The Tourism sector contributed the second highest or 24.28 percent of the total portfolio and also the second largest percentage of non-performing loans of 34.45 percent. The Housing sector contributed 24.01 percent, while the Education Sector contributed at 8.96% of the non-performing portfolio.

Loan Portfolio_

At the end of the financial year ended June 30, 2018, the Bank's loan portfolio totalled $166.28 million compared to $168.79 million as at June 30, 2017. The loan portfolio as at June 30, 2018 represents a slight decrease of 1.53 per cent over the same period last year.

FUNDING

During the financial year the bank had sufficient funding available to on-lend to the productive sectors. The bank's long term loan payments were also maintained as they fell due notwithstanding the impact caused to the economy following Hurricane Maria.

European Investment Bank (EIB)

Through grant funding received from the European Investment Bank the bank was able to commence the execution of its Enterprise Risk Management Framework. Initial training has been conducted in this regard and at the end of the exercise, the bank will have in place an Enterprise Risk Management Policies and Procedures Manual, an established risk rating system, a financial simulation model for stress testing the bank's financial position among other areas.

Caribbean Development Bank (CDB)

Under the recently approved 9th Consolidated Line of Credit, the Caribbean Development Bank facilitated a workshop for the staff of the Bank which provided an overview of the disbursement policies and procedures and documentation of the facility. The bank continues to tap into the resources from the CDB to provide much needed technical assistance as the need arises.

CARICOM Development Fund [CDF]

Through grant funding made available under CDF Grant Agreement, the AID Bank made advances into its institutional strengthening mechanisms. The Business Continuity Training was executed and we are presently pursuing the second phase to include documentation of the said policies and procedures. Progress is also being made in the documentation of the Accounting and Finance Policies and Procedures, Sage upgrade and training, and procurement of IT Equipment.

HUMAN RESOURCE AND ADMINISTRATION

The highlight of the year ended June 30, 2018 was the unfortunate impact of Hurricane Maria. This catastrophic event of September 18, 2017 caused the Bank to cease operations until October 12, 2017.

Working hours were modified until April 30, 2018, to accommodate staff travel to and from work since not all roads were motorable and there was no electricity in many areas. Notwithstanding, the staff demonstrated their commitment to the Bank and customers, through their contribution to the restoration efforts and tolerance, given the less than ideal working conditions.

Several sections of the Bank's building were damaged by the hurricane, but through staff participation in the cleanup activities, the weeks following we were able to temporarily relocate operation to the eastern section of the building to allow for a sooner than expected reopening. The MIS staff worked tirelessly in restoring the network in order to mitigate downtime. The Bank opened its doors to customers with staff utilizing approximately 60% of the building, no air-conditioning and limited power supply.

The Hurricane underscored the resilience of the bank and revealed the importance of a Business Continuity Plan.

On February 14, 2018, the bank rolled-out its revised organizational structure, to one which is more appropriate and relevant, portrays commitment to accountability and drives the achievement of the Bank's strategic goals and objectives.

The Human Resource Department continued to place priority on increased staff training, health and wellness, safety and security. The Department partnered with the MIS Department in the timely organization of training for Business Continuity and is in the process of documenting the said policy. The department also provided councelling to all staff and subsequently to specific staff following the impact of the hurricane. Focus was also placed on staff motivation, health and wellness, staff welfare and safety of the environment. The department continued the restoration activities and can report that to date 100% of its insurance settlement claim has been received and the bank's offices have been fully restored.

Following the passage of the hurricane, the efforts of staff was recognized in January 2018 with a cocktail reception at the Old Mill Cultural Centre. Three staff members, namely Mrs. Ingrid Prosper-Bruno, Mr. Khan Sylvester and Mr. Glenroy Eloi were singled out and awarded. Chairman of the bank's Board of Directors, Mr. Martin Charles was also recognized and awarded.

During the year under review, three new staff members were welcomed to the bank, one retired, another left to pursue further studies and two migrated for personal reasons.

MANAGEMENT INFORMATION SYSTEMS (MIS)

During the 2017/2018 financial year, the plans of the Management Information Systems Department were aimed at improving the frequency and effectiveness of staff training, reviewing and revising policies and procedures, upgrading of systems and improving the use of data and information. Following Hurricane Maria, the focus shifted to restoration of services to accommodate the limited equipment and shorter working hours which continued for the majority of the financial year.

The MIS suffered equipment losses from Hurricane Maria mainly due to the physical damage sustained by the external walls and windows and the offices located on the western front of the building. While there was substantial loss of equipment, there was no loss or compromise of data.

In keeping with the objective of being the World's first climate resilient nation, the bank is taking a critical look at its Business Continuity and Information Technology Disaster Recovery practices. In the last quarter of the financial year, 14 employees were trained in Business Continuity Management by the Institute for Business Continuity Training. At the end of the training, 8 managers and 3 IT staff wrote and passed the examinations to become certified Business Continuity Managers.

The focus for the coming year will be on replacement of equipment, renewed focus on the IFRS9, Credit scoring projects and the continuation of strengthening controls and procedures. Development and implementation of the Business Continuity including IT Disaster Recovery policies and Procedures will continue to remain in focus as we seek to ensure rapid recovery from any disaster.

INDUSTRIAL ESTATES

The AID Bank manages industrial estates located at Canefield, Geneva, Hertford/Jimmit and Picard. The objective of the industrial estates' operation is to provide affordable space to enterprises with the aim of increasing production, creating employment, promoting exports and generating foreign exchange. The bank provides both sheds and land space for lease. Presently space is being leased to the ICT sector, manufacturing, agro-processing, services, warehousing and other productive sectors.

The Industrial Estates were not immue to the devastation visited upon Dominica by the category five Hurricane Maria, on September 18, 2017. Eighteen of the nineteen sheds sustained damages, which completely halted operations and left tenants unable to conduct their business activities. In consideration of the impact sustained, the bank provided a three months waiver of rental payments to tenants of the Estates.

The assessment of damages to the Industrial Estates was in excess of $8.25 million. The bank continued to restore the buildings which were being undertaken in keeping with the 'climate resilient concept' and as at June 2018, approximately forty per cent of the buildings were restored, which have reflected an increased value of the bank's investment properties. Additionally, by the end of the reporting period, the Industrial Estate Unit (IEU) spent in excess of $2.54 million in the restoration of the Industrial Estates.

The Unit continues to execute maintenance works on the estates, through the restoration of sheds; and to critically support the Credit Department with on-site visits to clients of the bank and in the preparation of the relevant reports which are required for the processing of loans and other requests.

The Department continues to execute maintenance works on the estates and through the restoration of sheds, as well as critically support the Credit Department with on-site visits to clients of the bank and the the preparation of the relevant reports which are required for the processing of loans and other requests.

PART III

OTHER ACTIVITIES

Financial Data Systems Limited (FDSL)

Financial Data Systems Limited (FDSL) is a software company established by five Development Banks in the Organization of Eastern Caribbean States (OECS), namely Dominica Agricultural Industrial and Development Bank (DAIDB), St. Kitts Development Bank, Grenada Development Bank, Antigua Development Bank and Bank of St. Lucia. The objective of the company is to develop, maintain, and market the DPAC loans management software package. DAIDB is currently the company's largest shareholder.

For the year ended June 2018, FDSL continued the development and implementation of its flagship development (software) package (DPAC), for development finance institutions, by making a major upgrade to the application with several new features which had been requested by its top clients.

FDSL has pursued its marketing efforts to find potential customers in need of a high quality software solution for loans management and reporting. The company also implemented several internal adjustments to improve operations and resiliency. In the new financial year, FDSL plans further upgrades to its current solutions, with a greater array of reporting tools and client facing systems. The company will continue to market the DPAC software, to remain competitive in the region as a provider of loans management software. FDSL is also focusing on updating DPAC to the latest compliance and monitoring standards as set and determined by the region's governing regulatory institutions.

PART IV

AID BANK'S CORPORATE/ SOCIAL RESPONSBILITY : DIVERSITY

During the 2017/18 financial period, the AID Bank's Corporate Social Responsibility programme continued its support of diverse events which showed appreciation for our people and enhanced the well-being of some of our communities. This commenced with with the sponsorship of some of the activities to highlight the strength and positive attributes of members the Castle Bruce community during its 2017 annual village feast.

In the Summer of 2017, the bank contributed to the remarkable Kachibona Academy's 3-day vacation camp, for youth between the ages of 9 to 13 years, from the communities of Colihaut, Bioche and Dublanc, under the theme "Tourism is our Business."

The bank's support positively impacted the comprehensive, creative and adventurous approach to community tourism, which restored the children's confidence in themselves, as they learnt to adapt to a changing environment, enhance their social skills and nurture an enterprising spirit, after having experienced the trauma of Tropical Storm Erika.

The bank also assisted with the awards for the lovely Miss Jessie Prince of Grand Fond, the first runner-up in the 2017 Clear Harbor Summer Pagaent, as well as an award for the 3rd Commencement Ceremony of Leads Institute, a tertiary educational establishment in Dominica.

September 2017 will be forever etched in the minds of all of us, who as individuals, had our own personal experiences with the

unforgettable fury of Hurricane Maria; and as a corporate family, whose battle with the "new normal," in the post-Maria period was very challenging.

While we were gratified, as a development bank, to colour some of the painful and dark memories left in the wake of Hurricane Maria, with a financial contribution to the Cultural Division's festive staging of the 2018 uniquely exquisite Old Mas Festival, which was held in the community of St. Joseph, the AID Bank's Corporate Social Responsibility agenda was more than the quantity of its philanthropic donations and sponsorship activities.

In the aftermath of the hurricane, focus was placed on critically assessing the needs of our customers, to determine how best the bank could assist in the re-building of their lives, homes, farms, businesses and communities.

Additionally, participation in the Housing and Construction Symposium and the Business Recovery Exposition organized by the Dominica Business Forum (DBF) and Dominica Association of Industry and Commerce (DAIC) respectively, complemented the bank's outreach efforts to promote its diversified loan portfolio, with specially crafted productive sector loan products at the very concessionary rate of 2%, among other attractive terms and conditions, including relaxed security arrangements geared towards the resilient resuscitation of the local economy.

PART V

FINANCIAL PERFORMANCE

Net Profit

The AID Bank recorded a net loss of XCD 0.61 million in the financial year ended June 30, 2018. This figure was 144.93 per cent less than the XCD 1.37 million net profit recorded in 2017 as indicated in the table below.

Total comprehensive income was XCD 0.73 million for the year under review or approximately 46.50 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.

	2018 - XCD	2017 – XCD Restated
Interest income	9,228,531	9,705,147
Other operating income	1,421,408	1,919,153
Total income	10,649,939	11,624,300
Interest Expense	(4,634,667)	(4,521,913)
Staff Costs	(3,225,729)	(3,567,408)
Administrative Expenses	(1,290,388)	(1,485,404)
Factory sheds expenses	(927,286)	(330,739)
Other operating expenses	(833,175)	(479,485)
Depreciation	(330,114)	(422,995)
Total expenses	(11,241,359)	(10,807,944)
Net income/(loss) from Operations before the following income/(charges):	(591,420)	816,356
Income on Insurance Claim	8,268,438	-
(Decrease)/Increase in Fair Value Investment Properties	6,743,586	1,000,000
Impairment Losses on Loans and Receivables	(6,870,675)	225
Impairment Losses on Investment Properties	(8,152,957)	-
Loss on disposal of property and equipment	(12,403)	(446,737)
Net (Loss)/Profit	(615,431)	1,369,844
Revaluation excess office building	3,023,577	-
Impairment Losses on Property, Plant and Equipment	(1,674,412)	-
Unrealized gain available-for-sale investments	-	1,600
Total Comprehensive Income	733,734	1,371,444

Income

Total operating income recorded for the financial year was XCD 10.65 million, which was 8.35 per cent higher than the XCD 11.62 million achieved in 2017.

Interest income decreased by 4.91 per cent while other operating income decreased by 25.94 per cent from the previous financial year.

Expenses

Financial Expenses of XCD 4.63 million were 2.49 per cent higher than the previous year's XCD 4.52 million.

Total staff expenses of XCD 3.23 million decreased by 9.58 per cent mainly due to a reduction in the staff complement.

Administrative Expenses of XCD 1.30 million decreased by 13.13 per cent over the previous year.

Total operating expenses of XCD 11.25 million were on par with the previous financial year mainly as a result of the significant increase in the factory shed expenses following the passage of Hurricane Maria.

Assets

At June 30, 2018, assets totalled XCD 240.30 million representing a 4.45 percentage increase from last year's XCD 230.05 million.

The major component of assets, net loans and advances valued at XCD 151.80 million registered a 4.36 per cent decrease from last year's XCD 158.72 million and adequately offset total long-term liabilities of XCD 149.82 million.

Net loans and advances comprised of a gross loan balance of XCD 166.31 million - (2017: XCD 168.79 million) and interest receivable of XCD 10.40 million – (2017: XCD 9.22million) less loan provision of XCD 24.91 million – (2017: XCD 19.29m).

The long-term debt to equity ratio of 2.23:1 was within the suggested range for the industry of 4:1.

Cash in current and operating account, and short-term investments totalled XCD 29.43 million, which was 29.69 per cent more than last year's XCD 22.70 million.

Other receivables of XCD 10.93 million were 385.11 per cent more than last year's XCD 2.25 million. Other receivables include the insurance claim settlement due to the AID Bank from New India Assurance Company following the passage of Hurricane Maria, 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 36.63 million, of which XCD 35.59 million represents Investment Properties of the IEU. Net Investments were 1.73 per cent more than last year's XCD 36.01 million.

Net total fixed assets of XCD 11.09 million were 11.48 per cent higher than last year's XCD 9.95 million.

Liabilities

Total liabilities were XCD 173.01 million, which was 5.98 per cent more than last year's XCD 163.24 million.

Due to customers was XCD 8.70 million which was 26.91 per cent higher than the XCD 6.86 million in the previous financial year.

Borrowed funds of XCD 149.82 million registered a net increase of 2.37 per cent from the previous year's XCD 146.35 million.

Shareholders' Equity

Shareholders' Equity of XCD 67.29 million increased by 0.72 per cent from the previous year's XCD 66.81 million.

Retained Earnings of XCD 0.37 million decreased by 68.52 per cent for the fiscal year ended June 2018 when compared to XCD 1.17 million in 2017.

Dominica Agricultural Industrial and Development Bank

Financial Statements
Year Ended June 30, 2018
(Expressed in Eastern Caribbean Dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Dominica Agricultural Industrial and Development Bank.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Dominica Agricultural Industrial and Development Bank (the Bank), which comprise the statement of financial position as at June 30, 2018, and the statements of changes in equity, comprehensive income 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 financial statements present fairly, in all material respects, the financial position of the Bank as at June 30, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in St. Lucia and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matters

The financial statements for the year ended June 30, 2017 were audited by another auditor whose report was dated April 5, 2018.

Other information included in the Bank's 2018 Annual Report

Other information consists of the information included in the Bank's 2018 Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2018 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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 IFRSs, 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole 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 ISAs 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 ISAs, 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 auditors' 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 auditors' 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.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

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.

We also provide those charge with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

BDO

Chartered Accountants
Castries, St. Lucia
March 11, 2019

Dominica Agricultural Industrial and Development Bank

Statement of Financial Position
As at June 30, 2018
(Expressed in Eastern Caribbean Dollars)

	Notes	2018 $	Restated 2017 $	Restated 2016 $
Assets				
Cash	8	17,424	20,904	18,766
Treasury bills	9	410,000	411,977	411,722
Deposits with banks and other financial institutions	10	29,434,100	22,695,377	2,712,603
Debentures	11	631,870	639,149	639,149
Loans and advances to customers	12	151,795,355	158,722,564	158,138,859
Available-for-sale investments	14	400,499	400,499	398,899
Investment properties	15	35,590,637	34,958,739	33,958,739
Property and equipment	16	11,092,562	9,950,402	10,575,544
Other assets	17	10,926,755	2,252,412	2,169,829
Total Assets		240,299,202	230,052,023	209,024,110
Liabilities				
Bank overdraft	18	2,613,942	-	142,575
Due to customers	19	8,702,859	6,857,590	7,548,073
Borrowed funds	20	149,819,498	146,350,613	124,893,832
Other liabilities	21	11,869,272	10,033,923	10,751,177
Total Liabilities		173,005,571	163,242,126	143,335,657
Equity				
Share capital	23	47,970,205	47,970,205	47,970,205
Contributed capital	24	1,616,030	1,616,030	1,616,030
Revaluation surplus	25	4,572,556	3,289,174	3,356,300
Reserves	26	12,767,484	12,767,484	12,423,423
Retained earnings		367,356	1,167,004	322,495
Total Equity		67,293,631	66,809,897	65,688,453
Total Liabilities and Equity		240,299,202	230,052,023	209,024,110

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

APPROVED ON BEHALF OF THE BOARD:-

Director

Director

Dominica Agricultural Industrial and Development Bank

Statement of Changes in Equity
For the Year Ended June 30, 2018
(Expressed in Eastern Caribbean Dollars)

	Notes	Share Capital $	Contributed Capital $	Revaluation Surplus $	Reserves $	Retained Earnings $	Total $
Balance at July 1, 2017 (As previously reported)		47,970,205	1,616,030	3,289,174	12,845,819	3,883,187	69,604,415
Effect of prior period adjustments	37	-	-	-	(78,335)	(2,716,183)	(2,794,518)
Balance at July 1, 2017 (As restated)		47,970,205	1,616,030	3,289,174	12,767,484	1,167,004	66,809,897
Net loss for the year		-	-	-	-	(615,431)	(615,431)
Other comprehensive income							
Impairment loss on land and buildings	16, 25	-	-	(1,674,412)	-	-	(1,674,412)
Unrealized gain on revaluation of land and buildings	16, 25	-	-	3,023,577	-	-	3,023,577
Total comprehensive income		-	-	1,349,165	-	(615,431)	733,734
Dividends	32	-	-	-	-	(250,000)	(250,000)
Amortization of revaluation surplus	25	-	-	(65,783)	-	65,783	-
		-	-	(65,783)	-	(184,217)	(250,000)
Balance at June 30, 2018		47,970,205	1,616,030	4,572,556	12,767,484	367,356	67,293,631

Dominica Agricultural Industrial and Development Bank

Statement of Changes in Equity
For the Year Ended June 30, 2018
(Expressed in Eastern Caribbean Dollars)

	Notes	Share Capital $	Contributed Capital $	Revaluation Surplus $	Reserves $	Retained Earnings $	Total $
Balance at July 1, 2016 (As previously stated)		47,970,205	1,616,030	3,356,300	12,723,621	3,704,269	69,370,425
Effect of prior period adjustments	37	-	-	-	(300,198)	(3,381,774)	(3,681,972)
Balance as at July 1, 2016 (As restated)		47,970,205	1,616,030	3,356,300	12,423,423	322,495	65,688,453
Net income for the year							
Net income for the year (as previously stated)		-	-	-	-	482,390	482,390
Effect of prior period adjustments	37	-	-	-	-	887,454	887,454
Net income for the year (as restated)		-	-	-	-	1,369,844	1,369,844
Other comprehensive income							
Unrealized gain on available-for-sale investments	14, 26	-	-	-	1,600	-	1,600
Total comprehensive income		-	-	-	1,600	1,369,844	1,371,444
Dividends	32	-	-	-	-	(250,000)	(250,000)
Transfer to statutory reserve							
Transfer to statutory reserve (as previously stated)		-	-	-	120,598	(120,598)	-
Effect of prior period adjustments	37	-	-	-	221,863	(221,863)	-
Transfer to statutory reserve (as restated)	26	-	-	-	342,461	(342,461)	-
Amortization of revaluation surplus	25	-	-	(67,126)	-	67,126	-
		-	-	(67,126)	342,461	(525,335)	(250,000)
Balance at June 30, 2017 (As restated)		47,970,205	1,616,030	3,289,174	12,767,484	1,167,004	66,809,897

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, 2018
(Expressed in Eastern Caribbean Dollars)

	Notes	2018 $	Restated 2017 $
Interest income	27	9,228,531	9,705,147
Interest expense	27	(4,634,667)	(4,521,913)
Net interest income		4,593,864	5,183,234
Other operating income	28	1,421,408	1,919,153
Other operating expenses	29	(6,606,692)	(6,286,031)
Increase in fair value of investment property	15	6,743,586	1,000,000
Income on insurance claim	17	8,268,438	-
Loss on disposal of property and equipment	16	(12,403)	(446,737)
Net (impairment)/recovery on loans and advances to customers	13	(6,870,675)	225
Impairment loss on investment properties	15	(8,152,957)	-
Net (loss)/income for the year		(615,431)	1,369,844
Other comprehensive income to be reclassified to profit in subsequent periods			
Unrealised gain on available-for-sale investments	14, 26	-	1,600
Other comprehensive income/(loss) not to be reclassified to profit/(loss) in subsequent periods			
Revaluation of land and buildings	16, 25	3,023,577	-
Impairment loss on land and buildings	16, 25	(1,674,412)	-
Total comprehensive income for the year		733,734	1,371,444

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, 2018
(Expressed in Eastern Caribbean Dollars)

	Notes	2018 $	Restated 2017 $
Cash flows from operating activities			
Net (loss)/income for the year		(615,431)	1,369,844
Adjustments for:			
Net (impairment)/recovery on loans and advances to customers	13	6,870,675	(225)
Increase in fair value of investment properties	15	(6,743,586)	(1,000,000)
Depreciation	15,16	330,114	422,995
Impairment loss on investment properties	15	8,152,957	-
Loss on disposal of assets	16	12,403	446,737
Income on insurance claim	17	(8,268,438)	-
Interest income on investments	27	(799,128)	(393,914)
Interest expense and similar charges	27	4,557,737	4,425,734
Foreign exchange loss	29	359,376	50,425
Cash flows before changes in operating assets and liabilities		3,856,679	5,321,596
Decrease/(increase) in loans and advances to customers		56,534	(583,480)
Increase in fixed deposits		(242,798)	(10,215,536)
Increase in other assets		(405,905)	(82,583)
Increase/(decrease) in due to customers		1,845,269	(638,393)
Increase/(decrease) in other liabilities		1,585,349	(717,254)
Cash from/(used in) operations		6,695,128	(6,915,650)
Interest received		802,479	393,914
Interest paid		(4,622,092)	(4,459,486)
Net cash from/(used in) operating activities		2,875,515	(10,981,222)
Cash flows from investing activities			
Purchase of investment property	15	(2,041,269)	-
Purchase of property and equipment	16	(138,512)	(244,590)
Proceeds on sale of motor vehicles	16	3,000	-
Net cash used in investing activities		(2,176,781)	(244,590)
Cash flows from financing activities			
Borrowed funds		17,833,081	38,050,000
Repayment of borrowed funds		(14,659,217)	(16,661,982)
Dividends paid		-	(250,000)
Net Cash from financing activities		3,173,864	21,138,018
Net increase in cash and cash equivalents		3,872,598	9,912,206
Cash and cash equivalents, beginning of year		11,092,813	1,180,607
Cash and cash equivalents, end of year	8	14,965,411	11,092,813

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

1. Corporate Information

The 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 manages lands and buildings at four Industrial Estates in Canefield, Geneva, Picard, Hertford and Jimmit. The Estates collectively comprise 19 buildings with one each in Geneva and Picard and 17 in Canefield. The Industrial Estates are managed by the Industrial Estate Unit (the IEU) which is separate from the core lending functions of the Bank. The core lending function and the management of the industrial unit together constitute the Bank referred to above.

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. Date of Authorisation of Issue

These financial statements were authorised for issue by the Board of Directors on March 11, 2019.

3. Basis of Preparation of Financial Statements

Statement of Compliance
These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as used by the International Accounting Standards Board (IASB) as at June 30, 2018 (the reporting date).

Basis of Preparation
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, investment properties and available-for-sale investments.

Use of Estimate and Judgements
The preparation of financial statements in conformity with IFRSs 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 7.

4. Summary of Significant Accounting Policies

(a) New Accounting Policies/improvements Adopted

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended June 30, 2017, except for the adoption of new standards and interpretations below:

IAS 7 Disclosure Initiative – Amendments to IAS 7 (effective January 1, 2017)

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The adoption and amendment to this standard had no impact on the financial statements of the Bank for the year ended June 30, 2018.

4. **Summary of Significant Accounting Policies (Cont'd)**

(a) **New Accounting Policies/improvements Adopted (Cont'd)**

IFRS 12 Disclosure of Interest in Other Entities - Clarification of the scope of the disclosure requirements in IFRS 12 (effective January 1, 2017)

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments are effective from January 1, 2017 and must be applied retrospectively. The adoption and amendment to this standard had no impact on the financial statements of the Bank for the year ended June 30, 2018.

(b) **Standards Issued but not yet Effective**

The following is a list of standards and interpretations that are not yet effective up to the date of issuance of the Bank's financial statements. These standards and interpretations will be applicable to the Bank at a future date and will be adopted when they become effective. The Bank is currently assessing the impact of adopting these standards and interpretations.

IFRS 9 Financial Instruments (effective January 1, 2018)

In July 2014, the IASB issued IFRS 9 Financial Instruments, the standard that will replace IAS 39 for annual periods on or after 1 January 2018, with early adoption permitted.

Classification and measurement

From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories will be replaced by: Fair Value through profit or loss (FVPL), Fair Value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement.

The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements will be presented in OCI with no subsequent reclassification to the income statement, unless an accounting mismatch in profit or loss would arise. The Bank does not expect an adverse impact from application of the impairment requirements of IFRS 9.

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

(b) Standards Issued but not yet Effective (Cont'd)

IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2 (effective January 1, 2018)

These amendments are in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

IFRS 15 Revenue from Contracts with Customers (effective January 1, 2018)

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of disposal of certain non-financial assets including property, equipment and intangible assets. The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The standard will affect entities across all industries. Adoption will be a significant undertaking for most entities with potential changes to an entity's current accounting, systems and processes.

IAS 40 Investment Property: Transfers of Investment Properties – Amendments to IAS 40 (effective January 1, 2018)

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of the property does not provide evidence of a change in use.

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

(b) Standards Issued but not yet Effective (Cont'd)

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective January 1, 2018)

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

i. The beginning of the reporting period in which the entity first applies the interpretation
OR
ii. The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation

IFRS 16 Leases (effective January 1, 2019)

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

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

(b) Standards Issued but not yet Effective (Cont'd)

IAS 28 Investments in Associates and Joint Ventures - Amendments to IAS 28 (effective January 1, 2019)

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests. In applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures. Entities must apply the amendments retrospectively, with certain exceptions.

Improvements to International Financial Reporting Standards
The annual improvements process of the International Accounting Standards Board deals with non-urgent but necessary clarifications and amendments to IFRS. The following amendments are applicable to annual periods beginning on or after January 1, 2018:

IFRS Subject of Amendment
IFRS 1 – First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters *(effective January 1, 2018)* - Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice *(effective January 1, 2018)*
IFRS 3 – Business Combinations - Previously held Interests in a joint operation *(effective January 1, 2019)*
IFRS 11 – Joint Arrangements - Previously held Interests in a joint operation *(effective January 1, 2019)*
IAS 23 – Borrowing Costs - Borrowing costs eligible for capitalisation *(effective January 1, 2019)*

(c) Cash and Cash Equivalents

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

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

(d) 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 financial assets was acquired. Management determines the classification of its financial instruments 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 loans and advances to customers.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest rate method. Loans and receivables are reported in the statement of financial position as loans and advances to customers. Interest on loans and receivables is included in the statement of comprehensive income. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and receivables and recognised in the statement of comprehensive income.

(ii) Available-for-Sale

Available-for-sale are those financial assets 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 or that are not classified as loans and receivables held to maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are initially recognised at fair value plus transactions costs and measured subsequently at fair value with gains and losses being recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised.

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

(d) Financial Assets (Cont'd)

(ii) Available-for-Sale (Cont'd)

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 other comprehensive income except for impairment losses and foreign exchange gains and losses, until the financial assets are derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in profit or 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.

Recognition/Derecognition

The Bank uses trade date accounting for regular way contracts when recording financial asset transactions. Financial assets are derecognized when the rights to the cash flows from the asset has expired or when it has transferred substantially all the risks and rewards of ownership.

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

(e) Impairment of Financial Assets

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 estimated period between a loss occurring and its identification is determined by Management. In general, this takes between three to twelve months. 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.

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

(e) Impairment of Financial Assets (Cont'd)

Assets carried at amortized cost

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. 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 profit or loss, the impairment loss is reversed through the statement of comprehensive income.

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

(f) Renegotiated Loans

During the normal course of business financial assets carried at amortised cost may be restructured with the mutual agreement of the Bank and the counterparty. When this occurs for reasons other than those which could be considered indicators of impairment, the Bank assesses whether the restructured or renegotiated financial asset is significantly different from the original one by comparing the present value of the restructured cash flows discounted at the original instruments interest rate. If the restructured terms are significantly different the Bank recognizes the original financial asset and recognizes a new one at fair value with any difference recognized in the statement of comprehensive income. 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.

(g) 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.

(h) Property and Equipment

(i) Initial measurement

Property 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.

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

(h) Property and Equipment (Cont'd)

(ii) Subsequent measurement (Cont'd)

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 property 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 the statement of comprehensive income.

(i) Investment Properties

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

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time the cost was incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the position. Gains or losses arising from changes in the fair value of investment properties are included in the statement of comprehensive income in the year in which they arise.

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

(j) Impairment of Other Non-financial Assets

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

(k) Prepayments

Prepayments represent expenses not yet incurred but are already paid. Prepayments are initially recorded as assets and measured at the amount paid. Subsequently, these are charged to the Statement of Comprehensive Income as they are consumed in the operations or expire with passage of time.

(l) Borrowings

Borrowings are recognised initially 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.

(m) 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.

(n) 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.

(o) Contributed Capital

Contributed capital is reported as part of shareholders' equity and represents the land vested by the Government of the Commonwealth of Dominica to the Bank.

(p) 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.

(q) Retained Earnings

Retained earnings include all current and prior period results of operations as disclosed in the Statement of Comprehensive Income.

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

(r) Interest Income and Expense

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

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

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.

(s) 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.

(t) 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.

(u) Foreign Currency Translation

(i) 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.

(ii) 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 recognized in the statement of comprehensive income.

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

(v) 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.

(w) Financial Liabilities

The Bank's financial liabilities are at amortised cost. Financial liabilities are derecognised when extinguished. Financial liabilities measured at amortised cost are due to customers and other liabilities.

(x) Provisions

Provisions are recognised when the bank has a present legal or constructive obligation as a result of a past event, it is more likely that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(y) Rental Income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease of the respective IEU Units.

(z) Financial Instruments

Financial instruments carried on the statement of financial position include cash, investment securities, loans and advances to customers, deposits with other banks, due to customers and borrowings. The particular recognition methods adopted are disclosed in the individual policy statement associated with each item.

5. Financial Risk Management

(a) Financial Risk Factors

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

- Credit Risk
- Market Risk
- Liquidity Risk

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

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

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

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

Strategy in using financial instruments

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

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

5. Financial Risk Management (Cont'd)

(b) Credit Risk

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

Cash and balances with Central Bank
Credit risk from balances with banks and financial institutions is managed by the Bank in accordance with the Bank's policy. Balances are held with reputable financial institutions and limits are set to minimise the concentration of risks and financial loss through potential counterparty's failure to meet their obligations.

Debt securities and other bills
For debt securities and treasury bills, external rating such as Standard & Poor's or Caricris or their equivalents are used by the senior management for managing of the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirements at the same time.

Loans and advances to customers
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.

Industrial Estate Unit (IEU)
Credit risk also arises from the possibility that counterparties may default on their rental obligations to the Bank's industrial estate operations. The Industrial Estate Unit deals primarily in the rental industry which potentially exposes that operation to concentrations of credit risk. Policies are in place to ensure that rental of properties are made to customers with an appropriate credit history. Management also performs periodic credit evaluations of its customers' financial condition.

5. Financial Risk Management (Cont'd)

(b) Credit Risk (Cont'd)

(i) 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 of the grade
1	Pass
2	Special mention
3	Sub-standard
4	Doubtful
5	Loss

(ii) 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, property 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.

5. Financial Risk Management (Cont'd)

(b) Credit Risk (Cont'd)

Long-term lending to customers are generally secured. In order to minimize the credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed. Collateral held as security will depend of the nature of the instrument. Debt securities, treasury and other eligible bills are usually unsecured.

(ii) Credit-related commitments

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

(iii) Impairment and provisioning policies

The internal and external rating systems described under "credit risk measurement" focus more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognized 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:

	2018			2017		
	Loans and Advances (%)	Collective Impairment (%)	Individual Impairment (%)	Loans and Advances (%)	Collective Impairment (%)	Individual Impairment (%)
Bank's rating						
1. Pass	54.84	94.59	-	62.04	93.12	-
2. Special mention	1.72	5.41	-	2.16	6.88	-
3. Sub-standard	5.20	-	9.77	2.67	-	8.08
4. Doubtful	3.43	-	11.62	6.36	-	22.10
5. Loss	34.81	-	78.61	26.77	-	69.82

5. **Financial Risk Management (Cont'd)**

(b) **Credit Risk (Cont'd)**

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.

Maximum exposure

	Maximum credit risk exposure	
	2018	Restated 2017
	$	$
Treasury bills	410,000	411,977
Deposits with banks and other financial institutions	29,434,100	22,695,377
Debentures	631,870	639,149
Loans and advances to customers:		
Demand loans	111,981,903	118,477,453
Mortgage loans	39,813,452	40,245,111
Other assets	10,891,764	2,217,421
	193,163,089	184,686,488
Credit risk exposures relating to financial assets off the statement of financial position		
Loan commitments	17,249,293	13,570,941
	210,412,382	198,257,429

The above table represents a worst-case scenario of credit risk exposure to the Bank at June 30, 2018 and 2017, without taking account of any collateral held or other credit enhancements attached. For financial assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position at the reporting date.

As shown above, 72.14% (2017 – 80.06%) of the total maximum exposure is derived from loans and advances to customers.

5. Financial Risk Management (Cont'd)

(b) Credit Risk (Cont'd)

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

- 56.56% (2017 – 64.20%) of the loans and advances portfolio is categorised in the top two grades of the internal rating system;
- 24.78% (2017 – 32.86%) of the loans and advances portfolio are considered to be neither past due nor impaired; and
- the Bank has introduced a more stringent selection process upon granting loans and advances.

Loans and advances

Loans and advances are summarised as follows:

	2018 $	Restated 2017 $
Neither past due nor impaired	43,788,086	58,488,639
Past due but not impaired	65,347,886	60,536,905
Impaired	67,572,572	58,991,986
	176,708,544	178,017,530
Less: allowance for impairment losses on loans and advances	(24,913,189)	(19,294,966)
	151,795,355	158,722,564

The total impairment provision for loans and advances is $24,913,189 (2017 - $19,294,966) of which $21,670,638 (2017 - $14,981,559) represents the individually impaired loans and the remaining amount of $3,242,551 (2017 - $4,313,407) represents the collective provision. Further information of the allowance for impairment losses on loans and advances to customers is provided in Notes 12 and 13.

5. Financial Risk Management (Cont'd)

(b) Credit Risk (Cont'd)

(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, 2018			
Grades			
1. Pass	23,018,792	20,769,294	43,788,086
June 30, 2017			
Grades			
1. Pass	35,000,831	23,487,808	58,488,639

(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 $
June 30, 2018			
Past due up to 30 days	44,838,051	15,594,858	60,432,909
Past due 30 – 60 days	400,474	50,542	451,016
Past due 60 – 90 days	349,664	38,813	388,477
Past due over 90 days	3,809,614	265,870	4,075,484
	49,397,803	15,950,083	65,347,886
June 30, 2017			
Past due up to 30 days	40,702,399	15,087,037	55,789,436
Past due 30 – 60 days	355,504	31,150	386,654
Past due 60 – 90 days	401,672	28,771	430,443
Past due over 90 days	3,710,801	219,571	3,930,372
	45,170,376	15,366,529	60,536,905

5. Financial Risk Management (Cont'd)

(b) Credit Risk (Cont'd)

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 $
June 30, 2018			
Individually impaired loans	63,418,901	4,153,671	67,572,572
June 30, 2017			
Individually impaired loans	56,060,668	2,931,318	58,991,986

(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 the 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 totalled $18,162,761 as of June 30, 2018 (2017 - $13,212,623).

(v) Repossessed collateral

At the end of 2018, the Bank had not repossessed any collateral (2017 - $18,000).

5. Financial Risk Management (Cont'd)

(b) Credit Risk (Cont'd)

(vi) Geographical Sectors

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

(vii) Industry Sectors

The following table breaks down the Bank's credit risk exposures at gross amounts by industry sectors:

		2018		2017
	%	$'000	%	$ '000
Industrial	26.53	46,888	27.62	49,170
Tourism	27.17	48,003	23.92	42,577
Mortgage	23.13	40,873	23.29	41,467
Education	16.20	28,631	15.98	28,446
Agricultural	3.80	6,715	3.27	5,824
Distribution and commerce	0.02	41	0.02	31
Other consumers	3.15	5,558	5.90	10,503
Total before deduction for allowance for losses on loans and advances	100.00	176,709	100.00	178,018

(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 price risk because of investments in available for sale securities. To manage its price risk arising from investments in equity securities, the Bank diversifies its portfolio (See note 14).

At June 30, 2018, if equity securities prices had been 10% higher/lower with all other variables held constant, post tax profit for the year would have been $16,533 (2017 - $16,533) higher/lower as a result of the increase/decrease in fair value of available-for-sale equity securities

5. Financial Risk Management (Cont'd)

(c) Market Risk (Cont'd)

(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.

(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 5years $	Non – Interest bearing $	Total $
As at June 30, 2018					
Cash	-	-	-	17,424	17,424
Treasury bills	410,000	-	-	-	410,000
Deposits with banks and other financial institutions	29,426,493	-	-	7,607	29,434,100
Debentures	-	431,870	200,000	-	631,870
Loans and advances to customers	24,604,159	47,581,276	79,609,920	-	151,795,355
Available-for-sale investments	-	-	-	400,499	400,499
Other assets	-	-	-	10,891,764	10,891,764
Total financial assets	54,440,652	48,013,146	79,809,920	11,317,294	193,581,012
Bank overdraft	2,613,942	-	-	-	2,613,942
Due to customers	845,031	2,162,696	-	5,695,132	8,702,859
Borrowed funds	13,223,979	48,018,333	64,776,930	23,800,256	149,819,498
Other liabilities	-	-	-	11,598,564	11,598,564
Total financial Liabilities	16,682,952	50,181,029	64,776,930	41,093,952	172,734,863
Net interest repricing gap	37,757,700	(2,167,883)	15,032,990	(29,776,658)	20,846,149

5. Financial Risk Management (Cont'd)

(c) Market Risk (Cont'd)

(iii) Interest Rate Risk

	1 year $	2 - 5 years $	Over 5years $	Non - Interest bearing $	Total $
As at June 30, 2017 (As Restated)					
Cash	-	-	-	20,904	20,904
Treasury bills	411,977	-	-	-	411,977
Deposits with banks and other financial institutions	22,687,770	-	-	7,607	22,695,377
Debentures	-	435,649	203,500	-	639,149
Loans and advances to customers	19,346,800	43,036,178	96,339,586	-	158,722,564
Available-for-sale investments	-	-	-	400,499	400,499
Other assets	-	-	-	2,217,421	2,217,421
Total financial assets	42,446,547	43,471,827	96,543,086	2,646,431	185,107,891
Due to customers	2,575,120	4,282,470	-	-	6,857,590
Borrowed funds	18,551,927	56,043,989	71,754,697	-	146,350,613
Other liabilities	-	-	-	9,691,076	9,691,076
Total financial Liabilities	21,127,047	60,326,459	71,754,697	9,691,076	162,899,279
Net interest repricing gap	21,319,500	(16,854,632)	24,788,389	(7,044,645)	22,208,612

5. Financial Risk Management (Cont'd)

(c) Market Risk (Cont'd)

(iii) Interest Rate Risk (Cont'd)

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

	EC %	US %
As at June 30, 2018		
Assets		
Treasury bills	5.68	-
Deposits with bank and other financial institutions	2.01	-
Debentures	4.05	-
Loans and advances to customers	4.98	-
Liabilities		
Due to customers	2.36	-
Borrowed funds	1.29	3.36
As at June 30, 2017		
Assets		
Treasury bills	5.66	-
Deposits with bank and other financial institutions	1.55	-
Debentures	3.50	-
Loans and advances to customers	5.50	-
Liabilities		
Due to customers	3.49	-
Borrowed funds	2.77	3.43

(iv) Sensitivity Analysis

Cash flow interest rate risks arise from borrowings at variable rates. At June 30, 2018 if variable interest rates had been 1% higher/lower with all other variables held constant, profit for the year would have been $284,351 (2017 - $23,884) higher/lower.

5. Financial Risk Management (Cont'd)

(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 Flow

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, 2018				
Financial liabilities				
Bank overdraft	2,613,942	-	-	2,613,942
Due to customers	5,811,751	2,934,857	-	8,746,608
Borrowed funds	24,363,116	73,736,720	80,911,335	179,011,171
Other liabilities	2,888,575	4,232,845	4,747,852	11,869,272
Total financial liabilities	35,667,384	80,904,422	85,659,187	202,240,993
As at June 30, 2017				
Financial liabilities				
Due to customers	2,104,366	4,753,224	-	6,857,590
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	27,191,947	76,105,528	84,823,775	188,121,250

5. Financial Risk Management (Cont'd)

(d) Liquidity (Cont'd)

(ii) Loan Commitments

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

	1 year $	2 – 5 years $	Total $
As at June 30, 2018			
Loan commitments	12,000,000	5,249,293	17,249,293
As at June 30, 2017			
Loan commitments	8,000,000	5,570,941	13,570,941

(e) Fair Value 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, fixed deposits, debentures, other assets and liabilities, cheques and other items in transit and due to other banks are assumed to approximate their carrying values due to their short-term nature.

<u>Loans and advances to customers</u>

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

<u>Investment securities</u>

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

<u>Borrowed funds</u>

The estimated fair values of borrowed funds is based on discounted cash flows using prevailing market interest rates for debts with similar credit risk and maturity.

<u>Due to other banks and customers, and other liabilities</u>

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.

5. Financial Risk Management (Cont'd)

(e) Fair Value of Financial Assets and Liabilities (Cont'd)

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.

	Carry Value		Fair Value	
	2018	2017	2018	2017
	$	$	$	$
Financial assets				
Loans and advances to customers	151,795,355	158,722,564	191,413,241	208,995,985
Financial Liabilities				
Borrowed funds	149,819,498	146,350,613	151,170,136	147,969,276

(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.

5. Financial Risk Management (Cont'd)

(f) Fair Value Hierarchy (Cont'd)

Assets Measured Fair Value

	Level 1 $	Level 2 $	Level 3 $	Total $
As at June 30, 2018				
Financial Assets				
Available for sale investments	-	82,000	318,499	400,499
Non-Financial Assets				
Investment properties	-	35,590,637	-	35,590,637
Land and building	-	10,679,875	-	10,679,875
	-	46,270,512	-	46,270,512
	-	46,352,512	318,499	46,671,011
As at June 30, 2017				
Financial Assets				
Available for sale investments	-	82,000	318,499	400,499
Non-Financial Assets				
Investment properties	-	34,958,739	-	34,958,739
Land and building	-	9,409,535	-	9,409,535
	-	44,368,274	-	44,368,274
	-	44,450,274	318,499	44,768,773

The available for sale investments classified as Level 3 as at June 30, 2018 and 2017 relates to unquoted equity investments measured at cost.

The fair value of the Bank's non-financial 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 professionally qualified valuer who holds a recognized and relevant professional qualification. 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.

There were no transfers between levels in the fair value hierarchy in 2018 and 2017.

There were no gains or losses for the period included in the statement of income or comprehensive income for assets held at Level 3 as at June 30, 2018 and 2017.

5. Financial Risk Management (Cont'd)

(f) Fair Value Hierarchy (Cont'd)

Assets for which Fair Values are Disclosed

	Level 1 $	Level 2 $	Level 3 $	Total $
As at June 30, 2018				
Financial Assets				
Loans and advances to customers	-	-	191,413,241	191,413,241
As at June 30, 2017				
Financial Assets				
Loans and advances to customers	-	-	208,995,985	208,995,985

Liabilities for which Fair Values are Disclosed

	Level 1 $	Level 2 $	Level 3 $	Total $
As at June 30, 2018				
Financial Liabilities				
Borrowed funds	-	-	151,170,136	151,170,136
As at June 30, 2017				
Financial Liabilities				
Borrowed funds	-	-	147,969,276	147,969,276

The valuation technique and unobservable quantitative input for receivables and liabilities classified as Level 3 as of June 30, 2018 and 2017 are summarized below:-

	Valuation Technique	Unobservable Inputs	Range 2018 %	 2017 %
Loans and advances to customers	Discounted cash flows	Discount rates	0 to 13	0 to 13
Borrowed funds	Discounted cash flows	Discount rates	0 to 7	0 to 7

(g) Capital Management

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

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

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

6. Segment Analysis

In the financial years 2018 and 2017, segment reporting by the Bank was prepared in accordance with IFRS 8, 'Operating segments'. Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Bank's Board of Directors (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assessing their performance. During the year, the Bank had two operating segments, which meet the definition of reportable segment under IFRS 8. The Bank's segment operations are its core financial lending with a majority of revenues being derived from interest income and from the rental income from the IEU. The Bank's Board of Directors relies primarily on net interest income and rental income to assess the performance of the segments. The revenue from external parties reported to the Bank's Board of Directors is measured in a manner consistent with that in the statement of comprehensive income.

Revenue from external customers is recorded as such and can be directly traced to each business segment. The Bank's management reporting is based on a measure of operating profit comprising net interest income and rental income. This measurement basis excludes the effects of non-recurring expenditure from the operating segments. The information provided about each segment is based on the internal reports about segment profit or loss, assets and other information, which are regularly reviewed by the Bank's Board of Directors. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the statement of financial position. Transactions between business segments are on an arm's length basis and are eliminated on combination of their financial information. There were no revenues derived from transactions with a single external customer that amount to 10% or more of the Bank's revenue.

2018 Segment Reporting

	AID Bank $	Industrial Estate $	Total $
For the year ended June 30, 2018			
External revenue	308,411	1,112,997	1,421,408
Interest income	9,228,531	-	9,228,531
Interest expense	(4,593,959)	(40,708)	(4,634,667)
Net operating income	4,942,983	1,072,289	6,015,272
Depreciation	(298,852)	(31,262)	(330,114)
Impairment loss on investment properties	-	(8,152,957)	(8,152,957)
Impairment loss on loans and advances to customers	(6,870,675)	-	(6,870,675)
Loss on disposal of property and equipment	(4,954)	(7,449)	(12,403)
Other operating expenses	(4,963,392)	(1,313,186)	(6,276,578)
Income on insurance claim	1,430,931	6,837,507	8,268,438
Changes in fair value of investment property	-	6,743,586	6,743,586
Total other income/(expenses)	(10,706,942)	4,076,239	(6,630,703)
Net income/(loss) for the year	(5,763,959)	5,148,528	(615,431)

6. Segment Analysis (Cont'd)

Total assets and liabilities by segment are as follows:-

	AID Bank $	Industrial Estate $	Total $
As at June 30, 2018			
Total assets	196,791,766	43,507,436	240,299,202
Total liabilities	170,657,459	2,348,112	173,005,571

2017 Segment Reporting

	AID Bank $	Industrial Estate $	Total $
For the year ended June 30, 2017			
External revenue	520,315	1,398,838	1,919,153
Interest income	9,705,147	-	9,705,147
Interest expense	(4,491,444)	(30,469)	(4,521,913)
Net operating income	5,734,018	1,368,369	7,102,387
Depreciation	(358,958)	(64,037)	(422,995)
Net recovery on loans and advances to customers	225	-	225
Loss on disposal of property and equipment	-	(446,737)	(446,737)
Other operating expenses	(5,189,177)	(673,859)	(5,863,036)
Changes in fair value of investment property	-	1,000,000	1,000,000
Total other income/(expenses)	(5,547,910)	(184,633)	(5,732,543)
Net income for the year	186,108	1,183,736	1,369,844

Total assets and liabilities by segment are as follows:-

	AID Bank $	Industrial Estate $	Total $
As at June 30, 2017			
Total assets	194,495,468	35,556,555	230,052,023
Total liabilities	160,944,467	2,297,659	163,242,126

7. Critical Accounting Estimates and Judgements

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Going Concern

The Bank's management is satisfied that it has the resources to continue in business for the foreseeable future. The Bank's management is not aware of any material uncertainties that may cast significant doubt upon its ability to continue as a going concern.

(b) Impairments 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 judgements 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. To the extent that the net present value of estimated cash flows differs by +/-5%, the provision would be estimated $13,928,205 (2017 - $9,526,507) lower or higher.

(c) Impairment of assets carried at fair value

The Bank determines that available-for-sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows. The Bank individually assesses available-for-sale debt securities for objective evidence of impairment. If an impaired instrument has been renegotiated, interest continues to be accrued on the reduced carrying amount of the asset and is recorded as part of "interest income". If the fair value of the instrument increases in a subsequent year, the impairment loss is reversed through the statement of comprehensive income.

(d) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less cost of disposal is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental cost of disposing of the asset. The value in use calculation is based on a DCF model. The recoverable amount is sensitive to the discount rate used for DCF model as well as the future cash inflows.

7. Critical Accounting Estimates and Judgements (Cont'd)

(e) Revaluation of land and buildings and investment property

The Bank measures its land and buildings and investment property at revalued amounts with changes in fair value being recognized in other comprehensive income and in the statement of comprehensive income respectively. The Bank engages independent valuation specialists to determine fair value of its land and buildings. The valuer uses judgment in the application of valuation techniques such as replacement cost, capitalization of potential rentals and the market price of comparable properties, as applicable in each case.

8. Cash and Cash Equivalents

	2018 $	2017 $
Cash in hand	16,114	19,594
Balance with Central Bank	1,310	1,310
	17,424	20,904

For purposes of the statement of cash flows, cash and cash equivalents include the following:-

	Notes	2018 $	2017 $
Cash and balances with Central Bank		17,424	20,904
Placement with banks	10	17,151,929	10,659,932
Treasury Bills	9	410,000	411,977
Bank overdraft	18	(2,613,942)	-
		14,965,411	11,092,813

9. Treasury Bills

	2018 $	2017 $
Treasury bills	410,000	411,977

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 2018 is 5.68% (2017 – 5.66%).

10. Deposits with Bank and other Financial Institutions

	2018 $	2017 $
Placements with banks	17,151,929	10,659,932
Fixed deposits	12,282,171	12,035,445
	29,434,100	22,695,377

The weighted average effective interest rate in respect of interest-bearing deposits in 2018 is 2.01% (2017 – 1.55%).

Included in placements with banks and other financial institutions are certificates of deposit amounting to $12,086,632 (2017 - $11,843,834) of which $1,881,632 is used to secure certain borrowings of the Bank (Note 18).

11. Debentures

	2018 $	2017 $
3.50% debenture redeemable on October 1, 2019	431,870	435,649
3.50% debenture redeemable on June 10, 2034	200,000	203,500
	631,870	639,149

Debentures are debt securities issued by the Government of Dominica for a term of five (5) to thirty (30) years. The weighted average effective interest rate in 2018 is 4.05% (2017 – 3.50%).

12. Loans and Advances to Customers

	Notes	2018 $	Restated 2017 $
Demand loans		135,835,496	136,231,875
Mortgage loans		40,873,048	41,785,655
		176,708,544	178,017,530
Less allowance for impairment loss on loans and advances	13	(24,913,189)	(19,294,966)
		151,795,355	158,722,564
Current		24,604,159	19,346,800
Non-current		127,191,196	139,375,746
		151,795,355	158,722,564

The weighted average effective interest rate on productive loans at June 30, 2018 is 4.98% (2017 – 5.5%).

13. Allowance for Impairment Loss on Loans and Advances

Movement in allowance for impairment per loan category is as follows:-

	Demand Loans $	Mortgage Loans $	Total $
As at June 30, 2018			
At beginning of year, as previously reported	15,767,958	525,290	16,293,248
Prior period adjustment - brought forward	1,986,464	1,015,254	3,001,718
At beginning of year, as restated	17,754,422	1,540,544	19,294,966
Provision for the year	8,069,661	(97,593)	7,972,068
Reduction in provision during the year	(1,700,062)	(337,103)	(2,037,165)
Written-off during the year as uncollectible	(270,428)	(46,252)	(316,680)
At end of year	23,853,593	1,059,596	24,913,189
As at June 30, 2017			
At the beginning of year, as previously reported	14,771,324	634,695	15,406,019
Prior period adjustment - brought forward	2,575,174	1,313,998	3,889,172
At the beginning of year, as restated	17,346,498	1,948,693	19,295,191
Provision for the year, as previously reported	1,441,302	(58,810)	1,382,492
Prior period adjustment	(588,710)	(298,744)	(887,454)
Provision for the year, as restated	852,592	(357,554)	495,038
Reduction in provision during the year	(444,668)	(50,595)	(495,263)
At end of year	17,754,422	1,540,544	19,294,966

Analysis of allowance for impairment loss on loans and receivables is as follows:-

	Collective Impairment $	Individual Impairment $	Total $
As at June 30, 2018			
At beginning of year, as previously reported	1,311,689	14,981,559	16,293,248
Prior period adjustment - brought forward	3,001,718	-	3,001,718
At beginning of year, as restated	4,313,407	14,981,559	19,294,966
Provision for the year	(1,070,856)	9,042,924	7,972,068
Reduction in provision during the year	-	(2,037,165)	(2,037,165)
Written-off during the year as uncollectible	-	(316,680)	(316,680)
At end of year	3,242,551	21,670,638	24,913,189
As at June 30, 2017			
At the beginning of year, as previously reported	2,077,535	13,328,484	15,406,019
Prior period adjustment - brought forward	3,889,172	-	3,889,172
At the beginning of year, as restated	5,966,707	13,328,484	19,295,191
Provision for the year, as previously reported	(765,846)	2,148,338	1,382,492
Prior period adjustment	(887,454)	-	(887,454)
Provision for the year, as restated	(1,653,300)	2,148,338	495,038
Reduction in provision during the year	-	(495,263)	(495,263)
At end of year	4,313,407	14,981,559	19,294,966

13. Allowance for Impairment Loss on Loans and Advances (Cont'd)

Impairment loss on loans and advances recognised in the statement of comprehensive income is as follows:

	2018 $	Restated 2017 $
Provision for the year	7,972,068	495,038
Reduction in provision during the year	(2,037,165)	(495,263)
Written-off loans during the year	935,772	-
	6,870,675	(225)

14. Available for Sale Investments

	2018 $	2017 $
Equity securities at fair value		
- Listed	82,000	82,000
- Unlisted	318,499	318,499
	400,499	400,499

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

	Note	2018 $	2017 $
At the beginning of the year		400,499	398,899
Unrealized gain from changes in fair value	26	-	1,600
At end of year		400,499	400,499

15. Investment Properties

	Note	Land $	Building $	Total $
As at June 30, 2017		13,958,919	20,999,820	34,958,739
Impairment loss due to Hurricane Maria		-	(8,152,957)	(8,152,957)
Additions		-	2,041,269	2,041,269
Increase in fair value		707,269	6,036,317	6,743,586
As at June 30, 2018		14,666,188	20,924,449	35,590,637
As at June 30, 2016, as previously reported		13,647,999	19,985,573	33,633,572
Prior period adjustment	37	310,920	14,247	325,167
As at June 30, 2016, as restated		13,958,919	19,999,820	33,958,739
Increase in fair value		-	1,000,000	1,000,000
As at June 2017, as restated		13,958,919	20,999,820	34,958,739

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 or for 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 an independent professionally qualified valuer who holds a recognized and relevant professional qualification and who has recent experience in the location and category of the investment property being valued. 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 $1,085,062 (2017 - $1,365,049) while direct operating expenses arising from these investment properties during the year was $927,286 (2017 - $330,739).

16. Property and Equipment

	Notes	Land $	Building $	Motor Vehicle $	Furniture and Equipment $	Computer Equipment $	Work in Progress $	Total $
At June 30, 2016 (Restated)								
Cost or valuation		1,863,757	8,033,659	165,863	1,482,700	1,168,001	446,737	13,160,717
Accumulated depreciation		-	(338,916)	(99,518)	(1,032,449)	(1,114,290)	-	(2,585,173)
Net book amount		1,863,757	7,694,743	66,345	450,251	53,711	446,737	10,575,544
Year ended June30 2017								
Opening net book amount		1,863,757	7,694,743	66,345	450,251	53,711	446,737	10,575,544
Additions		-	11,947	-	192,843	39,800	-	244,590
Depreciation		-	(160,912)	(33,173)	(173,104)	(55,806)	-	(422,995)
Disposals		-	-	-	-	-	(446,737)	(446,737)
Closing net book amount		1,863,757	7,545,778	33,172	469,990	37,705	-	9,950,402
At June 30, 2017 (Restated)								
Cost or valuation		1,863,757	8,045,606	226,863	1,675,543	1,207,801	-	13,019,570
Accumulated depreciation		-	(499,828)	(193,691)	(1,205,553)	(1,170,096)	-	(3,069,168)
Net book amount		1,863,757	7,545,778	33,172	469,990	37,705	-	9,950,402
Year ended June30 2018								
Opening net book amount		1,863,757	7,545,778	33,172	469,990	37,705	-	9,950,402
Additions		-	50,843	64,850	21,473	1,346	-	138,512
Revaluations	25	823,590	2,199,987	-	-	-	-	3,023,577
Depreciation	29	-	(129,668)	(37,294)	(142,921)	(20,231)	-	(330,114)
Disposals		-	-	-	(15,403)	-	-	(15,403)
Impairment loss	25	-	(1,674,412)	-	-	-	-	(1,674,412)
Closing net book amount		2,687,347	7,992,528	60,728	333,139	18,820	-	11,092,562
At June 30 2018								
Cost or valuation		2,687,347	8,622,024	230,713	1,528,837	1,054,835	-	14,123,756
Accumulated depreciation		-	(629,496)	(169,985)	(1,195,698)	(1,036,015)	-	(3,031,194)
Net book amount		2,687,347	7,992,528	60,728	333,139	18,820	-	11,092,562

16. Property and Equipment (Cont'd)

	Cost $	Accumulated Deprecation $	Net Book Value $	Proceeds $	Gain/(Loss) $
Loss on Disposal					
At June 30, 2018					
Motor Vehicles	61,000	(61,000)	-	3,000	3,000
Furniture and equipment	168,179	(152,776)	15,403	-	(15,403)
Computer equipment	154,312	(154,312)	-	-	-
	383,491	(368,088)	15,403	3,000	(12,403)
At June 30, 2017					
Work-in-progress	446,737	-	446,737	-	(446,737)

An independent valuation of the Bank's land and buildings was performed by professionally-qualified property valuers in 2018 to determine the fair value. The valuation was carried out using a market value that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the property in question. The revaluation surplus was credited to other comprehensive income and is shown in 'revaluation surplus' in equity.

17. Other Assets

	2018 $	2017 $
Rent receivable	1,024,308	686,988
Other receivable	2,025,955	2,006,787
Less allowance for impairment losses	(586,450)	(586,450)
	2,463,813	2,107,325
Insurance claims receivable	8,268,438	-
Due from Financial Data Services Limited	159,513	110,096
Prepayments	34,991	34,991
	10,926,755	2,252,412

Allowance for impairment losses relate to the following accounts:-

	2018 $	2017 $
Rent receivable	581,510	581,510
Other receivable	4,940	4,940
	586,450	586,450

18. Bank Overdraft

	2018 $	2017 $
National Bank of Dominica	2,613,942	-

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 7% per annum.

19. Due to Customers

	2018 $	2017 $
Fixed deposits	3,007,727	3,265,368
Refundable deposits	2,327,586	1,977,662
Loan prepayments	3,367,546	1,614,560
	8,702,859	6,857,590
Current	5,811,751	2,104,366
Non-current	2,891,108	4,753,224
	8,702,859	6,857,590

All cash collateral carries fixed interest rates. The weighted average effective interest rate of cash collaterals at June 30, 2018 is 2.36% (2017 – 3.49%).

20. Borrowed Funds

	Note	2018 $	2017 $
Caribbean Development Bank		30,327,440	26,282,567
European Investment Bank		16,139,307	20,263,583
BANDES – Economic and Social Development Bank of Venezuela		20,897,663	11,526,638
Dominica Social Security	33	24,182,048	23,782,050
PetroCaribe Fund		9,275,411	9,692,557
National Bank of Dominica		13,620,140	13,867,091
Caricom Development Fund		8,219,224	9,219,492
Government of Dominica	33	23,800,256	28,085,412
Dominica National Petroleum Company Ltd.		1,732,359	1,823,358
Republic of China		1,119,604	1,237,464
		149,313,452	145,780,212
Interest payable		506,046	570,401
		149,819,498	146,350,613
Current		19,324,235	22,572,273
Non-current		130,495,263	123,778,340
		149,819,498	146,350,613

20. Borrowed Funds (Cont'd)

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 $1,881,632 (2017 - $1,843,834) (Note 10) and certificate of titles to land and building.

21. Other Liabilities

	2018 $	2017 $
Agency liabilities	5,776,315	4,305,970
Dividends payable	2,648,510	2,398,510
Deferred income	270,708	342,847
Grants	1,630	230
Others	3,172,109	2,986,366
	11,869,272	10,033,923
Current	2,888,575	1,430,000
Non-current	8,980,697	8,603,923
	11,869,272	10,033,923

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:

	2018 $	2017 $
Gratuity payable	1,942,344	1,915,684
Vacation leave and salaries payable	333,863	284,616
IEU tenant's security deposits	275,920	245,569
Other payables	619,982	540,497
	3,172,109	2,986,366

22. 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.

23. Share Capital

	2018 $	2017 $
Authorised:		
10,000,000 ordinary shares with a $5 par value	50,000,000	50,000,000
Issued and fully paid:		
3,509,526 ordinary shares	17,547,631	17,547,631
6,084,515 ordinary shares	30,422,574	30,422,574
	47,970,205	47,970,205

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

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

24. Contributed Capital

	2018 $	2017 $
Land vested by the Government of the Commonwealth of Dominica	1,616,030	1,616,030

25. Revaluation Surplus

	Note	2018 $	2017 $
At beginning of year		3,289,174	3,356,300
Impairment loss on buildings due to Hurricane Maria	16	(1,674,412)	-
Unrealized gain on revaluation of land and buildings	16	3,023,577	-
Amortization for the year		(65,783)	(67,126)
At end of year		4,572,556	3,289,174

26. Reserves

	2018 $	Restated 2017 $
General reserve	88,234	88,234
Statutory reserve	9,560,198	9,560,198
Loan loss reserve	2,654,330	2,654,330
Special reserves	441,122	441,122
Unrealised gain from changes in fair value	23,600	23,600
	12,767,484	12,767,484

Movements in reserves were as follows:

	2018 $	2017 $
General reserve		
At beginning and end of year	88,234	88,234

Prior to July 1, 1978, the Government of the Commonwealth 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.

	2018 $	Restated 2017 $
Statutory reserve		
At beginning of year	9,560,198	9,217,737
Transfer from retained earnings	-	342,461
At end of year	9,560,198	9,560,198

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.

	2018 $	2017 $
Loan loss reserve		
At beginning and end of year	2,654,330	2,654,330

26. Reserves (Cont'd)

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, 2018 (2017 - 30%).

	2018 $	2017 $
Special reserves		
Caribbean Development Consolidated Entity Provision		
At beginning and end of year	441,122	441,122

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

Special reserves include accumulated transfers from retained earnings based on European Investment Bank Loan Agreement Section 6.07 requiring interest received by the Bank on sub-loans in excess of 8% per annum to be credited on a special account called Foreign Exchange Equalization Fund (FEEF). The balance on the FEEF shall attract interest at an annual rate corresponding to the monthly rate payable by the Bank, for deposits in Eastern Caribbean Dollars of equivalent size. The loan to EIB was closed in the financial year ended June 30, 2016.

	Note	2018 $	2017 $
Revaluation reserve – available-for-sale investments			
At beginning of year		23,600	22,000
Unrealized gain from changes in fair value	14	-	1,600
At end of year		23,600	23,600

27. Net Interest Income

	2018 $	2017 $
Interest income		
Loans and advances	8,429,403	9,311,233
Investments	799,128	393,914
	9,228,531	9,705,147
Interest expense		
Long-term debt	(4,557,737)	(4,425,734)
Interest on deposits	(34,078)	(58,926)
Bank charges	(42,852)	(37,253)
	(4,634,667)	(4,521,913)
	4,593,864	5,183,234

28. Other Operating Income

	Note	2018 $	2017 $
Rental income from IEU operations	15	1,085,062	1,365,049
Commitment fees		152,749	186,173
Agency fees		20,170	5,367
Recovery on written off loans		54,581	208,250
Others		108,846	154,314
		1,421,408	1,919,153

29. Other Operating Expenses

	Notes	2018 $	2017 $
Staff costs	30	3,225,729	3,567,408
Administrative expenses	31	1,290,388	1,485,405
Depreciation	16	330,114	422,995
Factory sheds expenses	15	927,286	330,739
Building occupancy expenses		473,799	429,059
Foreign exchange loss		359,376	50,425
		6,606,692	6,286,031

30. Staff Costs

	Note	2018 $	2017 $
Salaries and wages		2,526,487	2,718,312
Social security costs		145,452	151,500
Group insurance		51,395	62,301
Other staff costs		502,395	635,295
	29	3,225,729	3,567,408
Number of employees		46	47

31. Administrative Expenses

	Note	2018 $	2017 $
Legal and professional fees		435,002	509,737
Directors' emoluments and expenses		189,497	250,529
Advertising		71,870	126,269
Telephone, postage and fax		117,690	208,525
Subscriptions and donations		57,026	104,932
Printing, stationery, and office supplies		97,446	79,940
Motor vehicle expenses		58,650	40,260
Insurance		43,615	27,080
Annual report		32,648	26,526
Repair and maintenance of furniture and equipment		137,807	54,061
Miscellaneous expenses		49,137	57,546
	29	1,290,388	1,485,405

32. Dividends

On April 18, 2018, the Shareholders of the Bank deferred the decision in relation to the declaration of dividends with respect to the ordinary shares held by the Dominica Social Security. The amount of dividends declared in 2018 was $250,000 (2017: $250,000) for Dominica Social Security.

33. 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);

(vii) the party is a post-employment benefit plan for the benefit of employees of the Bank, or of any entity that is a related party of the Bank.

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

Loans and advances outstanding from related parties are as follows:

	2018 $	2017 $
Financial Data Services Limited	816,871	743,690

At year-end, Directors of the Bank and companies in which they have an interest had no fixed deposits with the Bank (2017 - $4,104) and had loans and guaranteed loans with outstanding balances of $88,308 (2017 - $104,222).

In 2018, the total remuneration paid to directors and key management personnel was $1,048,028 (2017 - $1,393,794).

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

	Note	2018 $	2017 $
Dominica Social Security	20	24,182,048	23,782,050
Government of Dominica	20	23,800,256	28,085,412
		47,982,304	51,867,462
Interest payable		112,678	109,830
		48,094,982	51,977,292

34. Contingent Liabilities and Commitments

As at year-end, loans and advances approved by the Bank but not yet disbursed, amounted to approximately $17,249,293 (2017 - $13,570,941).

35. 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.

36. Comparatives

Certain of the comparative figures have been adjusted to conform to current year disclosures.

37. Prior Period Adjustments

The prior year's financial statements have been restated to increase the collective provision on impairment of loans and advances to customers and to correct the balances of IEU land recorded under investment properties and fixed assets.

The effects of the prior period adjustments on the statement of financial position as at June 30, 2017 and July 1, 2016 are summarised below:-

	Loans and advances to customers	Investment Properties	Property and equipment	Reserves	Retained earnings
	$	$	$	$	$
Balance at June 30, 2017, as previously reported	161,724,282	34,633,572	10,068,369	12,845,819	3,883,187
Increase in collective impairment on loans and advances to customers, brought forward	(3,889,172)	-	-	(300,198)	(3,588,974)
Decrease in collective impairment on loans and advances to customers	887,454	-	-	221,863	665,591
To transfer eliminating entry on IEU land	-	325,167	(325,167)	-	-
To write back IEU land eliminated in the prior years	-	-	207,200	-	207,200
Balance at June 30, 2017, as restated	158,722,564	34,958,739	9,950,402	12,767,484	1,167,004
Balance at July 1, 2016, as previously reported	162,028,031	33,633,572	10,693,511	12,723,621	3,704,269
Increase in collective impairment on loans and advances to customers	(3,889,172)	-	-	(300,198)	(3,588,974)
To transfer eliminating entry on IEU land	-	325,167	(325,167)	-	-
To write back IEU land eliminated in the prior years	-	-	207,200	-	207,200
Balance at July 1, 2016, as restated	158,138,859	33,958,739	10,575,544	12,423,423	322,495

37. Prior Period Adjustments (Cont'd)

The effects of the prior period adjustments on the statement of financial position as at June 30, 2017 are summarised below:-

	2017 $
Net income for the year, as previously reported	482,390
Decrease in collective impairment on loans and advances to customers	887,454
Net income for the year, as restated	1,369,844

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Bankers

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Dominica Agricultural Industrial & Development Bank.
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