Dominica Agricultural Industrial and Development Bank

ANNUAL REPORT 2019

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, 2019

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, 2019.

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, 2019

Back row from left to right:

Mr. Simpson Gregoire	- DEPUTY CHAIRMAN
Mr. Colbert Pinard	- DIRECTOR
Mr. Martin Charles	- CHAIRMAN
Mr. Leon LeBlanc	- DIRECTOR
Mr. Bentley Royer	- DIRECTOR

Front row from left to right:

Mrs. Evannah Emmanuel	- DIRECTOR
Ms. Helen Pascal	- 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, 2019

Ms. Marie-Therese Johnson	-	General Manager
Mrs. Mathilda John-Rose	-	Executive Manager Operations
Mrs. Martha Abel	-	Senior Manager- Human Resource and Administration
Mrs. Avril Coipel	-	Senior Manager, Management Information Systems & Head of Credit (Ag.)
Mrs. Nichol Faustin	-	Manager Credit (Ag.)
Mrs. Ingrid Prosper-Bruno	-	Manager Recoveries
Ms. Tammy Jean Jacques	-	Chief Financial Officer
Ms. Saudia Cyrus	-	Legal Officer
Mr. Glenroy Eloi	-	Manager Industrial Estates (Ag.)
Mrs. Pamela McAlmont-Pogson	-	Risk Officer

MEMBERS OF MANAGEMENT AND STAFF

MEMBERS OF MANAGEMENT AND STAFF	
NAME	**POSITION**
OFFICE OF THE GENERAL MANAGER	
MARIE-THERESE JOHNSON	General Manager *(from June 1, 2019)*
MATHILDA JOHN-ROSE	General Manager (Ag.) (*Up to May 31, 2019*)
	Executive Manager Operations (*from June 1, 2019*)
MEKELLE QUAMMIE	General Manager / Board Secretary
CREDIT	
MARTHA ABEL	Head of Credit (Ag.)(*Up to April 1, 2019*)
	Sr. Manager Human Resource & Administration (*from April 2, 2019*)
NICHOL AZILLE-FAUSTIN	Manager, Credit (Ag.)
PATRICIA SHILLINGFORD CHAMBERS	Credit Officer
FRANKLYN FABIEN	Credit Officer
ELSA ALFRED	Credit Officer (*Up to September 24, 2018*)
MERVIN HENRY	Credit Officer
DAHREO TYSON	Intern, Credit Officer (*Up to October 2018*)
SHERNELL VICTOR	Loans Administrative Assistant
RECOVERIES	
INGRID PROSPER-BRUNO	Manager, Recoveries
RUBY XAVIER	Senior Recoveries Officer
KENNETH ALBERT	Recoveries Officer
GEORGINA EDWARDS	Recoveries Officer
KERRY SHILLINGFORD	Recoveries Officer
LESTER FRANK	Intern, Recoveries Officer
BUSINESS DEVELOPMENT	
JOSEPHINE DECHAUSAY TITRE	Marketing and Communications Officer
BERTILIA BETHEL	Agricultural Development Officer
NIKITA LAURENT	Receptionist
FRANKA ROYER	Customer Service Representative
KESTAR TOUSSAINT	Intern, Assistant to Agricultural Development Officer
RISK	
PAMELA MCALMONT-POGSON	Risk Officer
NIGEL BREWSTER	Administrative Assistant, Internal Audit and Risk
FINANCE AND ACCOUNTS	
TAMMY JEAN JACQUES	Chief Financial Officer
MARISCA JOSEPH	Accountant
ANDREA DUPIGNY	Accounts Officer
SHARNITA THOMAS	Accounting Assistant
ADRIAN THOMAS	Disbursement Representative
CONLEE JNO JULES	Accounting Clerk
NICOLE GEORGE	Intern, Accounting Clerk
HUMAN RESOURCE & ADMINISTRATION	
VERLENA HENDERSON	Administrative Assistant, Human Resource and Administration
GABRIEL NICHOLLS	Office Attendant
MIS	
AVRIL COIPEL	Senior Manager, MIS
	Head of Credit (Ag.)(*From April 1, 2019*)
KHAN SYLVESTER	Technical Officer, MIS
IKE BANNIS	Technical Assistant, MIS
LINDA GONZALEZ-PELTIER	Applications Support Analyst
LEGAL	
SAUDIA CYRUS	Legal Officer
HERMINA SYLVESTER ALBERT	Securities 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 (*Up to August 2018)*
RAQUELLE LETANG	Intern, Administrative Assistant, Industrial Estates (From February *2019)*
JOHN O'GARRO	Maintenance Officer - (Up to September 2018)
KELVIN COIPEL	Maintenance Officer

CHAIRMAN'S STATEMENT

Dear Shareholders,

As Chairman of the Dominica Agricultural Industrial and Development Bank, it is with honour that I present to you the Bank's Annual Report for the financial year ended June 30, 2019. During the year under review, the Bank continued to work in collaboration with the Government of Dominica towards the process of recovery, modernisation and transformation as outlined in the 2019 National Budget.

Our economy continued on a growth path following the devastation caused by Tropical Storm Erika in August 2015 and Hurricane Maria in September 2017. By the first half of 2019, economic activity expanded compared to the same period the previous year particularly in the construction, tourism, agriculture and manufacturing sectors to which the Bank's performance was a direct correlation to this trend.

The Bank focused on excellence, sustainability and resilience in the rebuilding process which is reflected through an enhancement of its investment in the Industrial Estates and increased injection of funds into the productive sectors. During that period, the Bank realized a slight growth in its loan portfolio particularly in the productive sectors of tourism, agriculture and industry compared to the same period the previous year.

As at June 30, 2019, the Bank fully adopted the International Financial Reporting Standard (IFRS-9) which came into effect on January 01, 2018. The enhanced standards focused on the classification and measurement of financial instruments and the impairment of financial assets. We can report that based on the reclassification of the Industrial Estates investment properties, we realised a significant increase in the fair value of these investments which resulted in a total comprehensive income on operations of $24 million as at June 30, 2019.

Following Hurricane Maria, the country lost the majority of its agriculture base including bananas, tree crops, coconuts, vegetables, livestock and fishing infrastructure. The priority therefore was to re-establish the country's food security and access to fresh food. The Bank assisted in the recovery process by continuing in earnest the administration of special loans to farmers. With a total investment of $4.9 million, 277 farmers benefitted from the agricultural facility as at June 30, 2019. 54% of the investment went towards farm development, 19% went towards poultry enterprises and 18% towards fishing. The highest investment in agriculture of 26% was made in the South Eastern region of Castle Bruce to Delices followed by 24% made in the North Eastern region of Calibishie to Marigot.

The Bank also contributed to the restoration of the country's tourism facilities following Hurricane Maria with a total investment of $6.5 million injected into this sector during the year 2018/2019. Overall, a total of $9.8 million has been utilized from the CBI funded facility to enhance the tourism sector.

The result of the increased injection of funds into the economy was an overall 3.12% increase in the Bank's loan portfolio from $166.2 million as at June 30, 2018 to $171.4 million as at June 30, 2019, the major contributors being the tourism and agriculture sectors.

In pursuit of the Bank's objectives of modernisation and transformation through excellence, sustainability and resilience, the following were the major focus areas during the period under review:

1. Climate Resilience

The Bank has gone through the procurement process and will commence shortly the enhancement of its project appraisal process to assess and manage climate risks. Through grant funding received from the Caribbean Development Bank, the Bank secured a consultant who reviewed and assessed the Bank's existing policies and procedures, identified projects that are most sensitive to climate change impacts and made recommendations on the most appropriate climate risk assessment procedures.

2. Business Continuity

The Bank continued its Business Continuity Program through the engagement of professional services to include risk assessment, development of a Business Continuity Plan, testing, training and implementation of the Plan.

The Bank strengthened several of its internal operations such as its computer operating systems to include upgraded servers, licences, antivirus and data storage; substitute power supply, increased energy efficient devices and enhanced structural restoration.

3. Enhanced Policies and Procedures

During the year, focus was placed on the development and enhancement of the Bank's Policies and Procedures to include Accounting and Finance, Industrial Estates, Investments, Human Resources and Administration and Customer Service. The Bank's accounting software upgrade is on-going with the necessary staff training after which financial reports will be produced at a faster turnaround time.

4. Projects

Notwithstanding the challenges posed by the natural disasters in 2015 and 2017, the Bank continued to aggressively pursue viable productive sector projects which are reflected for the period under review.

5. Recoveries

A major focus during the year was a review of the loan portfolio. Efforts continue to be made on the assessment of the delinquent loans in order to determine the most plausible options of either loan restructuring or asset liquidation. During the year, the Bank initiated legal action against ten (10) large borrowers which demonstrates our continued advice to delinquent borrowers to make good on their commitment to the Bank.

6. Customer Care

We are aware that we are now serving a more sophisticated and complex customer. We are serving a customer who is better informed, more educated and who expects more personalized service. The Bank being cognizant of this placed top priority on customer care. Many internal processes were streamlined to improve on the turnaround time. We continue to maintain contact with the public by improving our cooperate image and marketing the Bank's services through periodic town hall meetings, radio presence and public awareness drives.

7. Risk and Compliance

The Bank continues to place emphasis on Risk and Compliance through a structured approach which identifies and addresses these issues.

8. Human Resource

Towards the end of the financial year under review, the Bank welcomed Ms. Marie-Therese Johnson to its team as General Manager. Ms. Johnson comes equipped with over thirty years banking experience and will definitely add value towards the continued growth and development of the Bank.

We continue to place focus on staff training and development by participating in local and regional training opportunities. Additionally, health and wellness, safety and security continue to be given priority in pursuit of the holistic approach to growth and development.

9. Industrial Estate Unit

The Bank can boast that its investment in the Industrial Estates continues to be extremely valuable which is reflected in its total asset base and currently accounts for a significant positive financial position.

The Industrial Estate continues to serve its purpose with activities such as manufacturing, small business start-ups, warehousing, and information and communication technology occupying the sheds.

On behalf of the Board of Directors I wish to thank the Government of Dominica for its financial and regulatory support and guidance and for the continued confidence placed in the AID Bank.

Appreciation is extended in particular to the Honourable Prime Minister and Minister of Finance for his passion and dedication towards the growth and development of the economy and the people of Dominica as he continues to pursue initiatives aimed at stimulating the growth sectors.

We thank the former Financial Secretary Mrs. Rosamund Edwards for her oversight, direction and assistance provided to the Bank over the years. Mrs. Edwards ensured that the Bank was always in compliance and adhered to good corporate governance. We welcome Ms. Denise Edwards, Acting Financial Secretary, and assure you that we will continue the cordial and close relationship that the Bank has developed with the Ministry of Finance over the years.

The Dominica Social Security our minority shareholder continues to work with us in seeking to address the challenges faced as a development financial institution. We extend our thanks for the years of continued support and appreciate the critical role that they play.

I thank the members of the Board of Directors for your diligence and tenacity reflected in your dedication and commitment to advance the Bank and country.

We thank our committed and dedicated management and staff for their resilience even in the face of adversity. You continue to demonstrate your commitment and resolve to make the AID Bank, the Bank of choice.

I close by offering a special thank you to our customers who through the various natural and global setbacks continue to persevere. The Bank reassures you that we are focused on addressing your challenges that will ultimately sustain our economy.

DAIDB FIVE-YEAR HIGHLIGHTS AT A GLANCE					
INCOME STATEMENT	**2019** XCD (‘000)	**2018** XCD (‘000)	**2017** XCD (‘000) Restated	**2016** XCD (‘000)	**2015** XCD (‘000)
Interest Income	7,740	9,229	9,705	11,191	12,447
- Interest Expense	4,656	4,635	4,522	4,444	4,694
= Net interest Income	3,084	4,594	5,183	6,747	7,753
+ Other Operating Income Net	1,796	1,421	1,919	1,909	1,946
- Other Operating Expenses					
- Staff Costs	2,992	3,226	3,567	4,044	3,677
- Administrative Costs	2,666	3,381	2,719	3,165	3,432
= Operating Income/(Loss)	(778)	(592)	816	1,447	2,590
+ Income on Insurance Claim	13	8,268	0	0	0
+ Increase in fair value of properties	26,127	9,768	1,002	0	0
- Impairment on properties/loss on disposal	61	9,839	447	0	0
- Provisions	760	6,871	0	246	125
= Net profit	24,541	734	1,371	1,201	2,465
BALANCE SHEET	**2019 XCD (‘000)**	**2018 XCD (‘000)**	**2017 XCD (‘000)**	**2016 XCD (‘000)**	**2015 XCD (‘000)**
Assets					
Cash and Balances with Central Bank	10	17	21	19	16
+ Deposit with Other Banks	17,343	29,434	22,695	2,713	5,667
+ Investments [Net of Impairment]	1,420	1,443	1,452	1,449	1,441
+ Investment Properties	62,267	35,591	34,958	33,634	33,891
+ Loans [Net of Impairment]	149,480	151,795	158,723	162,028	157,386
+ Other	14,452	22,019	12,203	12,863	12,574
= Total Assets	244,972	240,299	230,052	212,706	210,975
Liabilities					
Deposits	7,563	11,317	6,857	7,548	8,174
+ Borrowings	141,166	149,819	146,351	124,894	118,195
+ Other Liabilities	12,185	11,869	10,034	10,894	13,340
+ Equity	84,058	67,294	66,810	69,370	71,266
= Total Liabilities and Equity	244,972	240,299	230,052	212,706	210,975
OTHER INFORMATION	2019 XCD (‘000)	2018 XCD (‘000)	2017 XCD (‘000)	2016 XCD (‘000)	2015 XCD (‘000)
Loan Approvals (‘000)	18,920	12,896	16,762	13,796	28,921
Loan Disbursements (‘000)	16,391	10,687	13,819	17,451	20,560
Estimated Number of Jobs Created	518	524	820	354	530
Industrial Estate Employment	874	844	1,000	916	930
Return on Equity (per cent)	29.20	1.09	2.05	1.73	3.46
Return on Assets (per cent)	10.02	0.31	0.60	0.56	1.17
Loan Provisions as per cent of Portfolio	17.86	14.10	10.84	8.68	7.16
Loan Provisions as per cent of NP Portfolio	45.00	36.87	46.66	56.08	54.05

PART I

THE ECONOMY OF DOMINICA

According to the Eastern Caribbean Central Bank, 2018 Annual Economic and Financial Review, for the year ended December 2018, the economy expanded by 0.53 per cent compared to a contraction of 9.5 per cent the previous year. This was mainly due to an expansion of activities within the construction sector as a result of the reconstruction effort following Hurricane Maria in September 2017.

Construction activity is estimated to have expanded by 65 per cent during the year mainly due to developments in both the public and private sector projects. Government's capital expenditure increased by 44.1 per cent which was mainly directed towards reconstruction and rehabilitation activities post Hurricane Maria. The Citizenship by Investment funded private sector projects such as the construction of the Anichi Resort, Jungle Bay Hotel and finalization of the Range Developments' Cabrits Resort Kempinski contributed significantly to the increase in value added within the sector. Also supporting the expansion in activities within this sector was an increase in residential construction as residents continued to rebuild and repair homes that were damaged during the passage of Hurricane Maria. Construction activity continued to accelerate into the first half of 2019 due to continued developments in both the public and private sectors.

During the year 2018, activity in the productive sectors registered contractions due to the impact of Hurricane Maria. Value added in the agriculture, livestock and forestry sectors deteriorated by 11.6 per cent due to the destruction of crops and limited access to farms in the wake of Hurricane Maria. During the first half of 2019 output in the agricultural sector increased relative to the same period the previous year. Production of bananas, non-banana crops and livestock increased during the period due to the major replanting and rehabilitation effort which commenced in 2018 following Hurricane Maria.

For the period January to December 2018, activity in the tourism industry contracted by 41.9 per cent. The continued contraction in the sector was as a result of a decrease in tourism arrivals due to natural disasters, Tropical Storm Erika in 2015 and Hurricane Maria in 2017. The total number of visitor arrivals was estimated to have declined by 13.3 per cent to 204,457 which was driven by a sharp reduction in both the number of stayover visitors and the number of cruise ship arrivals. The number of cruise ship passenger arrivals fell by 14.4 per cent to 134,466. The total number of stayover visitors registered a decline by 10.5 per cent however there was an increase in visitors from the Caribbean associated with the reintroduction of the annual World Creole Music Festival in October 2018 following a hiatus in 2017 due to the hurricane. For the first six months into 2019, activity in the tourism industry is estimated to have increased which is evidenced by a higher number of tourist arrivals. By this period, more rooms were made available following reconstruction after Hurricane Maria. Due to an expansion in both stayover and cruise passenger arrivals, total tourism arrivals grew threefold to 205,193 compared to a decline of 76.1 per cent the same period in 2018.

Output in the manufacturing sector declined by 25 per cent in 2018 due partly to a fall in the output of beverages by 57.2 per cent which partly reflected the closure of the Dominica Brewery and Beverages Ltd. The production of paints however increased by 84.8 per cent and there was a resumption in the manufacturing of soaps in 2018. By the first half of 2019, the performance of the manufacturing sector improved compared to the same period the previous year. There was a 6.0 per cent increase in the production of paints to 117,473 gallons and a 47.7 per cent increase in the production of beverages to 88,255 cases which reflected a substantial expansion in productive capacity following Hurricane Maria.

Due to the departure of Ross University School of Medicine, activity in the education sector declined by 55.5 per cent in 2018 following a 6.9 per cent contraction the previous year. The sector's contribution to total output therefore decreased to 5.7 per cent in 2018 from 12.1 per cent in 2017. The departure of Ross University School of Medicine also affected the value added in the real estate, renting and business activities sector which compressed by 9.8 per cent and which partly contributed to a 25.9 per cent decrease in output in the electricity and water sector.

The consumer price index is estimated to have risen by 2.8 per cent in 2018 compared to a 0.6 per cent increase in 2017 which was largely attributable to increases in the prices of food and non-alcoholic beverages, housing, utilities, gas and fuels and transport. By the end of the first half of 2019, the consumer price index is estimated to have risen by 0.6 per cent compared to an increase of 2.5 per cent the corresponding period of 2018.

Government's fiscal operations recorded an overall deficit of $133.0 million or 9.8 per cent of GDP during the year 2018 compared to a smaller deficit of $70.0 million or 5.2 per cent of GDP in 2017. A primary deficit of $107.2 million or 7.9 per cent of GDP was realised which represented a deterioration from $47.8 million or 3.6 per cent of GDP recorded the previous year. The deficit was predominately as a result of an increase in capital expenditure due to increased spending on rehabilitation works, housing repair and reconstruction post Hurricane Maria. Other infrastructural improvements such as the dredging of rivers and investments in human capital also contributed to the rise in capital expenditure.

The Eastern Caribbean Central Bank, Economic and Financial Review, June 2019 highlighted that the Dominican economy is expected to continue to grow for the remainder of 2019. In the agricultural sector, replanting is expected to continue following Hurricane Maria which is expected to yield positive returns. Similarly, activity in the tourism industry is expected to continue to increase influenced by the hosting of the World Creole Music Festival in October. Activity in the construction sector is also expected to increase occasioned by ongoing reconstruction and rehabilitation activities both in public and private sector projects. Manufacturing output is projected to also expand as the productive capacity of facilities in the sector continues to improve following the hurricane.

According to the Eastern Caribbean Central Bank, Economic and Financial Review, June 2019, Dominica remains vulnerable to external shocks such as adverse weather and a weakening of growth prospects of trading partners and friendly donor governments. Businesses in the productive sectors should continue to benefit from concessionary financing opportunities currently being provided by the Government. These initiatives are expected to continue to support the recovery efforts post Hurricane Maria. Additionally, the advancement of public sector projects such as the geothermal energy plant, the sustainable housing solution project and private sector tourism projects would contribute positively to the economy.

PART II
THE PERFORMANCE OF DAIDB

CREDIT OPERATIONS

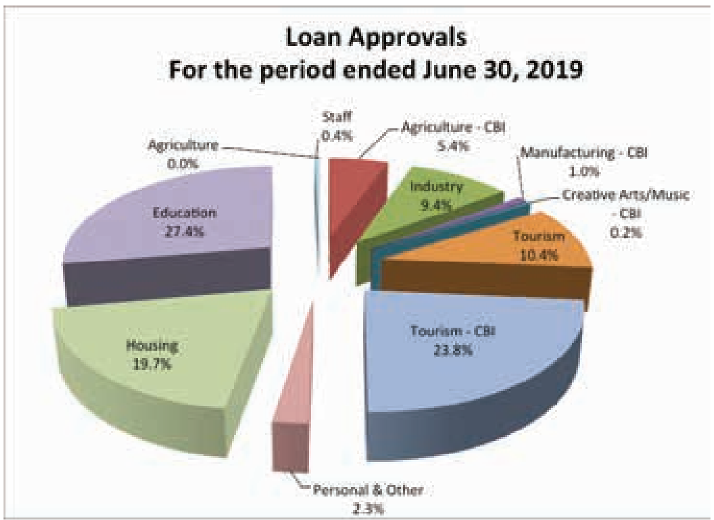
Approvals

For the financial year ended June 30, 2019, two hundred and eighty (280) loans were approved with a total value of $18.92 million. Tourism loans valued at $6.49 million and Education loans valued at $5.19 million combined accounted for 61.73 percent of the total approvals for the period.

Loan approvals for the year ended June 30, 2019 were 46.72 per cent higher than the corresponding period June 30, 2018 when an amount of $12.90 million was approved.

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

Graph 1



Disbursements

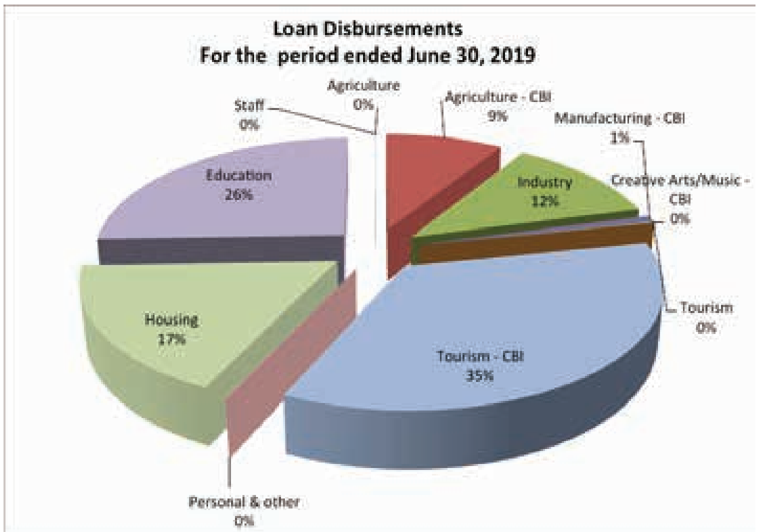
For the financial year ended June 30, 2019, disbursements totalled $16.39 million. This amount was higher than the disbursements for the corresponding period ended June 30, 2018 by 57.04%, when an amount of $10.69 million was disbursed.

Disbursements for the year under review were made primarily in the Tourism sector with a value of $5.77 million or 35.19% and the Education sector with a value of $3.92 million or 23.93% of the total disbursements.

The Bank also disburses Student Loan funds on behalf of the Government of Dominica. As at June 30, 2019, a total of $6.76 million has been disbursed under this facility which commenced in November 2010.

The sectoral distribution of disbursements is presented in Graph 2 below.

Graph 2



Loan Rescheduling

For the period under review, the Bank remained committed to fulfilling its social responsibility by responding to the needs of customers who were impacted by the lingering effects of Hurricane Maria. Customers were offered flexible repayment terms which would allow for a more comfortable debt service.

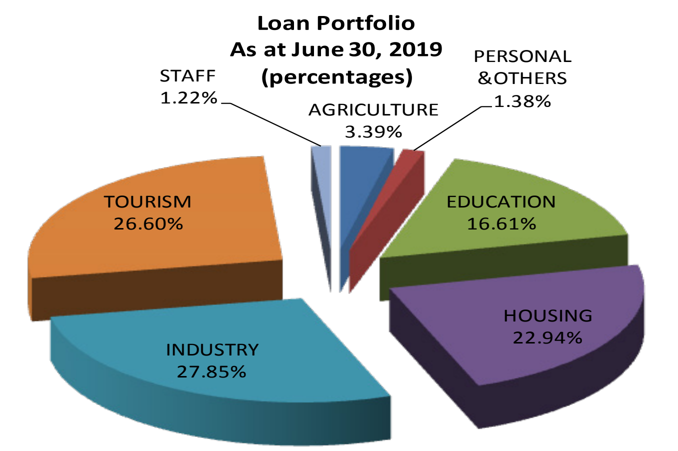
Seventy (70) loans valued at $6.7 million were approved to be rescheduled for the financial year ended June 30, 2019. In comparison, for the twelve months ended June 30, 2018, two hundred and twenty-five (225) loans valued at $18.16 million were approved to be rescheduled.

Loan Portfolio

At the end of the financial year ended June 30, 2019, the Bank's loan portfolio totalled $171.4 million compared to $166.21 million as at June 30, 2018. The current loan portfolio represents an increase of 3.12 per cent over the same period last year.

Graph 3 represents the sectoral distribution of the loan portfolio as at June 30, 2019.

Graph 3



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)

EIB continues to provide institutional strengthening assistance to the AID Bank in the areas of strategic planning, project appraisal, streamlining the loan processing time, liquidity management and debt recovery strategies. The result of the assistance will produce a more efficient organisation with more effective utilisation of resources.

Caribbean Development Bank (CDB)

Through grant funding from the Caribbean Development Bank, the AID Bank will commence shortly a consultancy project to enhance its project appraisal process which will assess and manage climate risks. Through the process, the Bank's Investment Policies and Procedures Manual will be enhanced to document the process of identification, assessment and the management of projects most sensitive to climate change impact.

CARICOM Development Fund (CDF)

Under the year in review, the Bank continued to make progress into its institutional strengthening mechanisms from grant funding made available under the CDF Grant Agreement. The Bank continued its Business Continuity Program which incorporates the engagement of a consultancy firm to guide this program which will include risk assessment, development of a Business Continuity Plan, testing, training and implementation of the Plan.

As part of its business continuity, the Bank has also strengthened several of its internal operations to include its computer operating systems inclusive of upgraded servers, licenses, antivirus and data storage, enhanced substitute power supply, increased energy efficient devices and enhanced structural restoration.

The Bank is also currently engaged with a consultant to develop its Finance and Accounting Policies and Procedures Manual.

HUMAN RESOURCE AND ADMINISTRATION

The Bank continues to place focus on its human resource needs through continued emphasis on staff training, health and wellness, safety and security in pursuit of a holistic approach to growth and development.

The Bank pursued its thrust towards staff development and financed training sessions both locally and regionally. During the year, focus was placed on training in business continuity, AML/CFT refresher training, IFRS 9, customer service, recovery strategies, software training and management training in Labour Laws, Employment Contracts and Effective Leadership.

In June 2019, the Bank welcomed Ms. Marie-Therese Johnson to its team as General Manager. Ms. Johnson comes equipped with over thirty years banking experience and is expected to add value towards the continued growth and development of the Bank and the economy by extension.

During that year, the Bank welcomed two bank officers in the persons of Messrs Conlee Jno. Jules and Adrian Joseph and saw the departure of one of its Credit Officers, Ms. Elsa Alfred who departed to pursue further studies. At the end of the period, the Bank's staff complement totalled forty-three employees which comprised of twenty-nine full time officers, nine contractual officers, four interns and one temporary officer.

We continue to partner with the Ministry of Employment, National Employment Program (NEP) who are our strategic partner in carrying out the Bank's mandate of economic growth and development. During the year, the Bank engaged two additional interns under the programme bringing to four the number of interns on staff. We are thankful to the Government of Dominica and by extension the NEP for the tremendous support provided over the years.

MANAGEMENT INFORMATION SYSTEMS (MIS)

The Dominica Agricultural Industrial and Development Bank continues to recognize the integral part that technology plays in the development of a productive and efficient organization and in meeting the needs of our clientele. During the 2018/2019 financial year, the Management Information Systems Department's focus continued to be placed on strengthening the controls and procedures, ensuring that users have ongoing trouble-free access to the information system, ensuring that both the hardware and software are operating at an optimal level and reducing downtime to a mere minimum.

As part of the Bank's business continuity program, focus was placed on strengthening the its internal operations particularly its computer operating systems to include upgraded servers and UPS devices, licences, antivirus and data storage to include enhanced internal and external backup; increased energy efficient devices and enhanced structural restoration.

For the period under review, the MIS Department conducted refresher training to staff in its Loan Management Software and participated in IFRS-9 training.

The focus for the coming year will be continued staff training, further enhancement to our hardware and software and implementation of the Business Continuity to include Information Technology Disaster Recovery Policy and Procedures.

INDUSTRIAL ESTATES

The objective of the AID Bank's 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 which is currently being leased to the ICT sector, manufacturing, agro-processing, services, warehousing and other productive sectors.

Following the damages caused by Hurricane Maria in September 2017, the Bank has been able to fully restore fifteen of the eighteen sheds which sustained damages. This has enhanced the aesthetics, resilience and functionality of these sheds. The Bank can truly boast that its investment in the Industrial Estates continues to be extremely valuable which is reflected in its total asset base.

The Bank is currently in the process of formalizing and updating the documentation and registration of tenants in an effort to enhance the efficiency of the department.

The Department also continues to ensure that the Estates are adequately maintained through proper vegetation control, upgrade to the sheds, proper disposal of waste etc.

The Industrial Estates Department, being equipped with the necessary technical skills, provides support to the Bank's Credit Department in undertaking construction supervision visits followed by the submission of the relevant construction progress reports which are required in the loan appraisal stage and as a prerequisite to additional loan disbursements.

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 2018-2019 financial year, FDSL continued the development and implementation of its flagship development (software) package (DPAC), and providing quality technical support to all clientele.

Key this year has been improving efficiency and reducing support time and cost by transitioning current clients to the latest version of the system.

The next year will focus on streamlining the client support and upgrade to its pipeline, as well as transitioning to a new and improved deployment model for all software solutions. FDSL also looks forward to acquiring a new major client into its portfolio, and increasing its annual revenue.

As a fully digital solution, FDSL is uniquely positioned in this time of global pandemic to provide a valuable service to its clients with minimal upheaval due to the difficulties in physical travel and movement. The company seeks to continue its investment to meeting the needs of its clients remotely and at scale, and is well positioned to do so.

PART IV

AID BANK'S CORPORATE SOCIAL RESPONSIBILITY

The AID Bank's corporate social responsibility continues to be one of its typical business practices which is reflected through a manifestation of our continuing commitment and support to the communities which we serve.

The Bank's corporate social responsibility practices over the years have been more than just a focus on its reputation, image and profitability but rather on a compelling focus on the "greater good" – which is to impact productive sector enterprises in such a way that these business operations become sustainable; that the quality of life of their employees improve; that the communities they serve develop which contributes to an expansion in economic activities.

The AID Bank continued its support of charitable and worthy causes, in particular support to the education sector, through donations and sponsorships. Focus has been placed on giving special consideration to vulnerable groups, youth and gender support through concessionary lines of credit.

Donations to educational institutions for prize-giving and commencement ceremonies; contributions to the arts and culture; activities related to Financial Information Month; Domfesta and Independence festivities; health and wellness; environmental preservation; community outreach programmes and support to the President's Charities Foundation, all emphasize the justification that the social responsibility of the AID Bank continues to be impactful among a diverse publics in an extremely significant and rewarding way.

As a corporate socially responsible institution, the AID Bank is continually seeking unique and diverse avenues to enhance its commitment to the human, social and economic capital of our island with purpose, enthusiasm and vigour.

The Bank will continue its corporate social responsibility programme which will pave the way for partnerships with businesses and civil society that are based on common goals and shared actions which can deliver mutual outcomes that are impact-driven.

PART V

FINANCIAL PERFORMANCE

Net Profit

The AID Bank recorded a net profit of XCD 23.14 million in the financial year ended June 30, 2019. This figure was 3,859.29 per cent more than the XCD 0.61 million net loss recorded in 2018 as indicated in the table below.

Total comprehensive income was XCD 24.54 million for the year under review or approximately 3,244.64 per cent more than that recorded for the preceding financial year.

Income

Total income recorded for the financial year was XCD 9.54 million, which was 10.46 per cent lower than the XCD 10.65 million achieved in 2018.

Interest income decreased by 16.13 per cent while other operating income increased by 26.34 per cent from the previous financial year.

Expenses

Financial Expenses of XCD 4.66 million were 0.45 per cent higher than the previous year's XCD 4.63 million.

Total staff expenses of XCD 2.99 million decreased by 7.22 per cent mainly as a result of a reduction in the accrual for staff vacation salaries payable given that a number of employees proceeded on vacation during the financial year.

Administrative Expenses of XCD 1.11 million decreased by 14.22 per cent in comparison to the previous year.

Total operating expenses of XCD 10.31 million were 8.25 per cent lower than the 11.24 million from June 2018.

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

	2019 - XCD	2018 - XCD
Interest income	7,739,803	9,228,531
Other operating income	1,795,755	1,421,408
Total income	**9,535,558**	**10,649,939**
Interest Expense	(4,655,685)	(4,634,667)
Staff Costs	(2,992,714)	(3,225,729)
Administrative Expenses	(1,106,888)	(1,290,388)
Factory sheds expenses	(537,315)	(927,286)
Other operating expenses	(622,221)	(833,175)
Depreciation	(399,214)	(330,114)
Total expenses	**(10,314,037)**	**(11,241,359)**
Net loss from Operations before the following income/(charges):	**(778,479)**	**(591,420)**
Income on Insurance Claim	13,212	8,268,438
Increase in Fair Value of Investment Properties	24,721,789	6,743,586
Impairment Losses on Loans and Receivables	(759,959)	(6,870,675)
Impairment Losses on Investment Properties	-	(8,152,957)
Loss on disposal of property and equipment	(60,728)	(12,403)
Net Profit/(Loss)	**23,135,835**	**(615,431)**
Revaluation excess office building	1,404,938	3,023,577
Impairment Losses on Property, Plant and Equipment	-	(1,674,412)
Total Comprehensive Income	**24,540,773**	**733,734**

Assets

At June 30, 2019, assets totalled XCD 244.97 million representing a 1.94 percentage increase from last year's XCD 240.30 million.

The major component of assets, net loans and advances valued at XCD 149.48 million registered a 1.53 per cent decrease from last year's XCD 151.80 million and adequately offset total long-term liabilities of XCD 141.17 million.

Net loans and advances comprised of a gross loan balance of XCD 171.49 million - (2018: XCD 166.31m) and interest receivable of XCD 10.50 million – (2018: XCD 10.40m) less loan provision of XCD 32.50 million – (2018: XCD 24.91m).

The long-term debt to equity ratio of 1.68:1 was within the suggested range for the industry of 4:1.

Cash in current and operating account, and short-term investments totalled XCD 17.34 million, which was 41.08 per cent lower than last year's XCD 29.43 million.

Other receivables of XCD 1.95 million were 82.19 per cent less than last year's XCD 10.93 million. Other receivables include the Industrial Estate tenants' rental arrears, insurance premiums arrears by clients, legal and other fees paid on behalf of clients and a short-term loan to Financial Data Systems Limited (FDSL).

Net investments in treasury bills, Government debentures and shares in companies totalled XCD 63.69 million, of which XCD 62.27 million represents Investment Properties of the Industrial Estate Unit (IEU). Net Investments were 71.97 per cent more than last year's XCD 37.03 million.

Net total fixed assets of XCD 12.51 million were 12.75 per cent higher than last year's XCD 11.09 million.

Liabilities

Total liabilities were XCD 160.91 million, which was 6.99 per cent less than last year's XCD 173.01 million.

Due to customers was XCD 6.63 million which was 23.80 per cent lower than the XCD 8.70 million in the previous financial year.

Borrowed funds of XCD 141.17 million registered a net decrease of 5.78 per cent from last year's XCD 149.82 million.

Shareholders' Equity

Shareholders' Equity of XCD 84.06 million increased by 24.91 per cent from the previous year's XCD 67.29 million.

Retained Earnings of XCD 10.03 million increased by 2,630.42 per cent for the financial year ended June 2019 when compared to XCD 0.37 million in 2018.

Dominica Agricultural Industrial and Development Bank

Financial Statements
Year Ended June 30, 2019
(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, 2019, 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, 2019, 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 Auditor's 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 information included in the Bank's 2019 Annual Report

Other information consists of the information included in the Bank's 2019 Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2019 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.

When we read the Bank's 2019 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those changed with governance.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 38 to the financial statements, which describes event subsequent to the date of the financial statements indicating that the Company’s net income is likely to be negatively impacted due to the outbreak of COVID-19.

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 auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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
October 14, 2020

Dominica Agricultural Industrial and Development Bank

Statement of Financial Position
As at June 30, 2019
(Expressed in Eastern Caribbean Dollars)

	Notes	2019 $	2018 $
Assets			
Cash and cash equivalents	8	10,227	17,424
Treasury bills	9	410,000	410,000
Deposits with banks and other financial institutions	10	17,343,075	29,434,100
Financial assets measured at amortized cost	11	609,228	-
Debentures	11	-	631,870
Loans and advances to customers	12	149,479,873	151,795,355
Financial assets measured at FVTPL	14	400,499	-
Available-for-sale investments	14	-	400,499
Investment properties	15	62,266,752	35,590,637
Property and equipment	16	12,506,482	11,092,562
Other assets	17	1,945,549	10,926,755
Total Assets		244,971,685	240,299,202
Liabilities			
Bank overdraft	18	931,346	2,613,942
Due to customers	19	6,631,734	8,702,859
Borrowed funds	20	141,165,483	149,819,498
Provisions	21	157,164	-
Other liabilities	22	12,027,897	11,869,272
Total Liabilities		160,913,624	173,005,571
Equity			
Share capital	24	47,970,205	47,970,205
Contributed capital	25	1,616,030	1,616,030
Revaluation surplus	26	5,890,019	4,572,556
Reserves	27	18,551,443	12,767,484
Retained earnings		10,030,364	367,356
Total Equity		84,058,061	67,293,631
Total Liabilities and Equity		244,971,685	240,299,202

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, 2019
(Expressed in Eastern Caribbean Dollars)

	Notes	Share Capital $	Contributed Capital $	Revaluation Surplus $	Reserves $	Retained Earnings $	Total $
Balance at July 1, 2018 (As previously reported)		47,970,205	1,616,030	4,572,556	12,767,484	367,356	67,293,631
Effect of implementation of IFRS 9	38	-	-	-	-	(7,526,343)	(7,526,343)
Balance at July 1, 2018 (as restated)		47,970,205	1,616,030	4,572,556	12,767,484	(7,158,987)	59,767,288
Net profit for the year		-	-	-	-	23,135,835	23,135,835
Other comprehensive income							
Unrealized gain on revaluation of land and buildings	16, 26	-	-	1,404,938	-	-	1,404,938
Total comprehensive income		-	-	1,404,938	-	23,135,835	24,540,773
Dividends	33	-	-	-	-	(250,000)	(250,000)
Transfer to statutory reserve	27	-	-	-	5,783,959	(5,783,959)	-
Amortization of revaluation surplus	26	-	-	(87,475)	-	87,475	-
		-	-	(87,475)	5,783,959	(5,946,484)	(250,000)
Balance at June 30, 2019		47,970,205	1,616,030	5,890,019	18,551,443	10,030,364	84,058,061

Dominica Agricultural Industrial and Development Bank

Statement of Changes in Equity
For the Year Ended June 30, 2019
(Expressed in Eastern Caribbean Dollars)

	Notes	Share Capital $	Contributed Capital $	Revaluation Surplus $	Reserves $	Retained Earnings $	Total $
Balance at July 1, 2017 (As previously stated)		47,970,205	1,616,030	3,289,174	12,845,819	3,883,187	69,604,415
Effect of prior period adjustments	38	-	-	-	(78,335)	(2,716,183)	(2,794,518)
Balance as 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		-	-	(1,674,412)	-	-	(1,674,412)
Unrealized gain on revaluation of land and buildings	16, 26	-	-	3,023,577	-	-	3,023,577
Total comprehensive income		-	-	1,349,165	-	(615,431)	733,734
Dividends	33	-	-	-	-	(250,000)	(250,000)
Amortization of revaluation surplus	26	-	-	(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

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, 2019
(Expressed in Eastern Caribbean Dollars)

	Notes	2019 $	2018 $
Interest income	28	7,739,803	9,228,531
Interest expense	28	(4,655,685)	(4,634,667)
Net interest income		3,084,118	4,593,864
Other operating income	29	1,795,755	1,421,408
Other operating expenses	30	(5,658,352)	(6,606,692)
Net interest income and other operating loss		(778,479)	(591,420)
Increase in fair value of investment property	15	24,721,789	6,743,586
Income on insurance claim		13,212	8,268,438
Loss on disposal of property and equipment	16	(60,728)	(12,403)
Net impairment loss on financial assets	13	(759,959)	(6,870,675)
Impairment loss on investment properties	15	-	(8,152,957)
Net income/(loss) for the year		23,135,835	(615,431)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods			
Revaluation of land and buildings	16, 26	1,404,938	3,023,577
Impairment loss on land and buildings	16, 26	-	(1,674,412)
Total comprehensive income for the year		24,540,773	733,734

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, 2019
(Expressed in Eastern Caribbean Dollars)

	Notes	2019 $	2018 $
Cash flows from operating activities			
Net income/(loss) for the year		23,135,835	(615,431)
Adjustments for:			
Net impairment loss on loans and receivables	13	759,959	6,870,675
Increase in fair value of investment properties	15	(24,721,789)	(6,743,586)
Depreciation	16	399,214	330,114
Impairment loss on investment properties	15	-	8,152,957
Loss on disposal of assets	16	60,728	12,403
Income on insurance claim		(13,212)	(8,268,438)
Interest income on investments	28	(462,530)	(799,128)
Interest expense and similar charges	28	4,526,243	4,557,737
Foreign exchange loss	30	43,483	359,376
Cash flows before changes in operating assets and liabilities		3,727,931	3,856,679
(Increase)/decrease in loans and advances to customers		(5,970,821)	56,534
Decrease/(increase) in fixed deposits		5,564,852	(242,798)
Decrease/(increase) in other assets		8,994,418	(405,905)
(Decrease)/increase in due to customers		(2,071,125)	1,845,269
Increase in provisions		157,164	-
Increase in other liabilities		158,625	1,585,349
Cash generated from operations		10,561,044	6,695,128
Interest received		178,775	802,479
Interest paid		(4,310,016)	(4,622,092)
Net cash generated from operating activities		6,429,803	2,875,515
Cash flows from investing activities			
Purchase of investment property	15	(1,954,326)	(2,041,269)
Purchase of property and equipment	16	(468,924)	(138,512)
Proceeds on sale of motor vehicles	16	-	3,000
Net cash used in investing activities		(2,423,250)	(2,176,781)
Cash flows from financing activities			
Borrowed funds		2,850,000	17,833,081
Repayment of borrowed funds		(11,763,725)	(14,659,217)
Dividends paid		(250,000)	-
Net cash (used in)/generated from financing activities		(9,163,725)	3,173,864
Net (decrease)/increase in cash and cash equivalents		(5,157,171)	3,872,598
Cash and cash equivalents, beginning of year		14,965,411	11,092,813
Cash and cash equivalents, end of year	8	9,808,240	14,965,411

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 October 2, 2020.

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, 2019 (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 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

New standards, amendments and interpretations effective in the 2019 financial year are as follows:

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, 2019:

The Bank adopted IFRS 9 from July 1, 2018.

A number of other new standards are also effective from January 1, 2018 but they do not have a significant impact on the Bank's financial statements.

Due to the transition method chosen by the Bank in applying IFRS 9, comparative information throughout these financial statements has not been restated but instead the opening retained earnings has been adjusted.

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

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

New standards, amendments and interpretations effective in the 2019 financial year are as follows: (Cont'd)

The effect of initially applying IFRS 9 is mainly attributed to the following:

- an increase in impairment losses recognized on financial assets

- additional disclosures related to IFRS 9

Except for the changes below, the Bank has consistently applied the accounting policies as outlined to all periods presented in these financial statements.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and sets out requirements for measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The requirements of IFRS 9 represent a significant change from IAS 39 and bring fundamental changes to the accounting for financial assets.

IFRS 9 also introduced changes to the classification and measurement of financial assets and the accounting for impairment of financial assets from an incurred loss approach to a forward-looking expected credit loss approach.

New or amended disclosures have been provided for the current period, where applicable. The key changes in the Bank's accounting policies resulting from its adoption of IFRS 9 are summarized below:

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). For classification purposes, IFRS 9 requires all financial assets, except equity instruments and derivatives to be assessed on the basis of the entity's business model for managing the assets and the contractual cash flow characteristics of the instruments. The standard eliminates the previous categories under IAS 39 of available-for-sale, held-to-maturity and loans and receivables.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities and therefore, there has been no significant changes to the accounting for the Bank's financial liabilities under IFRS 9.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model for financial assets. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. These new requirements are forward-looking and eliminate the threshold that was in IAS 39 for the recognition of credit losses. Under the new approach it is no longer necessary for a credit event to have occurred before credit losses are recognized and therefore under IFRS 9, credit losses are recognized earlier than under IAS 39. The impairment allowance is based on a three-stage model that determines the expected credit loss based on the probability of default, the exposure at default and the loss given default for loans and loan commitments, debt securities not held for trading and financial guarantee contracts.

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

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

New standards, amendments and interpretations effective in the 2019 financial year are as follows: (Cont'd)

Transition disclosures

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively except as described below:

- As permitted by the transition provisions of IFRS 9, the Bank elected not to restate comparative financial information for 2018 for financial instruments within the scope of IFRS 9. As such, the comparative financial information for 2018 is reported under IAS 39 and is not comparable to the information presented in 2019 under IFRS 9. Adjustments to carrying amounts of financial assets and liabilities arising from the adoption of IFRS 9 have been recognized in opening retained earnings and other components of equity as at July 1, 2018.
- The determination of the business model within which the financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application.
- The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at July 1, 2018 are compared as follows:

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

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

	Carrying amount at June 30, 2018 $	Reclassification $	Remeasurement $	Carrying amount at July 1, 2018 $	Category
Financial Assets:					
Cash and cash equivalents	17,424	-	-	17,424	Amortised cost
Treasury bills	410,000	-	-	410,000	Amortised cost
Deposits with banks and other financial institutions	29,434,100	-	-	29,434,100	Amortised cost
Available-for-sale investments	400,499	(400,499)	-	-	
Investment securities - FVTPL	-	400,499	-	400,499	FVTPL
Debentures	631,870	(631,870)	-	-	Amortised cost
Investment securities at amortised cost	-	631,870	(139,890)	491,980	
Loans and advances to customers	151,795,355	-	(6,368,650)	145,426,705	Amortised cost
Other assets	10,926,755	-	(442,791)	10,483,964	Amortised cost
	193,616,003	-	(6,951,331)	186,664,672	
Financial Liabilities:					
Bank overdraft	2,613,942	-	-	2,613,942	Amortised cost
Due to customers	8,702,859	-	-	8,702,859	Amortised cost
Borrowed funds	149,819,498	-	-	149,819,498	Amortised cost
Other liabilities	11,869,272	-	-	11,869,272	Amortised cost
	173,005,571	-	-	173,005,571	

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

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

New standards, amendments and interpretations effective in the 2019 financial year are as follows: (Cont'd)

Impairment adjustments

Expected credit losses

The following table reconciles the opening impairment allowance for financial assets under IAS 39 and provisions for loan commitments in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets to the ECL allowance determined under IFRS 9 as at July 1, 2018.

	Provision for impairment under IAS 39 at June 30, 2018 $	Remeasurement at July 1, 2018 $	Provision for ECLs under IFRS 9 at July 1, 2018 $
Provision for impairment for:			
Loans and advances to customers	24,913,189	6,368,650	31,281,839
Investment securities at amortised cost	-	139,890	139,890
Rent receivables	586,450	442,791	1,029,241
	25,499,639	6,951,331	32,450,970
Commitments			
Undrawn loans commitments	-	575,012	575,012
Total	25,499,639	7,526,343	33,025,982

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.

The adoption of IFRS 15 did not impact the timing or amount of interest income from contracts with customers and the related assets and liabilities recognised by the Bank.

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

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

New standards, amendments and interpretations effective in the 2018 financial year are as follows: (Cont'd)

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.

The adoption of the amendments has no impact on the financial statements.

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.

The adoption of the amendments has no impact on the financial statements.

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 recognizes 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 recognized 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.

The standards has no effect on the financial statements of the Bank.

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

(b) Standards Issued but not yet Effective

New standards, amendments and interpretations not effective in the 2019 financial year are as follows:

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 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 recognize 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 recognize 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 recognize 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.

Management is yet to assess the impact of the amendment on the financial statements of the Bank.

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, recognized 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.

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

(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.

(d) Financial Instruments

Accounting policy applicable from July 1, 2018:

The Bank classifies financial assets to the following IFRS 9 measurement categories:

- Debt instruments at amortized cost
- Debt instruments at fair value through other comprehensive income (FVOCI)
- Debt instruments at fair value through profit or loss (FVTPL)
- Equity instruments designated as measured at FVOCI
- Equity instruments at FVTPL

IFRS 9 classification is based on the business model in which a financial asset is managed and its contractual cash flows. As at the reporting date, no financial instruments were measured at FVOCI.

On initial recognition, financial assets are classified by the Bank as follows:

Debt Instruments

Debt instruments, including loans and debt securities, are classified into one of the following measurement categories:

- Amortized cost;
- FVOCI; and
- FVTPL

Investments in debt instruments are measured at amortized cost if it meets both of the following conditions and is not designated as fair value through profit or loss (FVTPL).

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the outstanding principal balance.

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

(d) Financial Instruments (Cont'd)

Business model assessment

Business model assessment involves determining how financial assets are managed in order to generate cash flows. The Bank's business model assessment is based on the following categories:

- *Hold to Collect* – The objective of the business model is to hold assets and collect contractual cash flows. Any sales of the asset are incidental to the objective of the model.
- *Hold to collect and sell* – both collecting contractual cash flows and sales are integral to achieving the objectives of the business model.
- *Other Business model* – this business model is neither hold-to-collect nor hold-to-collect and sell. The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives. The model is not assessed on an instrument-by-instrument basis, but rather at a portfolio level and based on factors such as:
    - How the performance of the financial assets held within that business model are evaluated and reported to the Bank's management personnel
    - The risks that affect the performance of the assets held within a business model (and, in particular, the way those risks are managed).
    - The expected frequency, value and timing of sales activity.

The stated policies and objectives for the portfolio and the operation are those policies in practice, in particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching duration of the financial assets to the duration of the financial liabilities that are funding those assets or realising cash flows through the sale of the assets.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment of contractual cash flows

As a second step in the classification process the Bank assesses the contractual terms of the financial assets to identify whether they meet the solely payments of principal and interest (SPPI) test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs as well as profit margin.

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

(d) Financial Instruments (Cont'd)

Debt instruments measured at amortized cost

Debt instruments are measured at amortized cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortized cost. Interest income on these investments is recognized in interest income using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortized cost is calculated by taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate.

Impairment on debt instruments measured at amortized cost is calculated using the expected credit loss (ECL) approach. Loans and debt securities measured at amortized cost are presented net of the allowance for credit loss (ACL) in the statement of financial position.

Debt instruments measured at fair value through other comprehensive income.

Investments in debt instruments are measured at fair value through other comprehensive income where they meet the following two conditions and they have not been designated at FVTPL:

- Contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- Are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest revenue and foreign exchange gains and losses are recognized in profit and loss. Upon disposal, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to the income statement.

Impairment on debt instruments at FVOCI is calculated using the expected credit loss (ECL) approach. The ECL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the Statement of Financial Position, which remains at fair value.

Equity instruments

All equity securities are measured at fair value. On initial recognition the Bank may make an irrevocable decision to present in OCI gains and losses from changes in fair value of certain equity instruments. When insufficient information is available to measure fair value, then the instrument is measured at cost when it represents the best estimate of fair value. When an equity instrument classified at FVOCI is sold the cumulative profit or loss recorded in OCI is not recycled to profit or loss. Dividends recorded from securities measured at FVOCI are recognised in profit or loss.

A financial instrument with a reliably measurable fair value can be designated at FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the selling or repurchasing.

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

(d) Financial Instruments (Cont'd)

Financial Liabilities

At initial recognition financial liabilities are measured at fair value plus or minus, in the case of financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. Financial liabilities other than loan commitments, financial guarantees and derivatives are subsequently measured at amortised cost.

Impairment of financial assets

Policy applicable from January 1, 2018

Scope

The adoption of IFRS 9 has fundamentally changed the Bank's impairment model by replacing IAS 39's incurred loss approach with a forward looking three-stage expected credit loss (ECL) approach. As of July 1, 2018, the Company has recorded the allowance for expected credit losses for the following categories of financial assets:

- Debt instruments measured at amortised cost; and
- Off-balance sheet loan commitments.

No impairment loss is recognised on equity instruments.

Expected credit loss impairment model

The three stage ECL allowance model is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss (LTECL), unless there has been no significant increase or deterioration in credit risk since origination, in which case, the allowance is based on the 12 months expected credit loss (12m ECL). The 12m ECL is the portion of the LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both lifetime expected credit losses and 12 month expected credit losses are calculated on an individual basis but for purposes of determining the probability of default and loss given default financial assets are grouped according to common characteristics.

The three-stage approach applied by the Bank is as follows:

Stage 1: 12-months ECL

The Bank assesses ECLs on exposures where there has not been a significant increase in credit risk since initial recognition and that were not credit impaired upon origination. For these exposures, the Bank recognises a provision on the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months. Stage 1 loans include those instruments that are in arrears for 30 days or less and those facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.

Stage 2: Lifetime ECL-not credit impaired

The Bank assesses ECLs on exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired. This category includes loans which are over 30 days but less than 90 days in arrears. For these exposures, the Bank recognises as a provision a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset).

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

(d) Financial Instruments (Cont'd)

Impairment of financial assets (Cont'd)

Stage 3: Lifetime ECL- credit impaired

The Bank identifies, individually, ECLs on those exposures that are assessed as credit impaired based on whether one or more events that have a detrimental effect on the estimated future cash flows of that asset have occurred. Loans that are overdue for 90 days or more are considered credit impaired. For exposures that have become credit impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather that the gross carrying amount. If the asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

Measurement of ECL

ECLs are probability weighted estimates of credit losses. They are measured as follows:

- *Financial assets that are not credit-impaired at the reporting date*: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and cash flows that the Bank expects to receive);
- *Financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *Undrawn loan commitments*: the present value of the difference between contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive.

The inputs used to estimate the expected credit losses are as follows:

- *Probability of Default (PD)* – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognized and is still in the portfolio.
- *Exposure at default (EAD)* – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- *Loss Given Default (LGD)* – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of EAD.

Forward looking information

The standard requires the incorporation of forward-looking information in the estimation of expected credit losses for each stage and the assessment of significant increases in credit risk. It considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

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

(d) Financial Instruments (Cont'd)

Impairment of financial assets (Cont'd)

Macroeconomic factors

The standard also requires incorporation of macroeconomic factors in models for ECLs. In its models, the Bank conducted an assessment of a range of forward-looking economic information as possible inputs, such as GDP growth, non-performing loans ratios and inflation.

The standard recognises that the inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be used as temporary adjustments using expert credit judgement.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers both quantitative and qualitative information and analysis based on its historical experience and credit risk assessment. The Bank considers as a backstop that significant increase in credit risk occurs when as asset is more than 30 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECLs to 12-months.

Expected Life

For instruments in Stage 2 or 3, loss allowances reflect expected credit losses over the expected remaining life of the instrument. For most instruments, the expected life is limited to the remaining contractual life.

Presentation of allowances for ECLs

Loss allowances for ECLs are presented in the Statement of Financial Position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.
- Undrawn loan commitments and financial guarantees generally as a provision in other liabilities.
- Debt instruments measured at fair value through OCI and the ECLs are not recognized in the Statement of Financial Position because the carrying amounts of these assets remain their fair values. However, the loss allowance is disclosed and is recognized in the fair value reserve in equity with a corresponding charge to profit and loss. The accumulated loss recognised in OCI is recycled to profit or loss upon derecognition of the assets.

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

(d) Financial Instruments (Cont'd)

Impairment of financial assets (Cont'd)

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then the assessment is made of whether the financial asset should be derecognized in ECLs and measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discontinued from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit Impaired Financial Assets

At each reporting date the Bank assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit impaired (referred to as "Stage 3 financial assets"). A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable data:

- Significant financial difficulty of the borrower;
- A breach of contract such as default or past due events;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.
- 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 economic conditions that correlate with defaults on the assets in the group.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, loans that are overdue for 90 days or more are considered credit impaired.

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

(d) Financial Instruments (Cont'd)

Impairment of financial assets (Cont'd)

Definition of default

The Bank considers a financial instrument to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. This includes events that indicate:

- Significant financial difficulty of the borrower;
- Default or delinquency of principal and interest by a borrower;
- Restructuring of a loan or advance by the Bank on terms that the Company would not normally consider;
- Measurable decrease in the estimated cash flows from the loan or the underlying assets that secure the loan; or
- The disappearance of an active market for a security because of financial difficulties.

The Bank considers that default has occurred and classifies the financial asset as credit impaired when it is more than 90 days past due.

Write-offs

The write-off of a financial asset is a derecognition event. Loans and related impairment losses are either written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, they are generally written off after receipt of any proceeds from the realization of collateral. In circumstances where the new realizable value on any collateral has been determined and there is no reasonable expectation of recovery, write-off may be earlier.

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

(e) Classification and measurement, derecognition, and impairment of financial instruments effective prior to July 1, 2018

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.

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

(e) Classification and measurement, derecognition, and impairment of financial instruments effective prior to July 1, 2018(Cont'd)

(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.

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) Classification and measurement, derecognition, and impairment of financial instruments effective prior to July 1, 2018 (Cont'd)

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.

<u>Assets carried at amortized cost</u>

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.

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

(e) Classification and measurement, derecognition, and impairment of financial instruments effective prior to July 1, 2018 (Cont'd)

Impairment of Financial Assets (Cont'd)

Assets carried at amortized cost (Cont'd)

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 derecognizes 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 the Industrial Estate Unit (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's.

(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 ratings such as CariCRIS or its equivalent 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, homeowners and motor vehicle insurances.

5. Financial Risk Management (Cont'd)

(b) Credit Risk (Cont'd)

Long-term lending to customers is 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 on 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:

	2019			2018		
	Loans and Advances (%)	Collective Impairment (%)	Individual Impairment (%)	Loans and Advances (%)	Collective Impairment (%)	Individual Impairment (%)
Bank's rating						
1. Pass	51.97	-	5.63	54.84	94.59	-
2. Special mention	8.33	-	1.03	1.72	5.41	-
3. Sub-standard	0.45	-	0.46	5.20	-	9.77
4. Doubtful	1.88	-	1.80	3.43	-	11.62
5. Loss	37.36	-	91.08	34.81	-	78.61

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 IFRS 9, 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 expected 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	
	2019	2018
	$	$
Treasury bills	410,000	410,000
Deposits with banks and other financial institutions	17,343,075	29,434,100
Financial Assets measured at Amortized Cost	631,870	631,870
Loans and advances to customers:		
Demand loans	111,396,014	111,981,903
Mortgage loans	38,083,859	39,813,452
Other assets	1,910,558	10,891,764
	169,775,376	193,163,089
Credit risk exposures relating to financial assets off the statement of financial position		
Loan commitments	8,686,933	17,249,293
	178,462,309	210,412,382

The above table represents a worst-case scenario of credit risk exposure to the Bank at June 30, 2019 and 2018, 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, 83.76% (2018 – 72.14%) 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 loans and advances portfolio based on the following:

- 60.30% (2018 – 56.56%) of the loans and advances portfolio is categorised in the top two grades of the internal rating system;
- 23.50% (2018 – 24.78%) 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:

	2019 $	2018 $
Neither past due nor impaired	42,767,142	43,788,086
Past due but not impaired	66,982,584	65,347,886
Impaired	72,230,334	67,572,572
	181,980,060	176,708,544
Less: allowance for impairment losses on loans and advances	(32,500,187)	(24,913,189)
	149,479,873	151,795,355

The total impairment provision for loans and advances is $32,500,187 (2018 - $24,913,189) of which $230,334,904 (2018 - $21,670,638) represents the Stage 3 ECL (2018: individual impairment) and the remaining amount of $2,165,283 (2018 - $3,242,551) represents the Stages 1 and 2 ECL (2018: collective impairment). Further information on 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, 2019			
Grades			
1. Pass	28,275,284	14,491,858	42,767,142
June 30, 2018			
Grades			
1. Pass	23,018,792	20,769,294	43,788,086

(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, 2019			
Past due up to 30 days	42,114,844	20,284,619	62,399,463
Past due 30 – 60 days	505,175	96,169	601,344
Past due 60 – 90 days	455,210	70,555	525,765
Past due over 90 days	3,175,402	280,610	3,456,012
Total	46,250,631	20,731,953	66,982,584
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
Total	49,397,803	15,950,083	65,347,886

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, 2019			
Stage – 3 Individually impaired loans	67,578,582	4,651,752	72,230,334
June 30, 2018			
Stage 3 - Individually impaired loans	63,418,901	4,153,671	67,572,572

(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 $6,744,097 as of June 30, 2019 (2018 - $18,162,761).

(v) Repossessed collateral

At the end of 2019, the Bank had not repossessed any collateral (2018 - $0).

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:

	%	2019 $'000	%	2018 $ '000
Industrial	26.14	47,577	26.53	46,888
Tourism	29.10	52,963	27.17	48,003
Mortgage	21.91	39,875	23.13	40,873
Education	16.18	29,440	16.20	28,631
Agricultural	3.99	7,263	3.80	6,715
Other consumers	2.68	4,862	3.17	5,599
Total before deduction for allowance for losses on loans and advances	100.00	181,980	100.00	176,709

(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, 2019, 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 (2018 - $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, 2019					
Cash	-	-	-	10,227	10,227
Treasury bills	410,000	-	-	-	410,000
Deposits with banks and other financial institutions	17,335,468	-	-	7,607	17,343,075
Financial Assets measured at Amortized Cost	-	431,870	200,000	-	631,870
Loans and advances to customers	26,788,882	56,181,636	66,509,355	-	149,479,873
Financial Assets measured at FVTPL	-	-	-	400,499	400,499
Other assets	-	-	-	1,910,558	1,910,558
Total financial assets	44,534,350	56,613,506	66,709,355	2,328,891	170,186,102
Bank overdraft	931,346	-	-	-	931,346
Due to customers	982,061	1,702,933	-	3,946,740	6,631,734
Borrowed funds	14,559,002	46,514,250	54,869,777	25,222,454	141,165,483
Other liabilities	-	-	-	12,185,061	12,185,061
Total financial Liabilities	16,472,409	48,217,183	54,869,777	41,354,255	160,913,624
Net interest repricing gap	28,061,941	8,396,323	11,839,578	(39,025,364)	9,272,478

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, 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	-	-	-	11,869,272	11,869,272
Total financial Liabilities	16,682,952	50,181,029	64,776,930	41,364,660	173,005,571
Net interest repricing gap	37,757,700	(2,167,883)	15,032,990	(30,047,366)	20,575,441

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, 2019		
Assets		
Treasury bills	4.20	-
Deposits with bank and other financial institutions	3.24	-
Financial Assets measured at Amortized Cost	3.50	-
Loans and advances to customers	4.35	-
Liabilities		
Due to customers	1.56	-
Borrowed funds	2.35	4.20
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

(iv) Sensitivity Analysis

Cash flow interest rate risks arise from borrowings at variable rates. At June 30, 2019 if variable interest rates had been 1% higher/lower with all other variables held constant, profit for the year would have been $224,858 (2018 - $284,351) 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, 2019				
Financial liabilities				
Bank overdraft	931,346	-	-	931,346
Due to customers	4,320,146	2,349,338	-	6,669,484
Borrowed funds	23,784,536	97,410,052	55,642,769	176,837,357
Other liabilities	2,973,945	4,381,497	4,829,619	12,185,061
Total financial liabilities	32,009,973	104,140,887	60,472,388	196,623,248
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	35,677,384	80,904,422	85,659,187	202,240,993

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 - 5years $	Total $
As at June 30, 2019			
Loan commitments	5,000,000	3,686,933	8,686,933
As at June 30, 2018			
Loan commitments	12,000,000	5,249,293	17,249,293

(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.

Loans and advances to customers

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

Investment securities

Assets classified as FVTPL (2018 : available for sale) are measured at fair value.

Borrowed funds

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

Due to other banks and customers, and other liabilities

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	
	2019	2018	2019	2018
	$	$	$	$
Financial assets				
Loans and advances to customers	149,479,873	151,795,355	204,727,410	191,413,241
Financial Liabilities				
Borrowed funds	141,165,483	149,819,498	143,894,798	151,170,136

(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, 2019				
Financial Assets				
Financial assets at FVTPL	-	82,000	295,857	377,857
Non-Financial Assets		-		
Investment properties	-	-	62,266,752	62,266,752
Land and building	-	-	11,938,385	11,938,385
	-	-	74,205,137	74,205,137
	-	82,000	74,500,994	74,582,994
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
	-	82,000	46,589,011	46,671,011

The financial assets at FVTPL (2018 : available for sale investments) classified as Level 3 as at June 30, 2019 and 2018 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 rental rates 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 2019 and 2018.

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, 2019 and 2018.

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, 2019				
Financial Assets				
Loans and advances to customers	-	-	204,727,410	204,727,410
As at June 30, 2018				
Financial Assets				
Loans and advances to customers	-	-	191,413,241	191,413,241

Liabilities for which Fair Values are Disclosed

	Level 1 $	Level 2 $	Level 3 $	Total $
As at June 30, 2019				
Financial Liabilities				
Borrowed funds	-	-	143,894,798	143,894,798
As at June 30, 2018				
Financial Liabilities				
Borrowed funds	-	-	151,170,136	151,170,136

The valuation technique and unobservable quantitative input for receivables and liabilities classified as Level 3 as of June 30, 2019 and 2018 are summarized below:-

	Valuation Technique	Unobservable Inputs	Range 2019 %	 2018 %
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 2019 and 2018, 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.

2019 Segment Reporting

	AID Bank $	Industrial Estate $	Total $
For the year ended June 30, 2019			
External revenue	499,245	1,296,510	1,795,755
Interest income	7,739,803	-	7,739,803
Interest expense	(4,607,112)	(48,573)	(4,655,685)
Net operating income	3,631,936	1,247,937	4,879,873
Depreciation	(365,522)	(33,692)	(399,214)
Impairment loss on investment properties	-	-	-
Impairment loss/(recovery) on loans and advances to customers	(1,307,265)	12,209	(1,295,056)
Impairment loss on loan commitments	417,848	-	417,848
Impairment loss on investments	117,249	-	117,249
Loss on disposal of property and equipment	(60,728)	-	(60,728)
Other operating expenses	(4,370,341)	(888,797)	(5,259,138)
Income on insurance claim	13,212	-	13,212
Changes in fair value of investment property	-	24,721,789	24,721,789
Total other (expenses)/income	(5,555,547)	23,811,509	18,255,962
Net (loss)/income for the year	(1,923,611)	25,059,446	23,135,835

6. **Segment Analysis (Cont'd)**

Total assets and liabilities by segment are as follows: -

	AID Bank $	Industrial Estate $	Total $
As at June 30, 2019			
Total assets	212,254,597	32,717,088	244,971,685
Total liabilities	158,568,351	2,345,273	160,913,624

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 (expenses)/income	(10,706,942)	4,076,239	(6,630,703)
Net (loss)/income for the year	(5,763,959)	5,148,528	(615,431)

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

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.

(c) *Impairment of assets carried at fair value*

The Bank determines that equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates among other factors, 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 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 the income approach, replacement cost, capitalization of potential rentals and the market price of comparable properties, as applicable in each case.

8. Cash and Cash Equivalents

	2019 $	2018 $
Cash in hand	8,917	16,114
Balance with Central Bank	1,310	1,310
	10,227	17,424

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

	Notes	2019 $	2018 $
Cash and balances with Central Bank		10,227	17,424
Placement with banks	10	10,319,359	17,151,929
Treasury Bills	9	410,000	410,000
Bank overdraft	18	(931,346)	(2,613,942)
		9,808,240	14,965,411

9. Treasury Bills

	2019 $	2018 $
Treasury bills	410,000	410,000

Treasury bills are debt securities issued by the Government of Dominica for a term of three (3) months. The weighted average effective interest rate in 2019 is 4.20% (2018 – 5.68%).

10. Deposits with Bank and other Financial Institutions

	2019 $	2018 $
Placements with banks	10,319,359	17,151,929
Fixed deposits	7,023,716	12,282,171
	17,343,075	29,434,100

The weighted average effective interest rate in respect of interest-bearing deposits in 2019 is 3.24% (2018 – 2.01%).

Included in placements with banks and other financial institutions are certificates of deposit amounting to $6,920,206 (2018 - $12,086,632) of which $1,920,206 is used to secure certain borrowings of the Bank (Note 20).

11. Financial Assets measured at Amortized Cost

	2019 $	2018 $
Financial Assets measured at Amortized Cost:		
3.50% debenture redeemable on October 1, 2019	431,870	-
3.50% debenture redeemable on June 10, 2034	200,000	-
	631,870	-
Allowance for ECL	(22,642)	-
	609,228	-
Debentures:		
3.50% debenture redeemable on October 1, 2019	-	431,870
3.50% debenture redeemable on June 10, 2034	-	200,000
	-	631,870
	609,228	631,870

Movements of the Bank’s allowance for ECL follows:

	2019 $
At the beginning of the year	-
Effect of adopting IFRS 9 at July 1, 2018 (Note 37)	(139,890)
Provision recovered during the year	117,248
At end of year	22,642

Financial Assets measured at amortized cost are debentures, 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 2019 is 3.50% (2018 – 4.05%).

12. Loans and Advances to Customers

	Notes	2019 $	2018 $
Demand loans		142,104,497	135,835,496
Mortgage loans		39,875,563	40,873,048
		181,980,060	176,708,544
Less allowance for impairment loss on loans and advances	13	(32,500,187)	(24,913,189)
		149,479,873	151,795,355
Current		26,788,883	24,604,159
Non-current		122,690,990	127,191,196
		149,479,873	151,795,355

The weighted average effective interest rate on productive loans at June 30, 2019 is 4.35% (2018 – 4.98%).

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, 2019			
At beginning of year, as previously reported	23,853,593	1,059,596	24,913,189
Effect of adopting IFRS 9 at July 1, 2018 (Note 38)	5,597,670	770,980	6,368,650
At beginning of year, as restated	29,451,263	1,830,576	31,281,839
Provision for the year	1,257,220	(38,872)	1,218,348
Reduction in provision during the year	-	-	-
Written-off during the year as uncollectible	-	-	-
At end of year	30,708,483	1,791,704	32,500,187
As at June 30, 2018			
At the beginning of year, as previously reported	15,767,958	525,290	16,293,248
Prior period adjustments	1,986,464	1,015,254	3,001,718
At the beginning of year, as restated	17,754,422	1,540,544	19,294,966
Provision for the year, as previously reported	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

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

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

	Stage 1 & 2 $	Stage 3 $	Total $
As at June 30, 2019			
At beginning of year, as previously reported	3,242,551	21,670,638	24,913,189
Effect of adopting IFRS 9 at July 1, 2018 (Note 38)	344,152	6,024,498	6,368,650
At beginning of year, as restated	3,586,703	27,695,136	31,281,839
Provision for the year	-	2,639,768	2,639,768
Reduction in provision during the year	(1,421,420)	-	(1,421,420)
Written-off during the year as uncollectible	-	-	-
At end of year	2,165,283	30,334,904	32,500,187

	Collective Impairment $	Individual Impairment $	Total $
As at June 30, 2018			
At the 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 the beginning of year, as restated	4,313,407	14,981,559	19,294,966
Provision for the year, as previously reported	(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

Impairment loss on financial assets recognised in the statement of comprehensive income is as follows:

	2019 $	2018 $
Provision for the year	1,218,348	7,972,068
Reduction in provision during the year	(12,209)	(2,037,165)
Recovery on loan commitments during the year	(417,848)	-
Recovery on investments during the year	(117,249)	-
Written-off loans during the year	88,917	935,772
	759,959	6,870,675

14. Financial Assets measured at FVTPL

	2019 $	2018 $
Financial Assets measured at FVTPL:		
Equity securities at fair value		
- Listed	82,000	-
- Unlisted	318,499	-
	400,499	-
Available-for-sale investments:		
Equity securities at fair value		
- Listed	-	82,000
- Unlisted	-	318,499
	-	400,499
	400,499	400,499

15. Investment Properties

	Land and Buildings $
As at June 30, 2018	35,590,637
Additions	1,990,811
Deductions	(36,485)
Increase in fair value	24,721,789
As at June 30, 2019	62,266,752
As at June 30, 2017	34,958,739
Impairment loss due to Hurricane Maria	(8,152,957)
Additions	2,041,269
Increase in fair value	6,743,586
As at June 30, 2018	35,590,637

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-based income approach that reflects observed rental prices 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 $1,252,700 (2018 - $1,085,062) while direct operating expenses arising from these investment properties during the year was $537,315 (Note 30) (2018 - $927,286). Rent is charged below market rates.

16. Property and Equipment

	Notes	Land $	Building $	Motor Vehicle $	Furniture and Equipment $	Computer Equipment $	Total $
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 June 30, 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		823,590	2,199,987	-	-	-	3,023,577
Depreciation		-	(129,668)	(37,294)	(142,921)	(20,231)	(330,114)
Disposals		-	-	-	(15,403)	-	(15,403)
Impairment losses		-	(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 (Restated)							
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
Year ended June 30, 2019							
Opening net book amount		2,687,347	7,992,528	60,728	333,139	18,820	11,092,562
Additions		-	26,456	49,883	249,677	142,908	468,924
Revaluations	26	(238,650)	1,643,588	-	-	-	1,404,938
Depreciation	30	-	(172,884)	(3,608)	(181,439)	(41,283)	(399,214)
Disposals		-	-	(64,850)	-	-	(64,850)
Accumulated depreciation on disposals		-	-	4,122	-	-	4,122
Closing net book amount		2,448,697	9,489,688	46,275	401,377	120,445	12,506,482
At June 30 2019							
Cost or valuation		2,448,697	10,292,068	215,746	1,778,514	1,197,743	15,932,768
Accumulated depreciation		-	(802,380)	(169,471)	(1,377,137)	(1,077,298)	(3,426,286)
Net book amount		2,448,697	9,489,688	46,275	401,377	120,445	12,506,482

16. Property and Equipment (Cont'd)

	Cost $	Accumulated Deprecation $	Net Book Value $	Proceeds $	Gain/(Loss) $
Loss on Disposal					
At June 30, 2019					
Motor Vehicles	64,850	(4,122)	60,728	-	(60,728)
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)

An independent valuation of the Bank's land and buildings was performed by a professionally qualified property valuer in 2019 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

	2019 $	2018 $
Rent receivable	1,013,739	1,024,308
Other receivable	1,712,190	2,025,955
Less allowance for impairment losses	(1,017,031)	(586,450)
	1,708,898	2,463,813
Insurance claims receivable	-	8,268,438
Due from Financial Data Services Limited	201,660	159,513
Prepayments	34,991	34,991
	1,945,549	10,926,755

Allowance for impairment losses relate to the following accounts:-

	2019 $	2018 $
Rent receivable	1,012,092	581,510
Other receivable	4,939	4,940
	1,017,031	586,450

17. Other Assets (Cont'd)

Analysis of allowance for impairment loss on other assets is as follows: -

	2019 $	2018 $
At the beginning of year, as previously reported	586,450	586,450
Effect of adopting IFRS 9 at July 1, 2018 (Note 37)	442,791	-
At beginning of year, as restated	1,029,241	586,450
Reduction in provision during the year	(12,210)	-
	1,017,031	586,450

18. Bank Overdraft

	2019 $	2018 $
National Bank of Dominica	931,346	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

	2019 $	2018 $
Fixed deposits	2,684,995	3,007,727
Refundable deposits	1,801,769	2,327,586
Loan prepayments	2,144,970	3,367,546
	6,631,734	8,702,859
Current	4,314,863	5,811,751
Non-current	2,316,871	2,891,108
	6,631,734	8,702,859

All cash collateral carries fixed interest rates. The weighted average effective interest rate of cash collaterals at June 30, 2019 is 1.56% (2018 – 2.36%).

20. Borrowed Funds

	Note	2019 $	2018 $
Caribbean Development Bank		28,755,232	30,327,440
European Investment Bank		12,015,031	16,139,307
BANDES – Economic and Social Development Bank of Venezuela		20,219,625	20,897,663
Dominica Social Security	34	23,149,685	24,182,048
PetroCaribe Fund		8,849,859	9,275,411
National Bank of Dominica		12,401,445	13,620,140
CARICOM Development Fund		7,188,609	8,219,224
Government of Dominica	34	25,222,454	23,800,256
Dominica National Petroleum Company Ltd.		1,639,527	1,732,359
Republic of China		1,001,743	1,119,604
		140,443,210	149,313,452
Interest payable		722,273	506,046
		141,165,483	149,819,498
Current		14,809,001	19,324,235
Non-current		126,356,482	130,495,263
		141,165,483	149,819,498

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 $1,920,206 (2018 - $1,881,632) (Note 10) and certificate of titles to land and building.

21. Provisions for Loan Commitments

The Bank is required to allocate a provision for expected credit losses related to loan commitments issued as a result implementation of IFRS 9 (Note 38). As at the year end the provision was $157,164 (2018 : $nil).

22. Other Liabilities

	2019 $	2018 $
Agency liabilities	5,958,019	5,776,315
Dividends payable	2,648,510	2,648,510
Deferred income	250,200	270,708
Grants	230	1,630
Others	3,170,938	3,172,109
	12,027,897	11,869,272
Current	2,816,781	2,888,575
Non-current	9,211,116	8,980,697
	12,027,897	11,869,272

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

22. Other Liabilities (Cont'd)

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:

	2019 $	2018 $
Gratuity payable	1,998,290	1,942,344
Vacation leave and salaries payable	254,319	333,863
IEU tenant's security deposits	291,939	275,920
Other payables	626,390	619,982
	3,170,938	3,172,109

23. 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.

24. Share Capital

	2019 $	2018 $
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.

25. Contributed Capital

	2019 $	2018 $
Land vested by the Government of the Commonwealth of Dominica	1,616,030	1,616,030

26. Revaluation Surplus

	Note	2019 $	2018 $
At beginning of year		4,572,556	3,289,174
Impairment loss on buildings	16	-	(1,674,412)
Unrealized gain on revaluation of land and buildings	16	1,404,938	3,023,577
Amortization for the year		(87,475)	(65,783)
At end of year		5,890,019	4,572,556

27. Reserves

	2019 $	2018 $
General reserve	88,234	88,234
Statutory reserve	15,344,157	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
	18,551,443	12,767,484

Movements in reserves were as follows:

	2019 $	2018 $
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.

	2019 $	2018 $
Statutory reserve		
At beginning of year	9,560,198	9,217,737
Transfer from retained earnings	5,783,959	342,461
At end of year	15,344,157	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.

	2019 $	2018 $
Loan loss reserve		
At beginning and end of year	2,654,330	2,654,330

27. 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 40% of the Portfolio at Risk as of June 30, 2019 (2018 - 40%).

	2019 $	2018 $
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	2019 $	2018 $
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

28. Net Interest Income

	2019 $	2018 $
Interest income		
Loans and advances	7,277,273	8,429,403
Investments	462,530	799,128
	7,739,803	9,228,531
Interest expense		
Long-term debt	(4,526,243)	(4,557,737)
Interest on deposits	(27,981)	(34,078)
Bank charges	(101,461)	(42,852)
	(4,655,685)	(4,634,667)
	3,084,118	4,593,864

29. Other Operating Income

	Note	2019 $	2018 $
Rental income from IEU operations	15	1,252,700	1,085,062
Commitment fees		134,742	152,749
Agency fees		20,382	20,170
Recovery on written off loans		188,349	54,581
Others		199,582	108,846
		1,795,755	1,421,408

30. Other Operating Expenses

	Notes	2019 $	2018 $
Staff costs	31	2,992,714	3,225,729
Administrative expenses	32	1,106,888	1,290,388
Depreciation	16	399,214	330,114
Factory sheds expenses	15	537,315	927,286
Building occupancy expenses		578,738	473,799
Foreign exchange loss		43,483	359,376
		5,658,352	6,606,692

31. Staff Costs

	Note	2019 $	2018 $
Salaries and wages		2,290,910	2,526,487
Social security costs		120,920	145,452
Group insurance		69,242	51,395
Other staff costs		511,642	502,395
	30	2,992,714	3,225,729
Number of employees		46	46

32. Administrative Expenses

	Note	2019 $	2018 $
Legal and professional fees		504,639	435,002
Directors' emoluments and expenses		163,839	189,497
Advertising		81,088	71,870
Telephone, postage and fax		73,287	117,690
Subscriptions and donations		55,594	57,026
Printing, stationery, and office supplies		112,089	97,446
Motor vehicle expenses		57,258	58,650
Insurance		25,839	43,615
Annual report		-	32,648
Repair and maintenance of furniture and equipment		23,747	137,807
Miscellaneous expenses		9,508	49,137
	30	1,106,888	1,290,388

33. Dividends

On May 10, 2019, the Shareholders of the Bank declared a 5% dividend amounting to $250,000 with respect to the ordinary shares held by the Dominica Social Security. The amount of dividends declared in 2018 was $250,000 for the Dominica Social Security.

34. 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:

	2019 $	2018 $
Financial Data Services Limited	859,019	816,871

At year-end, Directors of the Bank and companies in which they have an interest had no fixed deposits with the Bank (2018 - $0) and had loans and guaranteed loans with outstanding balances of $81,234 (2018 - $88,308).

In 2019, the total remuneration paid to directors and key management personnel was $1,035,140 (2018 - $1,048,028).

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

	Note	2019 $	2018 $
Dominica Social Security	20	23,149,685	24,182,048
Government of Dominica	20	25,222,454	23,800,256
		48,372,139	47,982,304
Interest payable		299,671	112,678
		48,671,810	48,094,982

35. Contingent Liabilities and Commitments

As at year-end, loans and advances approved by the Bank but not yet disbursed, amounted to approximately $8,686,933 (2018 - $17,249,293).

36. 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.

37. Comparatives

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

38. Prior Period Adjustments

The Bank adopted IFRS 9 Financial Instruments in the preparation of its financial statements for the year ended June 30, 2019.

Consequently, the opening retained earnings was adjusted to reflect the impact of the increase in the provision expense for the year ended June 30, 2018.

The effects of the prior period adjustment on the statement of financial position as at June 30, 2019 is summarised below: -

	Notes	2019 $
Opening retained earnings for the year, as previously reported		367,356
Increase in impairment on loans and advances to customers	13	(6,368,650)
Increase in impairment on loan commitments	21	(575,012)
Increase in impairment on investments amortised cost	11	(139,890)
Increase in impairment on rent receivables	17	(442,791)
		(7,526,343)
Opening retained earnings for the year, as restated		(7,158,987)

39. Events After the Reporting Period

On March 11, 2020, the World Health Organization declared the breakout of the coronavirus, (COVID-19), a pandemic. This followed reports from China, commencing on December 31, 2019, of dozens of cases of pneumonia of unknown cause. This ailment has since been linked to COVID-19, and the virus has spread to over 213 countries resulting in excess of 898,000 deaths from more than 27 million cases. Medical experts expect the spread to continue before any abatement.

By August 31 2020, Dominica reported twenty (20) cases of the virus and a significant proportion of tourism-related businesses have either shut down or announced impending shut downs as the Government of Dominica and other foreign governments implemented measures to limit the spread of the disease in their respective countries.

The extent of the impact of the COVID-19 outbreak on the Bank's financial performance will depend on future developments, including: (i) the duration and spread of the outbreak, (ii) related advisories and restrictions (iii) the impact of COVID-19 on the financial markets and the overall economy, all of which are highly uncertain and cannot be predicted.

If the financial markets and/or the overall economy are impacted for an extended period, the Bank's result may be materially adversely affected.