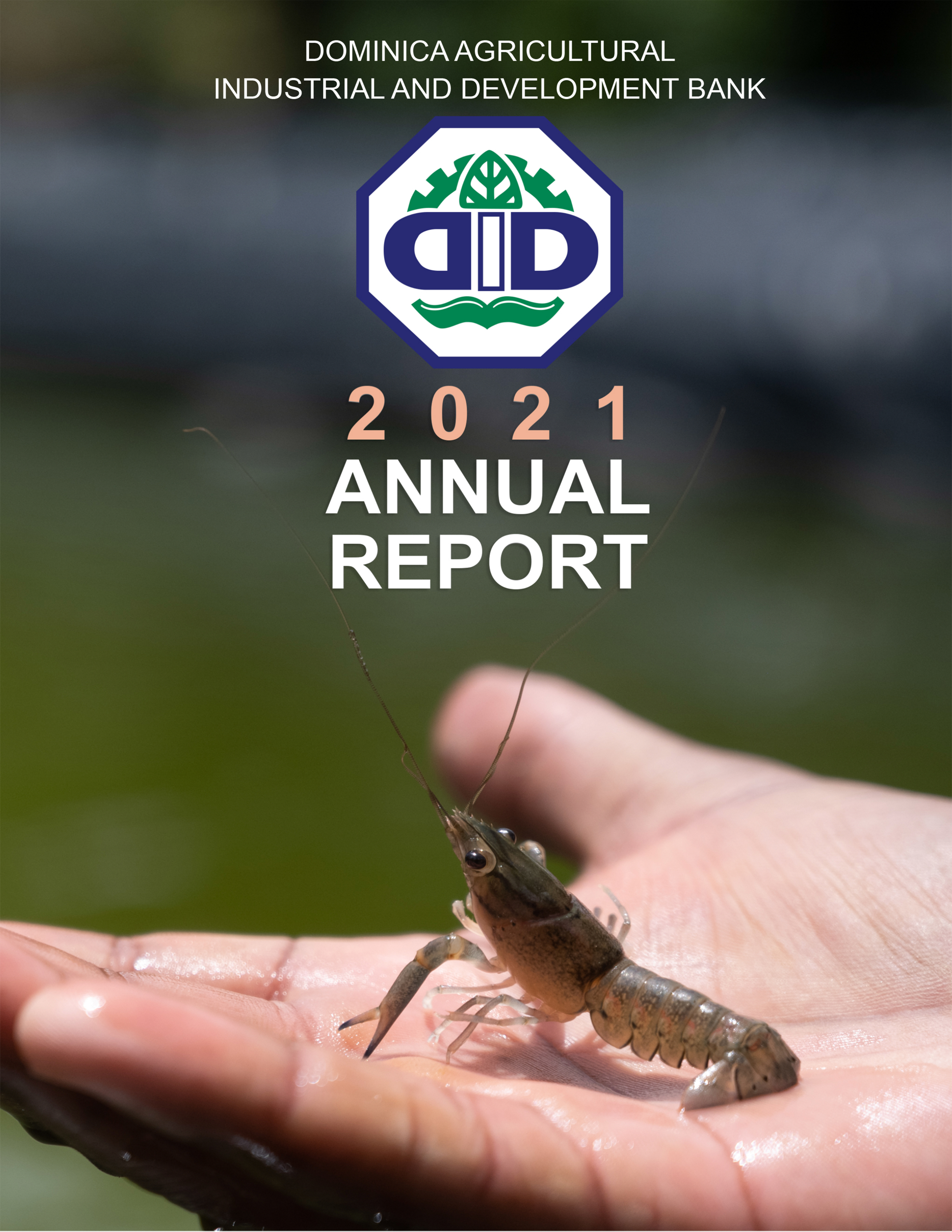
DOMINICA AGRICULTURAL
INDUSTRIAL AND DEVELOPMENT BANK

2021
ANNUAL REPORT



Our Mission

To create value-added solutions focused on building employee, customer and shareholder confidence and satisfaction by improving quality of life through innovative products and services, facilitating social and economic investments and partnering with all our stakeholders.

Our Vision

To be a leading and sustainable development finance institution in the Caribbean Region, building a resilient community by stimulating economic and social growth in the Commonwealth of Dominica.

Contents

ACRONYMS AND ABBREVIATIONS

AFS	Available for Sale
CariCRIS	Caribbean Information & Credit Rating Services Limited
CARICOM	Caribbean Community
CBI	Citizenship By Investment
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	Development Package for Development Financial Institution
DSC	Dominica State College
DYBT	Dominica Youth Business Trust
ECCB	Eastern Caribbean Central Bank
ECCU	Eastern Caribbean Currency Union
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
ICT	Information and Communications Technology
IFRS	International Financial Reporting Standards
IFRIC	International Financial Reporting Interpretations Committee
IEU	Industrial Estate Unit
IMF	International Monetary Fund
IT	Information Technology
MIS	Management Information Systems
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
US$	United States dollar

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

September 30, 2021

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, 2021.

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, 2021

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

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
E-mail	aidbank@cwdom.dm customerservice@aidbank.com
Website	www.aidbank.com

MEMBERS OF MANAGEMENT As at June 30, 2021

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

NAME	POSITION
OFFICE OF THE GENERAL MANAGER	
MARIE-THERESE JOHNSON	General Manager
MATHILDA JOHN-ROSE	Executive Manager, Operations
MEKELLE QUAMMIE	General Manager/Board Secretary
CREDIT	
NICHOL AZILLE-FAUSTIN	Head Of Credit (Ag.)
PATRICIA SHILLINGFORD-CHAMBERS	Manager Credit (Ag.)
FRANKLYN FABIEN	Credit Officer
MERVIN HENRY	Credit Officer
ADRIAN THOMAS	Credit Officer (Ag.)
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 Department
KENRICK ETIENNE	Intern – Recoveries Department
ZEBEENA CHARLES	Intern – Recoveries Department
ADIAN YANIK GEORGE	Intern – Recoveries Department
BRIANNE LAWRENCE	Intern – Recoveries Department
ROYENA MARCELLIN	Intern – Recoveries Department
CARSIM BIRMINGHAM	Intern – Recoveries Department
BUSINESS DEVELOPMENT	
JOSEPHINE DECHAUSAY TITRE	Marketing and Communications Officer
BERTILIA BETHEL	Agricultural Development Officer
NIKITA LAURENT	Receptionist
FRANKA ROYER	Customer Service Representative
SHERNIA SERAPHINE	Intern – Business Development
KESTAR TOUSSAINT	Intern – Business Development
RISK AND COMPLIANCE	
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
CONLEE JNO JULES	Accounting Clerk
ADRIAN JOSEPH	Teller
NICOLE GEORGE	Intern – Finance and Accounts Department
KIMARA DURAND	Intern – Finance and Accounts Department
HUMAN RESOURCE AND ADMINISTRATION	
MARTHA ABEL	Sr. Manager Human Resource & Administration
GABRIEL NICHOLLS	Office Attendant
MANAGEMENT INFORMATION SYSTEMS	
KHAN SYLVESTER	Technical Officer, MIS
LINDA GONZALEZ-PELTIER	Application Support Assistant, MIS/FDSL
IKE BANNIS	Technical Assistant, MIS
LEGAL DEPARTMENT	
SAUDIA CYRUS	Legal Officer
HERMINA ALBERT	Securities Officer
NATASHA WINSTON	Legal Secretary
SHANIQUE AFRICA	Intern – Legal Department
MERISSA GABORY	Intern – Legal Department
INDUSTRIAL ESTATES	
GLENROY ELOI	Manager, Industrial Estates, (Ag)
SANDRA GREGOIRE	Technical Officer
RAQUELLE LETANG	Intern - Industrial Estates Department
KELVIN COIPEL	Maintenance Officer

CHAIRMAN'S STATEMENT

Dear Shareholders,

The year 2021 presented opportunities for the AID Bank to readjust and continue the rebuilding process of economic recovery, modernisation and transformation, amid the continued challenges and restrictions of the COVID-19 pandemic.

Global and regional indicators highlighted the continued presence of the pandemic and its impact on economies. The IMF in the World Economic Outlook, April 2021, projected that the global economy is expected to rebound from 2021 with a projected growth of 6% in 2021 and 4.4% in 2022. The ECCB projected a gradual economic recovery in 2021 which is supported by the steady increase in vaccination rates, resumption of global travel and fiscal support.

In adapting to the changing environment and to maintain sustainability, the AID Bank adopted strategies of cost reduction, enhanced efficiency and growth initiatives into 2021.

We continued to liaise with development partners in sourcing the right mix of resources to drive our strategic objectives towards long-term growth and sustainable development.

The Government of Dominica continued its work towards economic recovery and support to business continuity by channeling three lines of credit at concessionary terms through the AID Bank. An amount of EC$6 million at 1%, was injected into the economy to assist micro and small businesses survive the economic slowdown and retain their employees by supporting their short-term liquidity needs.

The Caribbean Development Bank in its Strategic Plan 2020 – 2024, identified its critical role as a trusted partner in helping countries navigate many of their development obstacles by providing to them development resources and technical assistance. Towards this end, the CDB and the Government of Dominica finalized a line of credit in

2021 in the amount of US$10.34 million. This again was channeled through the AID Bank to provide financial support at concessionary terms to MSMEs to support financial sustainability and economic recovery within the context of the pandemic.

In keeping with Government's thrust to improve the living standards of the Kalinago people several initiatives have been developed. In this regard, the Government of Dominica finalized an Agreement to channel $0.86 million through the AID Bank in the first instance. Under this Kalinago Development Fund initiative, it is Government's intention to make an annual budgetary allocation of $1 million towards this fund. The funds will be on-lent at 2% to finance residential and commercial development, cultural development, enterprise development, crop production and processing, education, off-shore fisheries, art and craft, tourism and climate resilience and renewable energy development in the Kalinago Territory.

As Chairman, I can report that the AID Bank continued to work towards its strategic objectives into 2021. In order to cushion the impact of loss of interest income given the current environment, focus was placed on augmenting the Bank's other income streams and a 54% increase was realized in this area. The implementation of the change to the method of property valuation resulted in a significant increase in the fair value of the Industrial Estates properties by $10.1 million.

The Bank simultaneously focused on cost reduction strategies and realized a significant reduction of 17% in interest expense from $4.45 million to $3.68 million, given a reduction in the interest rate on contracted loans. There was also a 3.6% reduction in operating expenses.

Shareholders, the total impact of cost reduction, increase efficiency and growth initiatives realized a total comprehensive income on operations of $3.86 million as at June 30, 2021, when compared to the restated loss of $0.89 million for the financial year ended June 30, 2020.

The Bank continued 2021 with increased operational efficiency to include augmenting its human resource team, streamlining internal processes, system upgrade and enhancement, maintaining customer relationships and meeting the changing needs of our customers. We maintained our mission of transforming the lives of our customers in a holistic, resilient and sustainable manner through the provision of a total affordable package which includes both financial and technical assistance. Through the collaboration between the Bank and its strategic partners, technical support in the form of training in financial management, business model adaptation and tourism enhancement was provided to our customers.

Risk management remains a priority with the approval of the Bank's Enterprise Risk Management Framework (ERM) within the 2021 financial year. The framework allows for a more structured oversight and management of risks particularly in the areas of more rigorous project appraisal process and monitoring mechanism, greater liquidity management, business continuity and management of cyber risk and data security.

The Bank also continued pursuing other initiatives into this financial year. These include access to a partial guarantee scheme, other insurance coverage to include coverage for crops and default, review and enhancement of our current insurance coverage and technical assistance to MSMEs. We are moving strategically towards offering a holistic and integrated approach to the development of enterprises in Dominica.

On behalf of the Board of Directors, I express deepest gratitude to the Government of Dominica for its guidance, regulatory and financial support particularly in the form of human resource support provided through the National Employment Programme valued at over $500,000.00. Your continued confidence placed in the AID Bank has not gone unnoticed.

We commend the Honourable Prime Minister and Minister of Finance for his swift and effective response to the impact of the COVID-19 pandemic, his initiatives and astute leadership towards the growth and development of the economy. Sir, you have again demonstrated that leadership really matter.

We recognize the Financial Secretary, Ms. Denise Edwards for her oversight, guidance and collaboration. You have truly embraced us during your tenure as Financial Secretary thus far.

Deepest gratitude is expressed to the Dominica Social Security our minority shareholder, for your continued interest and support throughout the years. We thank you for your presence and commitment to economic development.

Sincere appreciation to my fellow board members which I have had the honor to lead over the years. Your high sense of alacrity and commitment towards the advancement of the Bank and by extension the country are greatly appreciated.

To the management and staff of the Bank we recognize your loyalty, commitment and dedication in steering the Bank particularly during these challenging and difficult times.

To our customers – you are the reason why we exist. We appreciate you and reaffirm our commitment to continuing the provision of the right mix of products to meet your needs towards economic sustainability.

DAIDB FIVE-YEAR HIGHLIGHTS AT A GLANCE

INCOME STATEMENT	2021 EC$ ('000)	2020 EC$ ('000) Restated	2019 EC$ ('000) Restated	2018 EC$ ('000)	2017 EC$ ('000) Restated
Interest Income	6,828	8,321	7,740	9,229	9,705
- Interest Expense	3,675	4,446	4,656	4,635	4,522
= Net interest Income	3,153	3,875	3,084	4,594	5,183
+ Other Operating Income Net	2,722	1,770	1,796	1,421	1,919
- Other Operating Expenses					
- Staff Costs	3,010	3,156	2,992	3,226	3,567
- Administrative Costs	2,410	2,466	2,666	3,381	2,719
= Operating Income/(Loss)	455	23	(778)	(592)	816
+ Income on Insurance Claim	0	0	13	8,268	0
+ Increase in fair value of properties	10,449	(5,029)	20,822	9,768	1,002
- Impairment on properties/loss on disposal	0	334	61	9,839	447
- Provisions	7,045	(4,450)	760	6,871	0
= Net profit/(Loss)	3,859	(890)	19,236	734	1,371
BALANCE SHEET	**2021 EC$ ('000)**	**2020 EC$ ('000)**	**2019 EC$ ('000)**	**2018 EC$ ('000)**	**2017 EC$ ('000)**
Assets					
Cash and Balances with Central Bank	727	148	10	17	21
+ Deposit with Other Banks	4,512	6,382	17,343	29,434	22,695
+ Investments [Net of Impairment]	1,015	997	1,420	1,443	1,452
+ Investment Properties	63,665	53,496	58,179	35,591	34,958
+ Loans [Net of Impairment]	149,901	153,830	149,480	151,795	158,723
+ Other	12,892	13,061	13,235	22,019	12,203
= Total Assets	232,712	227,914	239,667	240,299	230,052
Liabilities					
Deposits	6,959	6,785	7,563	11,317	6,857
+ Borrowings	131,366	132,017	141,166	149,819	146,351
+ Other Liabilities	13,166	11,500	12,185	11,869	10,034
+ Equity	81,221	77,612	78,753	67,294	66,810
= Total Liabilities and Equity	232,712	227,914	239,667	240,299	230,052
OTHER INFORMATION	**2021 EC$ ('000)**	**2020 EC$ ('000)**	**2019 EC$ ('000)**	**2018 EC$ ('000)**	**2017 EC$ ('000)**
Loan Approvals ('000)	25,649	16,690	18,920	12,896	16,762
Loan Disbursements ('000)	20,369	12,844	16,391	10,687	13,819
Estimated Number of Jobs Created	3,096	1,174	518	524	820
Industrial Estate Employment	993	787	874	844	1,000
Return on Equity (per cent)	4.75	-1.15	24.43	1.09	2.05
Return on Assets (per cent)	1.66	-0.39	8.03	0.31	0.60
Loan Provisions as per cent of Portfolio	10.94	12.81	17.86	14.10	10.84
Loan Provisions as per cent of NP Portfolio	31.39	31.23	45.00	36.87	46.66

PART I THE ECONOMY OF DOMINICA

According to the Eastern Caribbean Central Bank, Annual Economic and Financial Review for the year ended December 2020, the Dominican economy contracted by 17.1 per cent in 2020 due to the adverse impact of COVID-19 on key sectors in the economy. However, by the first half of 2021 economic activity increased slightly as the country began to recover from the effects of the pandemic with an expansion of Government's investment in the construction and agricultural sectors.

For the year 2020, activity in the construction sector fell by 56.6 per cent due to a slowdown in public sector construction, since the government prioritized spending to the health sector in order to reduce the spread of the virus. However, by June 2021 construction activity expanded as both public and private sector projects continued at full pace. There was a growth in expenditure in public sector projects such as the Marigot Hospital, the second and third phase of the Dominica China Friendship Hospital, the Edward Oliver Leblanc Highway Rehabilitation and continuation of the Roseau Enhancement Project. Private sector projects which continued construction included the Tranquility Bay Beach Hotel, Sanctuary Rainforest Eco Resort and Spa and the Anichi Resort and Spa.

The tourism sector also registered decline in activities by an estimated 61.1 per cent in 2020. The downturn was as a result of a 56.4 per cent decline in the total number of visitors due to a significant reduction in stay-over arrivals as well as the closure of the cruise ship ports in March 2020. The first half of the year 2021 saw a continued decline in activity in the tourism sector with a drastic decline in visitor arrivals. There was a 74.7 per cent reduction in stay-over arrivals and the continued absence of cruise ship passengers. Declines in the number of yacht passengers and excursionists also contributed to the overall reduction in the number of visitor arrivals.

The manufacturing, and agriculture, livestock and forestry sectors registered improved performance in 2020. Value added in the manufacturing sector grew by 4.6 per cent which was driven by an increase in the production of soaps. By June 2021 the performance of the manufacturing sector was mixed, with a 4.1 per cent increase in the production of paint and vanishes, 55.4 per cent decline in production of soap and 1.3 per cent decline in the production of beverages.

The agriculture, livestock and forestry sector registered an estimated 5.3 per cent increase in activity by the end of 2020.

Inflationary pressures were observed in 2020 with a 1.7 per cent increase in the consumer price index. This was associated with increases in the prices of food and non-alcoholic beverages and housing, utilities, gas and fuels. Inflationary pressure also continued into the first half of 2021 with a 0.5 per cent increase in the consumer price index due to a 1.9 per cent increase in the prices of housing, utilities, gas and fuels; 0.2 per cent increase in communication and 0.2 per cent increase in food and non-alcoholic beverages.

The fiscal operations of the Government of Dominica registered an estimated overall deficit of $205.4 million or 16.3 per cent of GDP which represented an improvement over the same period the previous year. The indicators showed a 46.6 per cent reduction in capital expenditure which outpaced the decline in revenue. The current account balance also deteriorated in 2020 due primarily to a reduction in tax revenue and also a reduction in revenue from the Economic Citizenship Programme. Current expenditure also fell by 10 per cent in 2020 due to a decrease in transfers and subsidies. By the end of June 2021, the fiscal operations of the government resulted in an overall deficit of $231.5 million, a significant deterioration from a surplus of $27.2 million recorded the corresponding period of 2020. The deterioration was the result of a reduction in revenue, coupled with a significant increase in expenditure related to the pandemic. Capital expenditure more than tripled as the government increased activity in this area to jump start the recovery of the economy.

The Eastern Caribbean Central Bank, Economic and Financial Review, June 2021 projected a continued acceleration of economic activity in Dominica over the remainder of 2021, based on anticipated positive developments in key sectors, as the country recovers from the impact of the pandemic. The report highlighted that activity in the construction sector is expected to expand with the continuation of both public and private sector projects. Growth in the agriculture sector is also expected to continue while the tourism sector is expected to rebound towards the latter half of 2021, as robust vaccination programmes continue which will release many of the restrictions.

The report outlined that the risks to economic growth are adverse weather, the deceleration in revenue from the Citizenship by Investment Programme, an increase in the rate of COVID-19 infections and the emergence of new variants. However with the robust vaccination programme underway, the global economy could recover faster than expected which would have a positive impact on the economy of Dominica.

CREDIT OPERATIONS

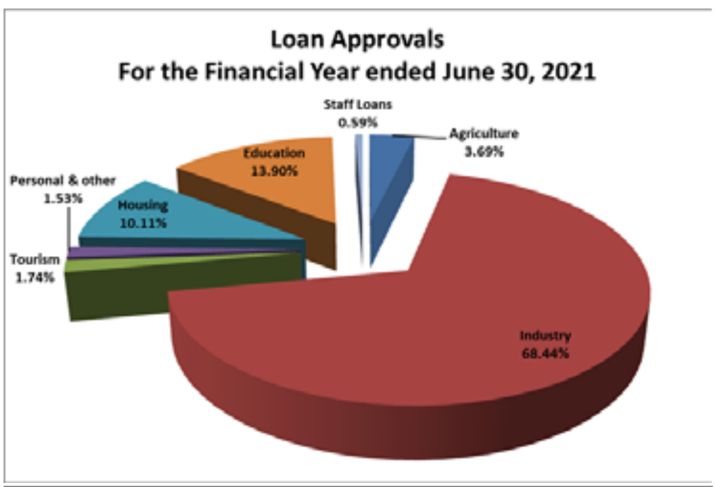
Loan Approvals

For the financial year ended June 30, 2021, one thousand, two hundred and thirty-five (1,235) loans were approved with a total value of $25.65 million. Industry loans valued at $17.55 million or 68.44 per cent and Education loans valued at $3.57 million or 13.90 per cent respectively accounted for 82.34 per cent of the total approvals for the period.

Loan approvals for the year ended June 30, 2021 were 53.68 per cent higher than the corresponding period ended June 30, 2020 when an amount of $16.69 million was approved.

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

GRAPH 1



Loan Disbursements

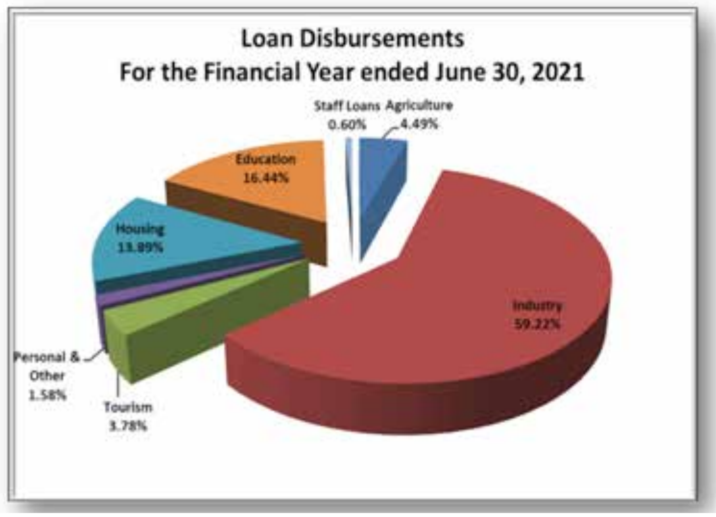
For the financial year ended June 30, 2021, loan disbursements totalled $20.37 million. This amount was higher than the disbursements for the corresponding period ended June 30, 2020 by 58.70 per cent, when an amount of $12.83 million was disbursed.

Loan Disbursements for the year under review were made primarily in the Industry Sector with a value of $11.21 million or 59.22 per cent and Education Sector with a value of $3.11 million or 16.44 per cent.

The Bank also disburses Student loan funds on behalf of the Government of the Commonwealth of Dominica. As at June 30, 2021, a total of $8.06 million had 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 maintained its commitment to fulfilling its social responsibility by continuing its response to the needs of its customers who were impacted by the COVID-19 pandemic. The Bank continued its offer of relief to customers by way of moratorium on principal and interest which allowed them to cushion the negative effects of the pandemic.

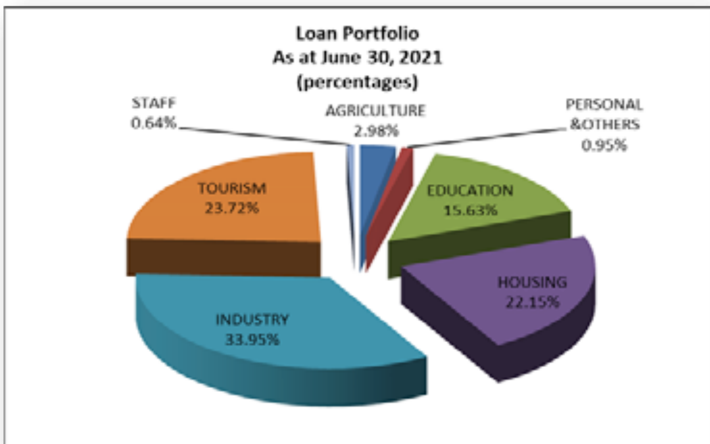
Three hundred and twenty-one (321) loans valued at $32.8 million were approved to be rescheduled. In comparison, for the twelve months ended June 30, 2020, eighty-one (81) loans valued at $6.5 million were approved to be rescheduled.

Loan Portfolio

At the end of the financial year June 30, 2021, the Bank's loan portfolio totalled $160.56 million compared to $164.92 million as at June 30, 2020. The loan portfolio represented a decrease of 2.64 per cent over the same period last year which was a direct correlation with the Bank's thrust towards portfolio quality enhancement.

Graph 3 represents the sectoral distribution of the loan portfolio as at June 30, 2021.

GRAPH 3



FUNDING

The year 2021 presented opportunities for continued growth and development given the easing of the COVID-19 restrictions and reopening of the economy. The Bank forged ahead by continuing to inject concessionary funds into the productive sectors of the economy which contributed to growth in economic activity by the first half of 2021.

Government of Dominica

The Government of Dominica, the Bank's key strategic partner continues to utilize the AID Bank by channeling development funds into the productive sectors to support financial sustainability and economic recovery within the context of the COVID-19 pandemic. During the year under review the Government injected three (3) lines of credit at concessionary terms through the Bank. An amount of EC$6 million was provided to assist micro and small businesses to meet their short-term liquidity needs. This amount was provided at a concessionary rate of 1% with a one year moratorium on interest and principal payments.

The Government of Dominica and the Caribbean Development Bank finalized a line of credit in 2021 in the amount of US$10.34 million which was channeled through the AID Bank to provide financial support to MSMEs. The funds are targeted to the agriculture, industry and tourism sectors which are the engine for economic growth.

The Government of Dominica also finalized an Agreement with the AID Bank which channeled $0.86 million under the Kalinago Development Fund. The funds will be on-lent at 2% to finance residential and commercial development, cultural development, enterprise development, crop production and processing, education, off-shore fisheries, art and craft, tourism and climate resilience and renewable energy development in the Kalinago Territory.

European Investment Bank

The European Investment Bank is considered to be among the AID Bank's long standing funding partner. Over the years they have provided both financial and technical assistance to the AID Bank. EIB continued its relationship into this financial year through the provision of institutional strengthening assistance in the areas of strategic planning, project appraisal, risk and liquidity management and debt recovery strategies. The result of the assistance produced a more efficient organisation with more effective utilisation of resources.

Caribbean Development Bank

The Caribbean Development Bank, the AID Bank's largest funding agency has been a pillar of financial and technical support to us since inception. Through grant assistance from the CDB, the AID Bank commenced the process of developing a Gender Equality Policy where focus will be placed on addressing the differential needs of male and female clients in order to improve their entrepreneurial opportunities more equitably.

The Bank also commenced the process towards the development of an Environmental and Social Management System which is intended to manage environmental and social risks in the project appraisal process. This again is being undertaken through grant assistance from the CDB.

CARICOM Development Fund

Through grant assistance from the CARICOM Development Fund, the AID Bank continued its Business Continuity Program which includes 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, increased energy efficient devices and enhanced structural restoration.

HUMAN RESOURCE AND ADMINISTRATION

For the year under review, the Bank focused on strengthening its human resource capacity through training and development, health and wellness and safety. Management received training virtually on the IFRS 9 and gained certification as Micro Finance Experts, as well as refresher training in Performance Management. Staff training was provided in Anti-Money Laundering and Counter Terrorism Financing, and certification was achieved in Agricultural Finance.

As the impact of the Covid-19 pandemic continued to be felt throughout the financial year, the Bank offered support to staff through the engagement of a Clinical Psychologist who presented on the topic "Coping with the emotional challenges". Health and Wellness screening was also conducted for staff, and training was conducted in Cardio Pulmonary Resuscitation (CPR) and First AID, facilitated by the Dominica Red Cross Society.

Staff members were encouraged to adhere to the COVID-19 protocols which were established by the Government of Dominica in an effort to curb the spread of this contagious virus.

The Bank continued to partner with the National Employment Program to assign three (3) additional interns during the year under review. Two (2) interns were also engaged from the Youth Development Division for a period of two (2) months.

At the end of the period, the Bank's staff complement totaled forty-nine (49).

MANAGEMENT INFORMATION SYSTEMS

The Management Information Systems Department continues to ensure that access to the necessary technology which will aid in building a stronger relationship with our customers and allow greater efficiency within the organization is readily available. We continued to work with the Customer Service Department towards the integration of customer based services which will provide instant communication with our clients.

During the financial year under review, the Department focused on internal upgrades of its Server Operating System and segregation of server tasks through the use of multiple virtual based systems. This facilitated the further streamlining of server resources, enhanced data throughput and enabled more efficient backups.

MIS Department continued its work with the Human Resource Department towards the further digitalization of its procedures which will assist in a more efficient work flow.

Focus for the coming year will be placed on the continuation of our Business Continuity Program to include completion of the Information Technology, Disaster Recovery Policy and Procedures and implementation of technologies to our customers which will enable interface with the Bank via the internet and mobile devices.

INDUSTRIAL ESTATES

The AID Bank's Industrial Estates operation continued its objective to provide affordable space to productive sector enterprises with the aim of increasing production, creating employment, promoting exports and generating foreign exchange. This is in keeping with the Government of Dominica's overall objective of sustainable economic development.

Amidst the continued challenges brought on by the COVID-19 pandemic the Industrial Estates investment registered value added for the financial year ended June 30, 2021. This was evident by an increase in the number of employment within the estates and increase in the value of the properties. By the end of the financial year June 30, 2021, the work force at the Industrial Estates registered nine hundred and ninety three (993), with a single employer within the ICT sector contributing 80% or seven hundred and ninety four (794) to the total work force. Compared to the previous year ended June 30, 2020, there were seven hundred and eighty seven (787) persons employed at the estates, an increase of 26.18 per cent over the period.

The AID Bank Industrial Estates remains home to one of the largest private sector employers on Island. During the year under review, the Industrial Estates gained three (3) new tenants which comprised of one (1) in the manufacturing sector and two (2) in the service sector.

Since the introduction of the income approach to property valuation the Bank saw a significant increase of $10.1 million in the fair value of the Industrial Estates properties to $63.7 million at the end of June 30, 2021. This increase in value contributed to a net profit on the IEU operations of $10.7 million as at June 30, 2021.

The Industrial Estates Department, being equipped with the necessary technical skills, continued to provide support to the Bank's Credit Department by undertaking construction supervision and property assessment, which are required in the project appraisal stage and as a pre-requisite to additional loan disbursements.

PART III OTHER ACTIVITIES

Financial Data Systems Limited

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.

During this financial year, the company focussed on developing and testing reports that would assist in ensuring IFRS 9 compliance. These reports will eventually be programmed into the system and will be available for all clients.

The company also focused on providing user support in converting to the upgraded version of DPAC and in providing training and guidance as the need arises. This will continue into the new financial year.

PART IV AID BANK'S CORPORATE SOCIAL RESPONSBILITY

Parallel to the gradual re-opening of the economy and the ongoing challenges of the COVID-19 pandemic, the AID Bank responded positively to a number of requests for financial assistance, confident that this support would assist in meeting the liquidity needs of these social structures.

The Bank continued its corporate responsibility program by providing support to targeted segments such as the youth, elderly, physically challenged and the underprivileged; promotion of arts and culture and initiatives geared towards the preservation of the environment.

The AID Bank contributed to the sponsorship of Kalinago Week and "The Man behind the Voice", which were both productions of DBS Radio, to highlight the Kalinago heritage and the first manager of DBS radio, as part of their 50th Anniversary Programming.

The Bank also contributed to the Office of the Dominica Solid Waste Management's panel discussion on: "The Role of the Media in Educating and Raising Awareness on Waste Management", during their 2021 national campaign to fight against littering, which impacts the degradation of the natural environment. In support of their 50th Anniversary as Dominica's premiere dance company, the AID Bank contributed to the Dominica Waitukubuli Dance Theatre Company's (WDTC)'s 3-day Dance Production event. The Bank's financial contribution to the Bureau of Gender Affairs for International Women's Day 2021 resulted in the recognition of five (5) female professionals in the local medical field for the critical role they played during the COVID-19 pandemic.

The AID Bank's partnership with the Dominica Youth Business Trust was reflected in educational gifts to recipients of two annual school competitions, namely: "My Business of the Future Poster" and the "Shadow an Entrepreneur Essay". Additionally, as Dominica's only development bank, with a vested interest in education, the Bank provided support to the sponsorship of DBS' Reading Competition and the Dominica Association of Teachers' Spelling Bee Competition.

This financial year ended June 2021, the Bank once again contributed to the National Information System's Library Week, and also made a financial contribution towards the graduation ceremony of the Warner Primary School. The Bank also had the pleasure of awarding the Top Student of the Faculty of Education Award of the Dominica State College. The recipient of the award was also a client of the Bank. Other sponsorship contributions during this financial year included a financial contribution to the Dominica Association of Teachers' 30th Anniversary Magazine, as well as contributions towards the annual fund raising activities of the Dominica Cancer Society and the Junior Chamber of Commerce International (JCI) Christmas project.

PART V FINANCIAL PERFORMANCE

Net Profit

The AID Bank recorded a net profit of $3.55 million in the financial year ended June 30, 2021. This figure was 737.62 per cent more than the restated net loss of $0.56 million recorded in 2020 as indicated in the table below.

Total comprehensive income was $3.86 million for the year under review or approximately 533.21 per cent more than the restated total comprehensive loss of $0.89 million recorded for the preceding financial year. The key contributing factor to this performance was the year on year significant increase in the fair value of the Bank's investment properties by 18.95 per cent for the financial year ended June 30, 2021. In addition, the Bank recorded a year on year increase in other operating income and a reduction in total expenses.

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

	2021 – EC$	2020 – EC$ Restated
Interest income	6,828,698	8,321,118
Other operating income	2,722,314	1,769,936
Total income	9,551,012	10,091,054
Interest Expense	(3,675,384)	(4,446,387)
Staff Costs	(3,009,947)	(3,156,405)
Administrative Expenses	(989,210)	(1,053,725)
Factory sheds expenses	(450,666)	(370,170)
Other operating expenses	(561,598)	(627,177)
Depreciation	(409,186)	(414,341)
Total expenses	(9,094,531)	(10,068,205)
Net income from Operations before the following income/ (charges):	455,021	22,849
Increase/(Decrease) in Fair Value Investment Properties	10,139,475	(5,029,578)
Impairment (Losses)/Recovery on Loans and Receivables	(7,045,192)	4,450,080
Net Profit/(Loss)	3,549,304	(556,649)
Revaluation excess office building	309,809	-
Impairment Losses on Property, Plant and Equipment	-	(334,164)
Total Comprehensive Income/(Loss)	3,859,113	(890,813)

Income

Total income recorded for the financial year was $9.55 million, which was 5.35 per cent lower than the $10.09 million achieved in 2020.

Interest income decreased by 17.94 per cent while other operating income increased by 53.81 per cent from the previous financial year.

Expenses

Financial Expenses of $3.68 million were 17.34 per cent lower than the previous year's $4.45 million due to consistent loan repayments, loan closures and the successful negotiation and implementation of interest rate reductions.

Total staff expenses of $3.01 million decreased by 4.64 per cent when compared to the previous year.

Administrative Expenses of $0.99 million decreased by 6.12 per cent in comparison to the previous year.

Total operating expenses of $9.09 million were 9.67 per cent lower than the $10.07 million recorded for the period ended June 30, 2020.

Assets

At June 30, 2021, assets totalled $232.71 million representing a 2.11 percentage increase from the previous year's $227.91 million.

The major component of assets, net loans and advances valued at $149.90 million registered a 2.55 per cent decrease from the previous year's $153.83 million and adequately offset the total long-term liabilities of $131.37 million.

Net loans and advances comprised of a gross loan balance of $160.56 million (2020: $166.26 million) and interest receivable of $7.75 million – (2020: $10.16 million) less loan provision of $18.41 million (2020: $22.59 million).

The long-term debt to equity ratio of 1.62:1 was within the suggested range for the industry of 4:1.

Cash in current and operating account, and short-term investments totalled $4.51 million, which was 29.30 per cent lower than the previous year's $6.38 million.

Other receivables of $2.12 million were 4.92 per cent less than last year's $2.23 million. Other receivables comprise the Industrial Estate tenants' rental arrears, insurance premiums, legal and other fees due from clients and a short-term loan to Financial Data Systems Limited (FDSL).

Net investments in Investment Properties, Treasury Bills, Government Debentures and shares in companies totalled $64.27 million, of which $63.67 million represents Investment Properties of the Industrial Estate Unit (IEU). Net Investments were 18.81 per cent more than last year's $54.09 million which was primarily influenced by the increase in the fair value of the investment properties.

Net total fixed assets of $10.77 million were 0.55 per cent lower than last year's $10.83 million.

Liabilities

Total liabilities were $151.49 million, which was 0.79 per cent more than the previous year's $150.30 million.

Due to customers was $6.06 million which was 3.03 per cent higher than the $5.88 million in the previous financial year.

For the period under review, borrowed funds of $131.37 million registered a year on year net decrease of 0.49 per cent when compared to $132.02 million.

Shareholders' Equity

Shareholders' Equity of $81.22 million increased by 4.65 per cent from the previous year's $77.61 million.

Retained Earnings of $8.46 million increased by 41.87 per cent for the financial year ended June 2021 when compared to $5.96 million in 2020 as a result of the increase in the fair value of the Bank's investment properties.

PKF

DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021
(EXPRESSED IN EASTERN CARIBBEAN DOLLARS)

PKF St. Lucia

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PKF
Accountants & business advisers

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, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. The financial statements for the year ended June 30, 2020 were audited by another auditor who issued an unqualified opinion on June 18, 2021.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at June 30, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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 the Commonwealth of Dominica, 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 opinion.

Other information included in the Bank's 2021 Annual Report

Other information consists of the information included in the Bank's 2021 Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2021 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 2021 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those changes with governance.

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INDEPENDENT AUDITOR'S REPORT (CONT'D)

Responsibilities of Management and the Audit Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee 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 charged 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.

Chartered Accountants
Castries, Saint Lucia
April 27, 2022

DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK
Statement of Financial Position
As at June 30, 2021
(Expressed in Eastern Caribbean Dollars)

	Notes	2021 $	Restated 2020 $
Assets			
Cash and balances with Central Bank	6	**726,705**	148,111
Treasury bills	7	**410,000**	410,000
Deposits with banks and other financial institutions	8	**4,512,016**	6,382,084
Financial assets measured at amortised cost	9	**190,398**	186,243
Loans and advances to customers	10	**149,901,349**	153,830,498
Financial assets measured at FVTPL	12	**414,899**	400,499
Investment properties	13	**63,665,326**	53,496,121
Property and equipment	14	**10,770,713**	10,830,440
Other assets	15	**2,121,089**	2,230,826
Total assets		**232,712,495**	227,914,822
Liabilities			
Bank overdraft	16	**902,417**	906,637
Due to customers	17	**6,056,548**	5,878,353
Borrowed funds	18	**131,366,000**	132,017,087
Provisions	19	**118,557**	475,063
Other liabilities	20	**13,047,268**	11,025,090
Total liabilities		**151,490,790**	150,302,230
Equity			
Share capital	22	**47,970,205**	47,970,205
Contributed capital	23	**1,616,030**	1,616,030
Revaluation surplus	24	**4,450,783**	4,224,374
Reserves	25	**18,729,544**	17,842,218
Retained earnings		**8,455,143**	5,959,765
Total equity		**81,221,705**	77,612,592
Total liabilities and equity		**232,712,495**	227,914,822

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

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

Director

Director

DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK
Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended June 30, 2021
(Expressed in Eastern Caribbean Dollars)

	Notes	2021 $	Restated 2020 $
Interest income	26	6,828,698	8,321,118
Interest expense	26	(3,675,384)	(4,446,387)
Net interest income		3,153,314	3,874,731
Other operating income	27	2,722,314	1,769,936
Other operating expenses	28	(5,420,607)	(5,621,818)
Net interest and other operating income		455,021	22,849
Increase/(decrease) in fair value of investment properties	13	10,139,475	(5,029,578)
Net impairment (loss)/recovery on financial assets	11	(7,045,192)	4,450,080
Net profit/(loss) for the year		3,549,304	(556,649)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods			
Revaluation of land and buildings	14, 24	309,809	-
Impairment loss on land and buildings	14, 24	-	(334,164)
Total comprehensive income/(loss) for the year		3,859,113	(890,813)

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

DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK
Statement of Changes in Equity
For the Year Ended June 30, 2021
(Expressed in Eastern Caribbean Dollars)

	Notes	Share Capital $	Contributed Capital $	Revaluation Surplus $	Reserves $	Retained Earnings $	Total $
Balance at July 1, 2020, as previously reported		47,970,205	1,616,030	4,224,374	17,505,842	4,950,638	76,267,089
Effect of prior period adjustment	**36**	-	-	-	336,376	1,009,127	1,345,503
Balance as July 1, 2020, as restated		47,970,205	1,616,030	4,224,374	17,842,218	5,959,765	77,612,592
Net profit for the year		-	-	-	-	3,549,304	3,549,304
Other comprehensive income							
Revaluation of land and buildings	**14, 24**	-	-	309,809	-	-	309,809
Total comprehensive loss		-	-	309,809	-	3,549,304	3,859,113
Dividends	**31**	-	-	-	-	(250,000)	(250,000)
Transfer to statutory reserve	**25**	-		-	887,326	(887,326)	-
Amortization of revaluation surplus	**24**	-	-	(83,400)	-	83,400	-
		-	-	(83,400)	887,326	(1,053,926)	(250,000)
Balance at June 30, 2021		47,970,205	1,616,030	4,450,783	18,729,544	8,455,143	81,221,705

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

DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK
Statement of Changes in Equity….Continued
For the Year Ended June 30, 2021
(Expressed in Eastern Caribbean Dollars)

	Notes	Share Capital $	Contributed Capital $	Revaluation Surplus $	Reserves $	Retained Earnings $	Total $
Balance at July 1, 2019, as previously reported		47,970,205	1,616,030	5,890,019	18,551,443	10,030,364	84,058,061
Effect of prior period adjustment		-	-	(1,216,651)	(1,045,601)	(3,042,404)	(5,304,656)
Balance as July 1, 2019, as restated		47,970,205	1,616,030	4,673,368	17,505,842	6,987,960	78,753,405
Net loss for the year		-	-	-	-	(1,902,152)	(1,902,152)
Other comprehensive loss							
Impairment loss on land and buildings	**14, 24**	-	-	(334,164)	-	-	(334,164)
Total comprehensive loss		-	-	(334,164)	-	(1,902,152)	(2,236,316)
Dividends	**31**	-	-	-	-	(250,000)	(250,000)
Amortization of revaluation surplus	**24**	-	-	(114,830)	-	114,830	-
		-	-	(114,830)	-	(135,170)	(250,000)
Balance at June 30, 2020		**47,970,205**	**1,616,030**	**4,224,374**	**17,505,842**	**4,950,638**	**76,267,089**

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, 2021
(Expressed in Eastern Caribbean Dollars)

	Notes	2021 $	Restated 2020 $
Cash flow from operating activities			
Net profit/(loss) for the year		**3,549,304**	(556,649)
Adjustments for:			
Net impairment loss/(recovery) on loans and receivables	11	**7,045,192**	(4,450,080)
(Increase)/decrease in fair value of investment properties	13	**(10,139,475)**	5,029,578
Deprecation	14	**409,186**	414,341
Interest income on investments	26	**(158,287)**	(270,834)
Interest expense and similar charges	26	**3,607,420**	4,338,161
Foreign exchange loss	28	**34,242**	89,208
Cash flows before changes in operating assets and liabilities		**4,347,582**	4,593,725
(Increase)/decrease in loans and advances to customers		**(6,873,924)**	1,111,413
(Increase)/decrease in fixed deposits and investments		**(59,108)**	5,468,421
Decrease/(increase) in other assets		**109,737**	(285,277)
Increase/(decrease) in due to customers		**178,195**	(753,381)
(Decrease)/increase in provisions		**(356,506)**	317,899
Increase/(decrease) in other liabilities		**1,899,714**	(242,418)
Cash (used in)/generated from operations		**(754,310)**	10,210,382
Interest income received		**3,916,168**	604,379
Interest expenses paid		**(3,484,956)**	(3,999,196)
Net cash (used in)/generated from operating activities		**(323,098)**	6,815,565
Cash flows from investing activities			
Purchase of investment property	13	**(29,730)**	(346,952)
Purchase of property and equipment	14	**(39,650)**	(289,114)
Net cash used in investing activities		**(69,380)**	(636,066)
Cash flows from financing activities			
Proceeds from borrowed funds		**6,470,000**	5,250,000
Repayment of borrowed funds		**(7,155,329)**	(17,182,461)
Dividends paid		**(250,000)**	-
Net cash used in financing activities		**(935,329)**	(11,932,461)
Net decrease in cash and cash equivalents		**(1,327,807)**	(5,752,962)
Cash and cash equivalents - beginning of the year	6	**4,055,278**	9,808,240
Cash and cash equivalents - end of the year	6	**2,727,471**	4,055,278

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 seventeen (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 estate units together constitutes 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.

The financial statements were approved by the Board of Directors and authorised for issue on April 27, 2022.

2. Summary of significant accounting policies

(a) Overall policy

The principal accounting policies adopted in the presentation of these financial statements are set out below. The policies have been consistently applied to all years presented, unless otherwise stated.

Statement of compliance

The **Dominica Agricultural Industrial and Development Bank's** financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of preparation

The financial statements of **Dominica Agricultural Industrial and Development Bank** have been prepared on the historical cost convention, except for the following material items that are measured at fair value:

- Building
- Investment properties

Functional and presentation currency

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

Transactions and balances

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

2. Summary of significant accounting policies (cont'd)

(b) Uses of Estimate and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(c) New standards, amendments to standards and interpretations

(i) New standards, amendments to standards and interpretations effective in the 2021 financial year are as follows:

In the current year, the Bank has adopted a number of amendments to IFRS standards and interpretations issued by the IASB that are effective for annual periods that begins on or after January 1, 2020. The adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, changes in Accounting Estimates and Errors
The amendments to the above standards clarify the definition of "material" and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective for annual periods beginning on or after January 1, 2020.

IFRS 3, Business Combination

The amendment;

- Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and

2. Summary of significant accounting policies (cont'd)

(c) New standards, amendments to standards and interpretations (cont'd)

(i) New standards, amendments to standards and interpretations effective in the 2021 financial year are as follows (cont'd):

IFRS 3, Business Combination (cont'd)

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  The amendment is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendment is effective for annual periods commencing January 1, 2020.

(ii) New standards, amendments to standards and interpretations issued in the 2020 financial year but not yet effective are as follows:

IAS 1, Amendments - Classification of Liabilities as Current or Non-Current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

2. Summary of significant accounting policies (cont'd)

(c) New standards, amendments to standards and interpretations (cont'd)

(ii) New standards, amendments to standards and interpretations issued in the 2021 financial year but not yet effective are as follows (cont'd):

IAS 1, Amendments - Classification of Liabilities as Current or Non-Current (cont'd)

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendment is applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

IAS 16, Property, Plant and Equipment

The amendments to IAS 16 prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

IAS 37, Provisions, Contingent Liabilities and Contingent Assets

The amendments in *Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)* specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). Entities apply the amendments to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

2. Summary of significant accounting policies (cont'd)

(c) New standards, amendments to standards and interpretations (cont'd)

(ii) New standards, amendments to standards and interpretations issued in the 2021 financial year but not yet effective are as follows (cont'd):

IFRS 3, Business Combinations

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

The amendment is effective for annual periods beginning on or after January 1, 2022.

Annual Improvements 2018-2020 Cycle - Published May 14, 2020

Certain limited improvements, which primarily consist of classifications to existing standards, were made to the following standards:

IFRS 1, First time adoption of IFRS

IFRS 9, Financial Instruments

IAS 16, Leases

IAS 41, Agriculture

IFRS 16 Leases

COVID-19 Related Rent Concessions provides lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification. The amendment is effective for annual periods beginning on or after June 1, 2020.

These amendments are not expected to have a material impact on the financial statements of the Bank.

(d) 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.

(e) Financial instruments

The Bank classifies financial assets based on 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.

2. Summary of significant accounting policies (cont'd)

(e) Financial instruments (cont'd)

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.

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.

2. Summary of significant accounting policies (cont'd)

(e) Financial instruments (cont'd)

The stated policies and objectives for the portfolio and the operation are those 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.

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.

2. Summary of significant accounting policies (cont'd)

(e) Financial instruments (cont'd)

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.

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.

2. Summary of significant accounting policies (cont'd)

(e) Financial instruments (cont'd)

Impairment of financial assets

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 Bank 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 recognized 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:

<u>Stage 1: 12-months ECL</u>

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.

<u>Stage 2: Lifetime ECL-not credit impaired</u>

The Bank assesses ECLs on exposures where there has been a significant increase in credit risk since initial recognition but is 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).

2. Summary of significant accounting policies (cont'd)

(e) Financial instruments (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 amortized cost (net of provision) rather than 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.

2. Summary of significant accounting policies (cont'd)

(e) Financial instruments (cont'd)

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.

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, consumer price index and inflation and interest rates.

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 Stages 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.

2. Summary of significant accounting policies (cont'd)

(e) Financial instruments (cont'd)

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.

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;

2. Summary of significant accounting policies (cont'd)

(e) Financial instruments (cont'd)

Credit impaired financial assets (cont'd)

- 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.

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 Bank 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.

2. Summary of significant accounting policies (cont'd)

(e) Financial instruments (cont'd)

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.

(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.

2. Summary of significant accounting policies (cont'd)

(h) Property and equipment (cont'd)

(ii) Subsequent measurement

Land and building

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

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

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

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

Land is not depreciated.

Motor vehicle, furniture and equipment and computer 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%

2. Summary of significant accounting policies (cont'd)

(h) Property and equipment (cont'd)

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.

(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 profit or loss and other comprehensive income as they are consumed in the operations or expire with passage of time.

2. Summary of significant accounting policies (cont'd)

(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 profit or loss and other 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.

2. 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) Leases

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low- value assets and short-term leases. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2. Summary of significant accounting policies (cont'd)

(v) 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.

(w) 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.

(x) Rental income

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

(y) 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.

(z) Comparatives

Where necessary, comparative figures have been adjusted to comply with the changes in presentation in the current year.

3. 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.

3. 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.

3. 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.

3. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(iii) 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.

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.

(iv) 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.

(v) 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.

3. Financial risk management (cont'd)

(b) Credit risk (cont'd)

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:

	2021		
	Loans and Advances (%)	**Collective Impairment (%)**	**Individual Impairment (%)**
Bank's rating			
1. Pass	55.81	-	4.99
2. Special mention	9.34	-	4.87
3. Sub-standard	0.18	-	0.78
4. Doubtful	0.68	-	2.13
5. Loss	33.99	-	87.23

	2020		
	Loans and Advances (%)	Collective Impairment (%)	Individual Impairment (%)
Bank's rating			
1. Pass	46.28	-	1.62
2. Special mention	8.93	-	3.06
3. Sub-standard	4.24	-	5.79
4. Doubtful	2.87	-	4.44
5. Loss	37.68	-	85.09

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.

3. Financial risk management (cont'd)

(b) Credit risk (cont'd)

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	
	2021	2020
	$	$
Treasury bills	**410,000**	410,000
Deposits with banks and other financial institutions	**4,512,016**	6,382,084
Financial assets measured at amortized cost	**190,398**	186,243
Loans and advances to customers:		
Demand loans	**116,056,764**	115,517,482
Mortgage loans	**33,844,585**	38,313,016
Other assets	**2,086,098**	2,195,835
	157,099,861	163,004,660
Credit risk exposure relating to financial assets off the statement of financial position		
Loan commitments	**2,678,630**	15,448,581
	159,778,491	178,453,241

The above table represents a worst-case scenario of credit risk exposure to the Bank at June 30, 2021 and 2020, 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, 93.82% (2020 - 86.10%) of the total maximum exposure is derived from loans and advances to customers.

3. 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 thefollowing:

- 65.15% (2020 - 55.21%) of the loans and advances portfolio is categorised in the top two grades of the internal rating system;
- 29.32% (2020 - 23.96%) 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:

	2021 **$**	2020 $
Neither past due not impaired	**49,343,745**	41,949,590
Past due but not impaired	**60,313,165**	62,121,045
Impaired	**58,654,577**	72,352,882
	168,311,487	176,423,517
Less: Allowance for impairment losses	**(18,410,138)**	(22,593,019)
	149,901,349	153,830,498

The total impairment provision for loans and advances is $18,410,138 (2020 - $22,593,019) of which $16,594,381 (2020 - $21,583,186) represents the Stage 3 ECL and the remaining amount of $1,815,757 (2020 - $1,009,833) represents the Stages 1 and 2 ECLs. Further information on the allowance for impairment losses on loans and advances to customers is provided in Notes 10 and 11.

3. 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, 2021			
Grades			
1. Pass	**33,677,514**	**15,666,231**	**49,343,745**
June 30, 2020			
Grades			
1. Pass	25,554,999	16,394,591	41,949,590

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, 2021			
Past due up to 30 days	**40,769,884**	**14,731,728**	**55,501,612**
Past due 30-60 days	**323,691**	**65,634**	**389,325**
Past due 60-90 days	**369,271**	**44,592**	**413,863**
Past due over 90 days	**3,726,234**	**282,131**	**4,008,365**
Total	**45,189,080**	**15,124,085**	**60,313,165**
June 30, 2020			
Past due up to 30 days	41,672,992	15,110,674	56,783,666
Past due 30-60 days	481,945	80,737	562,682
Past due 60-90 days	524,795	79,813	604,608
Past due over 90 days	3,867,385	312,704	4,180,089
Total	46,547,117	15,583,928	62,131,045

3. 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.

(ii) *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, 2021			
Stage - 3			
individually impaired loans	**53,603,811**	**5,050,766**	**58,654,577**
June 30, 2020			
Stage - 3			
individually impaired loans	66,636,089	5,716,793	72,352,882

(iii) *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 totaled $32,814,289 as of June 30, 2021 (2020 - $5,657,449).

(iv) *Repossessed collateral*

At the end of 2021, the Bank had not repossessed any collateral (2020 - $Nil).

3. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(v) *Geographical Sectors*

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

(vi) *Industry Sectors*

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

		2021		2020
	%	**$'000**	**%**	$'000
Industrial	**32.30**	**54,355**	28.79	50,406
Tourism	**26.57**	**44,714**	26.72	46,784
Mortgage	**21.29**	**35,841**	22.41	40,577
Education	**15.29**	**25,739**	16.57	29,004
Agricultural	**3.08**	**5,190**	3.70	6,483
Other consumers	**1.47**	**2,472**	1.81	3,169
Total before deduction for allowance for losses on loans and advances	**100.00**	**168,311**	100.00	176,423

3. Financial risk management (cont'd)

(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 FVTPL. To manage its price risk arising from investments in equity securities, the Bank diversifies its portfolio as particularized in Note 12.

At June 30, 2021, 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 (2020 - $16,533) higher/lower as a result of the increase/decrease in fair value of available-for-sale equity securities.

(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.

3. Financial risk management (cont'd)

(c) Market risk (cont'd)

(iii) Interest rate risk (cont'd)

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

	1 year $	2-5 years $	Over 5 years $	Non-interest bearing $	Total $
As at June 30, 2021					
Cash	-	-	-	726,705	726,705
Treasury bills	410,000	-	-	-	410,000
Deposits with the banks and other financial institutions	4,476,317	-	-	35,699	4,512,016
Financial assets measured at amortized cost	-	-	200,000	-	200,000
Loans and advances to customers	23,238,145	53,154,689	73,508,515	-	149,901,349
Financial assets measured at FVTPL	-	-	-	414,899	414,899
Other assets	-	-	-	2,086,098	2,086,098
Total assets	28,124,462	53,154,689	73,708,515	3,263,401	158,251,067
Bank overdraft	902,417	-	-	-	902,417
Due to customers	625,348	1,499,224	-	3,931,976	6,056,548
Borrowed funds	15,721,004	49,872,302	45,795,324	19,977,370	131,366,000
Other liabilities	-	-	-	13,165,825	13,165,825
Total financial liabilities	17,248,769	51,371,526	45,795,324	37,075,171	151,490,790
Net interest repricing gap	10,875,693	1,783,163	27,913,191	(33,811,770)	6,760,277

3. Financial risk management (cont'd)

(c) Market risk (cont'd)

(iii) Interest rate risk (cont'd)

	1 year $	2-5 years $	Over 5 years $	Non-interest bearing $	Total $
As at June 30, 2020					
Cash	-	-	-	148,111	148,111
Treasury bills	410,000	-	-	-	410,000
Deposits with the banks and					-
other financial institutions	6,374,477	-	-	7,607	6,382,084
Financial assets measured at amortized cost	-	-	200,000	-	200,000
Loans and advances to customers	26,131,097	57,046,659	70,652,742	-	153,830,498
Financial assets measured at FVTPL	-	-	-	400,499	400,499
Other assets	-	-	-	2,195,835	2,195,835
Total assets	32,915,574	57,046,659	70,852,742	2,752,052	163,567,027
Bank overdraft	906,637	-	-	-	906,637
Due to customers	681,860	1,631,526	-	3,564,967	5,878,353
Borrowed funds	10,610,627	42,797,804	58,631,286	19,977,370	132,017,087
Other liabilities	-	-	-	11,500,153	11,500,153
Total financial liabilities	12,199,124	44,429,330	58,631,286	35,042,490	150,302,230
Net interest repricing gap	20,716,450	12,617,329	12,221,456	(32,290,438)	13,264,797

3. Financial risk management (cont'd)

(c) Market risk (cont'd)

(iii) Interest rate risk (cont'd)

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

	EC$ %	US$ %
As at June 30, 2021		
Assets		
Treasury bills	5.60	-
Deposits with banks and other financial institutions	2.58	-
Financial assets measurements at amortized cost	9.75	-
Loans and advances to customers	3.99	-
Liabilities		
Due to customers	1.48	-
Borrowed funds	2.10	2.44
As at June 30, 2020		
Assets		
Treasury bills	7.00	-
Deposits with banks and other financial institutions	5.23	-
Financial assets measurements at amortized cost	7.28	-
Loans and advances to customers	3.90	-
Liabilities		
Due to customers	1.41	-
Borrowed funds	2.68	3.42

(iv) Sensitivity analysis

Cash flow interest rate risks arise from borrowings at variable rates. At June 30, 2021 if variable interest rates had been 1% higher/lower with all other variables held constant, profit for the year would have been $248,223 (2020 - $235,397) higher/lower.

3. 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, 2021				
Financial liabilities				
Bank overdraft	**902,417**	**-**	**-**	**902,417**
Due to customers	**4,067,989**	**2,017,429**	**-**	**6,085,418**
Borrowed funds	**19,998,025**	**68,588,346**	**64,920,101**	**153,506,472**
Other liabilities	**5,357,442**	**3,426,889**	**4,381,494**	**13,165,825**
Total financial liabilities	**30,325,873**	**74,032,664**	**69,301,595**	**173,660,132**
As at June 30, 2020				
Financial liabilities				
Bank overdraft	906,637	-	-	906,637
Due to customers	3,712,161	2,199,524	-	5,911,685
Borrowed funds	17,895,941	86,165,028	48,835,717	152,896,686
Other liabilities	3,161,529	2,449,876	5,888,748	11,500,153
Total financial liabilities	25,676,268	90,814,428	54,724,465	171,215,161

3. Financial risk management (cont'd)

(d) Liquidity risk (cont'd)

(ii) Loan Commitments

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

	1 year $	2-5 years $	Total $
As at June 30, 2021			
Loan commitments	**5,000,000**	**4,135,723**	**9,135,723**
As at June 30, 2020			
Loan commitments	10,000,000	5,448,584	15,448,584

(e) Fair Value of financial assets and liabilities

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable willing parties who are under no compulsion to act and is best evidenced by a quoted market value if one exists. The following methods and assumptions were used to estimate the fair value of financial instruments.

The fair values of cash resources, fixed deposits, debentures, other assets and liabilities, cheques, and other items in transit and due to other banks are assumed to approximate their carrying values due to their short-term nature.

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

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

<u>Investment securities</u>

Assets classified as FVTPL are measured at fair value.

<u>Borrowed funds</u>

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.

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

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

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

3. 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	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Financial assets				
Loans and advances to customers	**149,901,349**	153,830,498	**186,652,333**	195,335,418
Financial liabilities				
Borrowed funds	**131,366,000**	132,017,087	**132,411,114**	131,259,539

(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.

3. Financial risk management (cont'd)

(f) Fair value hierarchy (cont'd)

Assets measured at fair value:

	Level 1 $	Level 2 $	Level 3 $	Total $
As at June 30, 2021				
Financial assets				
Financial assets at FVTPL		**82,000**	**332,899**	**414,899**
Non-Financial Assets				
Investment properties			**63,665,326**	**63,665,326**
Land and building			**10,394,502**	**10,394,502**
	-	**82,000**	**74,392,727**	**74,474,727**
As at June 30, 2020				
Financial assets				
Financial assets at FVTPL		82,000	318,499	400,499
Non-Financial Assets				
Investment properties			53,496,121	53,496,121
Land and building			10,260,606	10,260,606
	-	82,000	64,075,226	64,157,226

The financial assets at FVTPL classified as Level 3 as at June 30, 2021 and 2020 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 2021 and 2020.

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, 2021 and 2020.

3. 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, 2021				
Financial assets				
Loans and advances to customers			**186,652,333**	**186,652,333**
As at June 30, 2020				
Financial assets				
Loans and advances to customers			195,335,418	195,335,418

Liabilities for which fair values are disclosed:

	Level 1 $	Level 2 $	Level 3 $	Total $
As at June 30, 2021				
Financial liabilities				
Borrowed funds			**132,411,114**	**132,411,114**
As at June 30, 2020				
Financial liabilities				
Borrowed funds			131,259,539	131,259,539

The valuation technique and unobservable quantitative input for receivables and liabilities classified as Level 3 as of June 30, 2021 and 2020 are summarized below:-

	Valuation Techniques	Unobservable Inputs	Range 2021 %	Range 2020 %
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 5**	0 to 7

3. Financial risk management (cont'd)

(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.

4. Segment analysis

In the financial years 2021 and 2020, 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.

Total assets and liabilities by segment are as follows:

	AID Bank $	Industrial Estate $	Total $
As at June 30, 2021			
Total assets	**197,695,279**	**35,017,216**	**232,712,495**
Total liabilities	**149,222,400**	**2,268,390**	**151,490,790**

	AID Bank $	Industrial Estate $	Total $
As at June 30, 2020 (Restated)			
Total assets	203,980,910	23,933,912	227,914,822
Total liabilities	148,065,796	2,236,434	150,302,230

4. Segment analysis (cont'd)

2021 and 2020 Segment reporting:

	AID Bank $	Industrial Estate $	Total $
For the year ended June 30, 2021			
External revenue	1,122,715	1,599,599	2,722,314
Interest income	6,828,698	-	6,828,698
Interest expense	(3,651,573)	(23,811)	(3,675,384)
Net operating income	4,299,840	1,575,788	5,875,628
Deprecation	(390,608)	(18,578)	(409,186)
Impairment loss/(recovery) on loans and advances	(7,338,116)	(67,737)	(7,405,853)
Impairment recovery on loan commitments	356,506	-	356,506
Impairment recovery on investments	4,155	-	4,155
Other operating expenses	(4,061,298)	(950,123)	(5,011,421)
Changes in fair value of investment property	-	10,139,475	10,139,475
Total other (expenses)/income	(11,429,361)	9,103,037	(2,326,324)
Net (loss)/income for the year	**(7,129,521)**	**10,678,825**	**3,549,304**
For the year ended June 30, 2020 (Restated)			
External revenue	360,844	1,409,092	1,769,936
Interest income	8,321,118	-	8,321,118
Interest expenses	(4,391,987)	(54,400)	(4,446,387)
Net operating income	4,289,975	1,354,692	5,644,667
Deprecation	(387,253)	(27,088)	(414,341)
Impairment loss/(recovery) on loans and advances	4,866,258	(107,164)	4,759,094
Impairment loss on loan commitments	(317,899)	-	(317,899)
Impairment recovery on investments	8,885	-	8,885
Other operating expenses	(4,368,585)	(838,892)	(5,207,477)
Changes in fair value of investment property	-	(5,029,578)	(5,029,578)
Total other expenses	(198,594)	(6,002,722)	(6,201,316)
Net income/(loss) for the year	**4,091,381**	**(4,648,030)**	**(556,649)**

5. 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) Impairment losses on loans and advances

The Bank reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Bank makes 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.

5. 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.

6. Cash and balances with Central Bank

	2021 **$**	2020 $
Balances with Central Bank	**725,320**	146,726
Cash on hand	**1,385**	1,385
	726,705	148,111

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

	Notes	**2021** **$**	2020 $
Cash and balances with Central Bank		**726,705**	148,111
Placement with banks	**8**	**2,493,183**	4,403,804
Treasury bills	**7**	**410,000**	410,000
Bank overdraft	**16**	**(902,417)**	(906,637)
		2,727,471	4,055,278

7. Treasury bills

	2021 **$**	2020 $
Treasury bills	**410,000**	410,000

Treasury bills are debt securities issued by the Government of the Commonwealth of Dominica for a term of three (3) months. The weighted average effective interest rate in 2021 is 5.60% (2020 – 7.00%).

8. Deposits with banks and other financial institutions

	2021 **$**	2020 $
Placements with banks	**2,493,183**	4,403,804
Fixed deposits	**2,018,833**	1,978,280
	4,512,016	6,382,084

The weighted average effective interest rate in respect of interest-bearing deposits in 2021 is 2.58% (2020 - 5.23%).

Included in placements with banks and other financial institutions are certificates of deposit amounting to $1,999,851 (2020 - $1,959,570) which is used to secure certain borrowings of the Bank which is further particularized in Note 18 to the financial statements.

9. Financial assets measured at amortized cost

	2021 **$**	2020 $
Financial assets measured at amortized cost:		
3.50% debenture on June 1, 2034	**200,000**	200,000
	200,000	200,000
Less: Allowance for ECL	**(9,602)**	(13,757)
	190,398	186,243

Movement of the Bank's allowance for ECL is as follows:

	2021 **$**	2020 $
At the beginning of the year	**13,757**	22,642
Recovery during the year	**(4,155)**	(8,885)
At end of the year	**9,602**	13,757

Financial assets measured at amortized cost are debentures, debt securities issued by the Government of the Commonwealth of Dominica for a term of five (5) to thirty (30) years. The weighted average effective interest rate in 2021 is 9.75% (2020 – 7.28%).

10. Loans and advances to customers

	2021 $	Restated 2020 $
Demand loans	**132,470,406**	135,846,035
Mortgage loans	**35,841,081**	40,577,482
	168,311,487	176,423,517
Less: Allowance for impairment losses	**(18,410,138)**	(22,593,019)
	149,901,349	153,830,498
Current	**23,238,145**	27,476,600
Non-current	**126,663,204**	126,353,898
	149,901,349	153,830,498

11. Allowance for impairment losses on loans and advances

The movement in allowance for impairment losses per loan category is as follows:

	Demand Loans $	**Mortgage Loans** $	**Total** $
As at June 30, 2021			
At beginning of the year	**20,328,553**	**2,264,466**	**22,593,019**
Provisions recovered for the year	**(3,914,911)**	**(267,970)**	**(4,182,881)**
At end of the year	**16,413,642**	**1,996,496**	**18,410,138**
As at June 30, 2020			
At beginning of the year	30,708,483	1,791,704	32,500,187
Provisions (recovered)/expensed for the year	(10,379,930)	472,762	(9,907,168)
At end of the year	20,328,553	2,264,466	22,593,019

11. Allowance for impairment losses on loans and advances (cont'd)

Analysis of allowance for impairment losses on loans and advances to customers is as follows:-

	Stage 1 & 2 $	Stage 3 $	Total $
As at June 30, 2021			
At beginning of the year	**1,009,833**	**21,583,186**	**22,593,019**
Provisions (recovered)/expensed for the year	**805,924**	**(4,988,805)**	**(4,182,881)**
At end of the year	**1,815,757**	**16,594,381**	**18,410,138**
As at June 30, 2020			
At beginning of the year	2,165,283	30,334,904	32,500,187
Provisions recovered for the year	(1,155,450)	(8,751,718)	(9,907,168)
At end of the year	1,009,833	21,583,186	22,593,019

Impairment (recovery)/loss on financial assets recognised in the statement of profit or loss and other comprehensive income is as follows:

	2021 $	2020 $
Recovery for the year	**(4,182,881)**	(9,907,168)
Increase in provision during the year	**67,737**	107,164
(Recovery)/provision on loan commitments during the year	**(356,506)**	317,899
(Recovery)/provision on investments during the year	**(4,155)**	(8,889)
Loan written-off during the year	**11,520,997**	5,040,914
	7,045,192	(4,450,080)

12. Financial assets measured at FVTPL

	2021 $	2020 $
Financial assets measured at FVTPL:		
Equity securities at fair value		
- Listed	**82,000**	82,000
- Unlisted	**332,899**	318,499
	414,899	400,499

13. Investment properties

	Land and Buildings $
As at June 30, 2020	**53,496,121**
Net additions during the year	**29,730**
Increase in fair value	**10,139,475**
As at June 30, 2021	**63,665,326**
As at June 30, 2019 (as restated)	58,178,747
Net additions during the year	346,952
Decrease in fair value	(5,029,578)
As at June 30, 2020	53,496,121

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 the statement of profit or loss and other comprehensive income was $1,578,399 (2020 - $1,380,217) and is further particularized in Note 27, while direct operating expenses arising from these investment properties during the year was $450,666 (2020 - $370,170) and is further particularized in Note 28. Rent is charged below market rates.

14. Property and equipment

	Notes	Land $	Building $	Motor Vehicle $	Furniture Equipment $	Computer Equipment $	Total $
At June 30, 2019							
Cost or valuation		2,448,697	9,075,417	215,746	1,778,514	1,197,743	14,716,117
Accumulated depreciation		-	(802,380)	(169,471)	(1,377,137)	(1,077,298)	(3,426,286)
Net book value		2,448,697	8,273,037	46,275	401,377	120,445	11,289,831
Year Ended June 30, 2020							
Opening net book value		2,448,697	8,273,037	46,275	401,377	120,445	11,289,831
Additions		-	54,376	-	170,816	63,922	289,114
Revaluations	24	-	(334,164)	-	-	-	(334,164)
Depreciation	28	-	(181,340)	(9,976)	(167,292)	(55,733)	(414,341)
Closing net book value		2,448,697	7,811,909	36,299	404,901	128,634	10,830,440
As at June 30, 2020							
Cost or valuation		2,448,697	8,795,629	215,746	1,949,330	1,261,665	14,671,067
Accumulated depreciation		-	(983,720)	(179,447)	(1,544,429)	(1,133,031)	(3,840,627)
Closing net book value		2,448,697	7,811,909	36,299	404,901	128,634	10,830,440
Year Ended June 30, 2021							
Opening net book value		**2,448,697**	**7,811,909**	**36,299**	**404,901**	**128,634**	**10,830,440**
Additions		**-**	**-**	**-**	**26,923**	**12,727**	**39,650**
Revaluations	24	**-**	**309,809**	**-**	**-**	**-**	**309,809**
Depreciation	28	**-**	**(175,913)**	**(9,977)**	**(152,481)**	**(70,815)**	**(409,186)**
Closing net book value		**2,448,697**	**7,945,805**	**26,322**	**279,343**	**70,546**	**10,770,713**
As at June 30, 2020							
Cost or valuation		**2,448,697**	**9,105,438**	**215,746**	**1,976,253**	**1,274,392**	**15,020,526**
Accumulated depreciation		**-**	**(1,159,633)**	**(189,424)**	**(1,696,910)**	**(1,203,846)**	**(4,249,813)**
Net book value		**2,448,697**	**7,945,805**	**26,322**	**279,343**	**70,546**	**10,770,713**

14. Property and equipment (cont'd)

An independent valuation of the Bank's land and buildings was performed by a professionally qualified property valuer in 2021 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.

15. Other assets

	2021 **$**	2020 $
Rent receivable	**1,111,566**	1,168,236
Other receivable	**1,807,727**	1,910,134
	2,919,293	3,078,370
Less: Allowance for impairment losses	**(1,099,855)**	(1,124,195)
	1,819,438	1,954,175
Due from Financial Data Services Limited	**266,660**	241,660
Prepayments	**34,991**	34,991
	2,121,089	2,230,826

Allowance for impairment losses related to the following accounts:

	2021 **$**	2020 $
Rent receivable	**1,094,916**	1,119,256
Other receivable	**4,939**	4,939
	1,099,855	1,124,195

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

	2021 **$**	2020 $
At the beginning of year	**1,124,195**	1,017,031
Written-off rent receivable during the year	**(92,077)**	-
Provision during the year	**67,737**	107,164
	1,099,855	1,124,195

16. Bank overdraft

	2021	2020
	$	$
National Bank of Domininca	**902,417**	906,637

The overdraft facility is guaranteed by the Government of Dominica in accordance witl the provision of the Loans Act, Chapter 64:05 Section 3(1) of the 1990 Revised Laws c the Commonwealth of Dominica. Interest is charged on the facility at a rate of 7% (2020 - 7%) per annum.

17. Due to customers

	2021	2020
	$	$
Fixed deposits	**2,124,572**	2,313,386
Refundable deposits	**1,754,819**	1,735,325
Loan prepayments	**2,177,157**	1,829,642
	6,056,548	5,878,353
Current	**4,067,989**	3,712,161
Non-current	**1,988,559**	2,166,192
	6,056,548	5,878,353

All cash collateral carries fixed interest rates. The weighted average effective interest rat of cash collaterals at June 30, 2021 is 1.48% (2020 - 1.41%).

18. Borrowed funds

	2021	Restated 2020
	$	$
Caribbean Development Bank	**31,799,002**	31,540,039
European Investment Bank	**6,913,379**	8,692,769
BANDES - Economic and Social Development Bank of Venezuela	**18,812,542**	18,812,542
Dominica Social Security	**21,400,220**	21,756,018
PetroCaribe Fund	**8,195,400**	8,525,078
National Bank of Dominica	**10,788,979**	11,572,748
CARICOM Development Fund	**5,032,626**	6,126,726
Government of the Commonwealth of Dominica	**24,977,370**	21,477,370
Dominica National Petroleum Company Ltd.	**1,496,758**	1,568,676
Republic of China	**766,022**	883,883
	130,182,298	130,955,849
Interest payable	**1,183,702**	1,061,238
	131,366,000	132,017,087
Current	**15,611,302**	11,132,375
Non-current	**115,754,698**	120,884,712
	131,366,000	132,017,087

Interest on the above borrowings ranges ranging from 0% to 5% (2020 – 2% to 7%) and are guaranteed by the Government of the Commonwealth of Dominica.

The National Bank of Dominica loan is secured by the Bank's certificate of deposit amounting to $1,999,851 (2020 - $1,959,570) (Note 8) and certificate of titles to land and building, stamped to cover $14,432,671 along with and the assignment of insurance cover over the building.

19. Provisions for loan commitments

The Bank is required to allocate a provision for expected credit losses related to loan commitments issued as a result of the implementation of IFRS 9. As at the year end the provision was $118,557 (2020 - $475,063).

20. Other liabilities

	2021 $	Restated 2020 $
Others	**6,134,883**	3,444,228
Agency liabilities	**3,295,520**	3,950,116
Dividends payable	**2,898,510**	2,898,510
Grants	**432,363**	432,363
Deferred income	**285,992**	299,873
	13,047,268	11,025,090
Current	**5,357,442**	2,757,300
Non-current	**7,689,826**	8,267,790
	13,047,268	11,025,090

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

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

Others relates to accrued liabilities comprised as follows:

	2021 $	2020 $
Gratuity payable	**1,990,124**	2,011,681
Vacation leave and salaries payable	**380,936**	342,422
IEU tenant's security deposits	**293,314**	285,439
Other payable	**3,470,509**	804,686
	6,134,883	3,444,228

21. 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.

22. Share capital

	2021 $	2020 $
Authorised		
10,000,000 ordinary shares with a $5 par value	**50,000,000**	50,000,000
Issued and fully paid		
9,595,041 (2020 - 9,594,041) ordinary shares	**47,970,205**	47,970,205

Section 16A of Chapter 74:03 of the Laws of Dominica Revised Edition 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 for 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.

23. Contributed capital

	2021 $	2020 $
Land vested by the Government of the Commonwealth of Dominica	**1,616,030**	1,616,030

24. Revaluation surplus

	2021 $	2020 $
At beginning of the year	**4,224,374**	4,673,368
Unrealized gain on revaluation of land and buildings	**309,809**	-
Amortization for the year	**(83,400)**	(114,830)
Impairment loss on building	**-**	(334,164)
At end of the year	**4,450,783**	4,224,374

25. Reserves

	2021 $	Restated 2020 $
General reserve	**88,234**	88,234
Statutory reserve	**15,545,858**	14,658,532
Loan loss reserve	**2,654,330**	2,654,330
Special reserve	**441,122**	441,122
	18,729,544	17,842,218

Movements in reserves were as follows:

	2021 $	2020 $
General reserve		
At beginning and end of the 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.

	Note	2021 $	Restated 2020 $
Statutory reserve			
At beginning of the year, as previously reported		**14,658,532**	14,322,156
Effect of prior period adjustment	**36**	**-**	336,376
At beginning of the year, as restated		**14,658,532**	14,658,532
Transfer from retained earnings		**887,326**	-
At end of the year		**15,545,858**	14,658,532

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.

	2021 $	2020 $
Loan loss reserve		
At beginning and end of the year	**2,654,330**	2,654,330

25. Reserves (cont'd)

The loan loss reserve was set up in compliance with the provision of the 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% (2020 – 40%) of the Portfolio at Risk as at June 30, 2021 (2020 - 40%).

	2021	2020
	$	$
Special reserves		
Caribbean Development Consolidated Entity Provision		
At beginning and end of the year	**441,122**	441,122

Under the provision of the 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 the 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.

26. Net Interest income

		Restated
	2021	2020
	$	$
Interest income		
Loans and advances	**6,670,411**	8,050,284
Investments	**158,287**	270,834
	6,828,698	8,321,118
Interest expense		
Borrowings	**(3,607,420)**	(4,338,161)
Interest on deposits	**(21,914)**	(22,539)
Bank charges	**(46,050)**	(85,687)
	(3,675,384)	(4,446,387)
Net interest income	**3,153,314**	3,874,731

27. Other operating income

	Note	2021 $	2020 $
Rental income from IEU operations	13	**1,578,399**	1,380,217
Commitment fees		**136,239**	141,874
Agency fees		**20,104**	-
Recovery on written-off loans		**682,857**	47,545
Other		**304,715**	200,300
		2,722,314	1,769,936

28. Other operating expenses

	Notes	2021 $	2020 $
Staff costs	29	**3,009,947**	3,156,405
General and administrative expenses	30	**989,210**	1,053,725
Deprecation	14	**409,186**	414,341
Factory sheds expenses	13	**450,666**	370,170
Building occupancy expenses		**527,356**	537,969
Foreign exchange loss		**34,242**	89,208
		5,420,607	5,621,818

29. Staff costs

	Note	2021 $	2020 $
Salaries and wages		**2,429,871**	2,554,105
Social security costs		**147,802**	138,848
Group insurance		**43,943**	57,295
Other staff costs		**388,331**	406,157
	28	**3,009,947**	3,156,405

During the year, the number of employees at the Bank was 38 (2020 - 40).

30. General and administrative expenses

	Note	2021 $	2020 $
Legal and professional fees		**330,928**	435,338
Directors' emoluments and expenses		**139,647**	151,471
Telephone, postage and fax		**129,710**	133,247
Printing, stationery, and office supplies		**89,594**	80,256
Repair and maintenance of furniture and equipment		**83,454**	20,956
Advertising		**54,765**	44,861
Subscriptions and donations		**53,779**	50,588
Insurance		**40,225**	41,610
Annual report expenses		**24,893**	26,944
Motor vehicle expenses		**24,143**	28,351
Miscellaneous expenses		**16,612**	40,103
Bad debt expenses		**1,460**	-
	28	**989,210**	1,053,725

31. Dividends

On May 31, 2021, 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 as at June 2020. The Shareholders of the Bank had not met in the calendar year 2020 and as such no dividends were declared for the Dominica Social Security.

32. 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);

32. Related party transactions (cont'd)

(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:

	2021	2020
	$	$
Financial Data Services Limited	**924,019**	899,019

At year-end, directors of the Bank and companies in which they have an interest had no fixed deposits with the Bank (2020 - $0) and had loans and guaranteed loans with outstanding balances of $74,617 (2020 - $74,617).

In 2021, the total remuneration paid to directors and key management personnel was $1,218,889 (2020 - $1,198,569).

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

		2021	2020
	Note	**$**	$
Dominica Social Security	**18**	**21,400,220**	21,756,018
Government of the Commonwealth of Dominica	**18**	**24,977,370**	21,477,370
		46,377,590	43,233,388
Interest payable		**5,237**	272,731
		46,382,827	43,506,119

33. Contingent liabilities and commitments

As at year-end, loans and advances approved by the Bank but not yet disbursed, amounted to approximately $9,135,723 (2020 - $15,448,581).

34. Taxation

Under the provision of Chapter 74:03 Sections 32 of the Laws of Dominica Revised Edition, the Bank is exempted from the payment of income tax.

35. Prior Period Adjustments

The Bank restated the value of its Interest Income, Borrowed Funds and Other Liabilities for the year ended June 2020 to reflect the impact of the reclassification of one of its loans contracted from the Caribbean Development Bank. The CDB/SMP-62/SFR-DMI line of credit for a Special Mortgage Program for underprivileged housing was initially recognized as an Agency Loan but upon further review of the loan agreement and nature of the loans granted by the Bank under this line of credit, management agreed that the loan should be reclassified as an AID Bank loan.

Consequently, the opening reserves and retained earnings were adjusted to reflect the impact of the recognition of the interest income on the line of credit for the year ended June 2020.

The effect of the prior period adjustments for the year ended June 30, 2020 is summarized below:

	Notes	As previously reported $	Adjustments $	As restated $
Year ended June 30, 2020				
Statement of Financial Position				
Assets				
Loans and advances to customers	**10**	152,484,995	**1,345,503**	**153,830,498**
Liabilities				
Borrowed Funds	**18**	129,322,230	**2,694,857**	**132,017,087**
Other Liabilities	**20**	13,719,947	**(2,694,857)**	**11,025,090**
Shareholders Equity				
Reserves	**25**	17,505,842	**336,376**	**17,842,218**
Retained earnings		4,950,638	**1,009,127**	**5,959,765**
Statement of Comprehensive Income				
Interest income	**26**	6,975,615	**1,345,503**	**8,321,118**

36. COVID-19 Pandemic

The COVID-19 pandemic developed rapidly in 2020; however, measures taken by the Government of Dominica to contain the virus have affected economic activity. The impact on the Bank has not been significant at this stage and based on management's experience to date, significant changes are not expected. Management will continue to follow the Government's policies and advice and, in parallel, will do our utmost to continue operating in the best and safest way possible without jeopardizing the health of our staff and borrowers.

As at the date of authorisation of these financial statements, the Directors are not aware of any material effects on the financial statements due to the COVID-19 pandemic which have not been disclosed elsewhere in the financial statements.

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