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 & ABBREVIATIONS

AFS	Available for Sale
AML	Anti Money Laundering
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

CHAIRMAN’S LETTER OF TRANSMITTAL

Honourable Dr. Irving McIntyre
Minister of Finance, Economic Development,
Climate Resiliency & Social Security
5th Floor, Ministry of Finance
Financial Centre
Kennedy Avenue
Roseau
Commonweath of Dominica

September 30, 2023

Dear Honourable 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, 2023.

Please accept, Honourable 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, 2023

MARTIN CHARLES - CHAIRMAN

SIMPSON GREGOIRE - DEPUTY CHAIRMAN

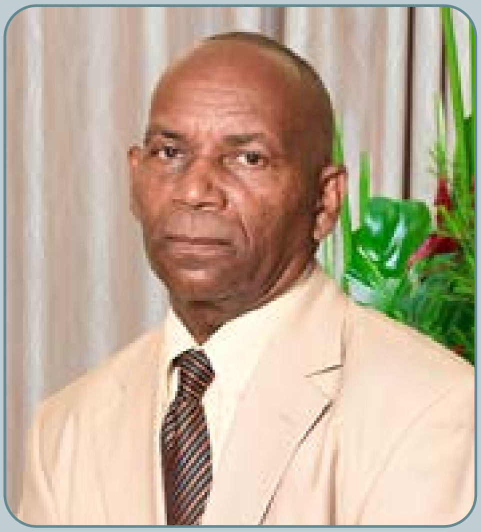
HELEN PASCAL - DIRECTOR

LEON LEBLANC - DIRECTOR

EVANNAH EMANUEL - DIRECTOR

COLBERT PINARD - DIRECTOR

JOY ROBERTS - **DIRECTOR**



BENTLEY ROYER - DIRECTOR

CLEVILLE MILLS - DIRECTOR

MEMBERS OF THE BOARD OF DIRECTORS

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

CONTACT DETAILS

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

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

MEMBERS OF MANAGEMENT

MARIE-THERESE JOHNSON
General Manager (up to June 11,2023)

MATHILDA JOHN-ROSE
General Manager Ag.(from June 12, 2023)
Executive Manager Operations

TAMMY JEAN-JACQUES
Chief Financial Officer

NICHOL AZILLE-FAUSTIN
Head of Credit

SAUDIA CYRUS
Legal Officer

HERMINA ALBERT
Senior Manager, HR and Administration

GLENROY ELOI
Manager, Industrial Estates (Ag)

RUBY XAVIER
Manager, Recoveries (Ag)

PATRICIA SHILLINGFORD-CHAMBERS
Manager Credit (Ag)

MANAGEMENT TEAM

Ms. Marie-Therese Johnson	-	General Manager (Up to June 11, 2023)
Mrs. Mathilda John-Rose	-	General Manager (Ag) (From June 12, 2023) Manager Executive Manager Operations
Ms. Tammy Jean-Jacques	-	Chief Financial Officer
Mrs. Nichol Azille-Faustin	-	Head of Credit
Mrs. Hermina Albert	-	Senior Manager, Human Resource and Administration
Mrs. Patricia Shillingford-Chambers	-	Manager Credit (Ag.)
Mrs. Ruby Xavier	-	Manager Recoveries (Ag.)
Mr. Glenroy Eloi	-	Manager Industrial Estates (Ag.)
Mrs. Pamela McAlmont-Pogson	-	Risk and Compliance Officer
Ms. Saudia Cyrus	-	Legal Officer

OFFICE OF THE GENERAL MANAGER	
MARIE-THERESE JOHNSON	General Manager (up to June 11, 2023)
MATHILDA JOHN-ROSE	General Manager (Ag) (From June 12, 2023) Executive Manager, Operations
MEKELLE QUAMMIE	Secretary to the General Manager/Board
CREDIT	
NICHOL AZILLE-FAUSTIN	Head of Credit
PATRICIA SHILLINGFORD-CHAMBERS	Manager Credit (Ag)
ADRIAN THOMAS	Credit Officer (Ag)
GEORGINA EDWARDS	Credit Officer (Ag)
SHERNELL VICTOR	Loans Administrative Officer
KESTAR TOUSSAINT	Intern – Credit Department
MERISSA GABORY	Intern – Credit Department
RECOVERIES	
RUBY XAVIER	Manager, Recoveries (Ag)
KENNETH ALBERT	Recoveries Officer
KERRY SHILLINGFORD	Recoveries Officer
LESTER FRANK	Intern – Recoveries Department
LERIQUE HONORE	Intern – Recoveries Department
WHITNEY JNO. BAPTISTE	Intern – Recoveries Department
KERLAN AUGUSTINE	Intern – Recoveries Department
BUSINESS DEVELOPMENT	
JOSEPHINE DECHAUSAY TITRE	Marketing & Communications Officer
BERTILIA BETHEL-JAMES	Agricultural Development Officer
NIKITA LAURENT	Receptionist
FRANKA ROYER	Customer Service Representative
SHERLYN EDWARDS	Intern – Business Development Unit
RISK AND COMPLIANCE	
PAMELA MCALMONT-POGSON	Risk and Compliance Officer
NIGEL BREWSTER	Administrative Assistant, Internal Audit & Risk
FINANCE AND ACCOUNTS	
TAMMY JEAN-JACQUES	Chief Financial Officer
ANDREA DUPIGNY	Accountant (Ag)
SHARNITA THOMAS	Accounting Assistant
CONLEE JNO JULES	Accounting Clerk
ADRIAN JOSEPH	Teller
NICOLE GEORGE	Intern – Finance and Accounts Department
AMY WRIGHT	Intern – Finance and Accounts Department
HUMAN RESOURCE AND ADMINISTRATION	
HERMINA ALBERT	Senior Manager Human Resource & Administration
GABRIEL NICHOLS	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
NATASHA WINSTON	Legal Secretary
SHERNIA SERAPHIN	Intern - Legal Department
SHEVONNE WILLIAMS	Intern - Legal Department
INDUSTRIAL ESTATES	
GLENROY ELOI	Manager, Industrial Estates (Ag)
SHANIQUE AFRICA	Intern – Industrial Estates Department
KELVIN COIPEL	Maintenance Attendant

CHAIRMAN'S STATEMENT

Dear Shareholders,

The year 2022 into 2023 continued to show visible signs of economic recovery, post the Covid-19 pandemic. Based on the ECCB's Annual Economic and Financial Review, economic activity in Dominica increased by 5.9% in 2022, with a positive outlook to pre-pandemic level in 2023. This performance was led by an upsurge in the tourism sector following prior years decline, and expansion in activities in the productive sectors of manufacturing, agriculture and transportation.

Global indicators however continue to direct us to the presence of geopolitical factors such as the war in Ukraine, slowing global economies, a surge in global commodity prices and climate change risks.

The Honourable Minister for Finance, Economic Development, Climate Resilience and Social Security, in his 2023/24 National Budget Address, underscored the call by the Honourable Prime Minister for a "National Reset" in light of our present-day circumstances and the environment in which we operate. We are called to change the way we operate in order to sustain our investments and gains, and to traverse through these global challenges.

The AID Bank, a major driver of economic growth, continues to demonstrate its commitment towards Government's objectives through greater focus on productive sector development, and economic, financial, social and environmental sustainability.

In December 2021, the Government of Dominica, through the Caribbean Development Bank, made available to the AID Bank a line of credit valued at EC$27.8 million to provide support to Micro, Small and Medium-sized Enterprises (MSMEs). I can report that at the end of June 30, 2023, a total of $16.35 million or 58.8% of the amount has been committed to the productive sectors of agriculture, tourism, manufacturing, transportation and services. We have seen the emergence of new businesses and the expansion of existing ones, which have created additional jobs and economic growth in the key sectors.

The Kalinago Development Fund which was established by the Government of Dominica at the AID Bank in March 2022, continues to show remarkable growth with the development of micro, small and medium-sized businesses in the Kalinago Territory. This timely initiative demonstrates the vision of the Honourable Prime Minister to reduce unemployment, achieve economic stability and improve the standard of living of the Kalinago people.

The Industrial Estate properties, the AID Bank's second largest investment portfolio continue to serve its purpose through the provision of appropriate space at subsidized rental rates to the economic sectors of Dominica. By the end of June 30, 2023, the market value of these properties increased by 11.13% from $65.5 million to $72.5 million with a total of 1,291 persons employed in various enterprises within the estates. As part of our development focus, the Bank will undertake a major beautification project of the Canefield Industrial Estate, thereby creating the environment to attract high end clients especially in the ICT and manufacturing sectors.

As Chairman, I can report that by the end of the financial year, June 30, 2023, the AID Bank again saw improvement in its Statement of Financial Position brought about by an increased value of its investment properties and a stronger equity position.

For the year ended June 30, 2023, the Bank's continued efforts at management of its loan portfolio and the enhanced value of its investment properties realized an overall total comprehensive income of $1.2 million.

The Bank is mindful of the need to remain focused and not to become complacent. As we move towards the end of our Strategic Plan 2020 to 2024, into a new Strategic period, we will continue to embrace the Government's call for a "National Reset". With an enhanced Marketing Plan, the Bank will strengthen its Public/Private sector Partnership particularly in the areas of tourism, manufacturing, agriculture, fisheries and investments. We will focus on increasing our market share in the areas of renewable energy and energy efficiency; and with the International Airport which is now under construction, the Bank will work with clients who are interested in increasing the country's hotel stock. We will invest in culinary arts, promote the blue and green economies, and export promotion and import substitution mechanisms. We will engage development and investment partners as we seek to fulfill our mandate.

The Bank's non-performing portfolio continues to be a challenge. During the next financial year, the Bank will embark on a drive to reduce the level of delinquency. Unfortunately, there are some customers who continue to be delinquent. We therefore call on you to make good on your promise to settle your debt. The Bank will endeavour to undertake an aggressive recovery drive.

During the last Annual General Meeting, the AID Bank launched its upgraded website which provides another option in accessing reliable information. This platform is dynamic in nature and enhancements are continuously being made to address customers' needs.

Our employees remain our most important resource, therefore we will focus on organisational efficiency through adequate human resource capacity, staff training and development, and staff health and wellness. Operational efficiency will continue to be enhanced through cost containment, focus on customer service excellence, enhanced internal procedures, business continuity and continue our corporate social responsibility.

The AID Bank acknowledges the valuable support of the Government of Dominica, who continues to utilize the Bank as a key vehicle towards economic development. We are thankful for the confidence placed in the AID Bank and assure you that we will continue to undertake these objectives with vigour and endurance.

Sincere gratitude is expressed to the Honourable Prime Minister who manifests effective leadership towards the growth and development of the economy. We thank you for your timely interventions in ensuring that funds are made available to the Bank. To the Honourable Minister for Finance, Economic Development, Climate Resilience and Social Security, Dr. Irving McIntyre, we are grateful for your presence and guidance in the delivery of regulatory and financial support to the AID Bank.

The Financial Secretary, Ms. Denise Edwards, you continue to provide valuable support in ensuring that the Bank is in compliance and adherence to good corporate governance. Your continued interest in the Bank demonstrates your commitment and unwavering support to the Bank as we seek to work towards the advancement of the economic prosperity of Dominica.

We are grateful to the Dominica Social Security our minority shareholder, for your commitment in seeking to address the challenges faced by the AID Bank as a development financial institution.

I wish to acknowledge and express my sincere gratitude to my fellow directors who serve the AID Bank and the country by extension with distinction and dedication. The Bank appreciates your commitment and relentless pursuit for an AID Bank that will always be at the service of its customers; for an AID Bank that will regain its prominence in the environment in which we operate.

To the management and staff of the Bank, we are grateful for your committed and dedicated service. Thanks for your contribution to nation building.

We thank most sincerely our customers who have partnered with us towards the growth of the productive sectors. We reassure you that our best efforts will be place towards your service and shall continue to provide affordable quality products to satisfy your ever changing needs.

We remain thankful to God the Almighty, for His blessings on the Bank and the Commonwealth of Dominica.

I end by providing the assurance to the Government of Dominica, that the AID Bank embraces the call for a National Reset - to change with the global reality and navigate through the global challenges by working harder towards the path of resilience and sustainable development.

DAIDB FIVE-YEAR HIGHLIGHTS AT A GLANCE

INCOME STATEMENT	2023 XCD ('000)	2022 XCD ('000)	2021 XCD ('000) Restated	2020 XCD ('000) Restated	2019 XCD ('000) Restated
Interest Income	6,182	5,946	6,828	8,321	7,740
- Interest Expense	3,749	3,847	3,758	4,446	4,656
= Net interest Income	2,433	2,099	3,070	3,875	3,084
+ Other Operating Income Net	2,461	2,191	2,722	1,770	1,796
- Other Operating Expenses					
- Staff Costs	2,721	2,576	3,010	3,156	2,992
- Administrative Costs	2,789	2,635	2,410	2,466	2,666
= Operating Income/(Loss)	(616)	(921)	372	23	(778)
+ Income on Insurance Claim	0	0	0	0	13
+ Increase/(decrease) in fair value of properties	3,129	5,806	10,449	(5,029)	20,822
- Impairment on properties/loss on disposal	0	0	0	334	61
- Impairment loss/(recovery) on financial assets	1,314	3,170	7,045	(4,450)	760
= Net profit/(Loss)	1,199	1,715	3,776	(890)	19,236
BALANCE SHEET	**2023 XCD ('000)**	**2022 XCD ('000)**	**2021 XCD ('000)**	**2020 XCD ('000)**	**2019 XCD('000)**
Assets					
Cash and Balances with Central Bank	1,054	1,158	727	148	10
+ Deposit with Other Banks	7,509	8,038	4,512	6,382	17,343
+ Investments [Net of Impairment]	1,009	1,022	1,015	997	1,420
+ Investment Properties	72,822	65,529	63,665	53,496	58,179
+ Loans [Net of Impairment]	149,807	150,445	149,901	153,830	149,480
+ Other	12,191	16,476	12,892	13,061	13,235
= Total Assets	244,392	242,668	232,712	227,914	239,667
Liabilities					
Deposits	7,645	6,358	6,959	6,785	7,563
+ Borrowings	138,550	139,183	131,366	132,017	141,166
+ Other Liabilities	13,563	13,442	14,812	11,500	12,185
+ Equity	84,634	83,685	79,575	77,612	78,753
= Total Liabilities and Equity	244,392	242,668	232,712	227,914	239,667
OTHER INFORMATION	**2023 XCD ('000)**	**2022 XCD ('000)**	**2021 XCD ('000)**	**2020 XCD ('000)**	**2019 XCD ('000)**
Loan Approvals ('000)	17,913	14,519	25,649	16,690	18,920
Loan Disbursements ('000)	14,626	15,646	20,369	12,844	16,391
Estimated Number of Jobs Created	2,286	694	3,096	1,174	518
Industrial Estate Employment	1,291	1,265	993	787	874
Return on Equity (per cent)	1.42	2.05	4.75	-1.15	24.43
Return on Assets (per cent)	0.49	0.71	1.62	-0.39	8.03
Loan Provisions as per cent of Portfolio	8.59	7.87	10.94	12.81	17.86
Loan Provisions as per cent of NP Portfolio	27.69	25.07	31.39	31.23	45.00

According to the Eastern Caribbean Central Bank, Annual Economic and Financial Review for the year ended December 2022, economic activity in the Commonwealth of Dominica grew by 5.9 per cent in 2022, which represented the second consecutive growth following the Covid-19 pandemic. Economic expansion was seen in the tourism, manufacturing, agriculture, wholesale and retail trade, and the transportation sectors. Economic expansion continued into the first half of 2023 relative to the comparative period in 2022. The tourism sector continued to registered strong growth due to an increase in visitor arrivals even to pre-Covid-19 levels. Economic growth was also reflected in the manufacturing sector.

For the year ended December 2022, the tourism sector registered a strong growth of 175.0 per cent compared to a contraction of 14.1 per cent the previous year. Stay-over arrivals registered 60,422 in 2022 compared to 14,728 in 2021. Noticeable visitor arrivals were seen originating from the United States and the French West Indies markets. Additionally, the number of cruise ship passenger arrivals increased to 180,125 in 2022 compared to 50,829 in 2021. Similarly, yacht passenger arrivals increased to 5,932 in 2022 compared to 540 in 2021. By June 2023, overall visitor arrivals increased to 219,600, an 81.0 per cent increase compared to the same period the previous year. This was due to an increase in the number of visitors across all categories of arrivals.

Activity in the agricultural sector increased by 5.4 per cent for the year ended December 2022 which was a slower growth rate than the 24.4 per cent registered in 2021. By the first half of 2023, the production of non-banana agricultural products is estimated to have increased relative to the output as at June 2022, while banana output is estimated to have declined due to the impact of the Black Sigatoka disease.

Value added in the manufacturing sector rose by 20.0 per cent for the year ended December 2022 due to increased production of soap and beverages. By June 2023, output in the manufacturing sector registered strong growth. This was triggered by a 46.0 per cent increase in the production of beverages and a 24.5 per cent increase in the production of paints.

For the year ended December 2022, activity in the construction sector declined by 2.8 per cent due to a reduced execution of the public sector investment programme and a slowdown in private sector activity. The trend continued into the first half of 2023 when construction activity is estimated to have declined by June 2023. Capital expenditure in the public sector projects declined as some public projects such as the Roseau and Marigot Fisheries Complexes and other infrastructural rehabilitation projects concluded. Conversely, construction in the private sector projects expanded moderately due to an increase in the number of residential starts and on-going construction of some CBI funded projects.

Due to the increase in global energy and food prices, estimates of consumer prices pointed to a 9.6 per cent increase in the rate of inflation in 2022 which was 6.0 per cent higher than the previous year. The main areas of inflation were housing, water, electricity, gas and other fuels, transport and food. By June 2023, the annual rate of inflation was 3.6 per cent for the 12 months, which follows an increase of 9.0 per cent as at June 2022. The rise in prices was associated with increases in the prices of food and non-alcoholic beverages, and transport.

At the end of the calendar year 2022, the financial operations of the Government of Dominica resulted in an overall surplus of $63.6 million or 3.8 per cent of GDP. This was an improvement from the deficit of $96.4 million or 6.4 per cent of GDP which was registered the previous year. The result in 2022 was due to a reduction in expenditure in both the current and capital accounts. At the end of 2022, capital expenditure fell by $241.6 million to $193.1 million or 11.7 per cent of GDP, due to lower execution of public sector investment programme. The current account surplus fell from $275.6 million to $187.7 million or 11.4 per cent of GDP at the end of 2022. The decline in the surplus was due to lower non-tax revenue as a result of lower inflows from the Citizen by Investment Programme. Tax revenue increased by $4.2 million to $345.6 million or 21.0 per cent of GDP due to greater tax receipts from VAT. Overall, current revenue declined by $118.8 million to $749.9 million or 45.4 per cent of GDP. Current expenditure declined by $30.8 million to $562.2 million or 30.0 per cent of GDP due to lower spending on goods and services and personal emoluments.

By the end of June 2023, the fiscal deficit narrowed to $28.4 million which was a significant improvement in the deficit of $101.9 million recorded in the corresponding period in 2022. The improvement in the overall balance was influenced by a large reduction in capital expenditure by 78.2 per cent to $75.7 million, due to a slow down in public works on a number of projects.

The Eastern Caribbean Central Bank, Economic and Financial Review, June 2023 projected an acceleration in economic activity in Dominica for the remainder of 2023. Increased activity in the tourism sector is expected, together with continued implementation of the government's large public investment programme. Construction activity is expected to gain momentum into the latter half of 2023 due to investment in resilient infrastructure, continued construction of the international airport, the geothermal power plant, the new marina, road and bridge network and the Roseau Enhancement project. These investments are expected to have spill-over effects in other sectors of the economy. Increased output is expected in the agricultural sector given the initiatives outlined in the 2023/24 National Budget.

The report informed that the risks to economic growth are; the possible negative impact on inflows from the Economic Citizenship Programme due to the imposition of visa requirement by the UK, which could slow down the execution of some public projects. Additionally, on-going exposure to plant diseases could impact the agricultural sector. Lastly, Dominica remains vulnerable to external shocks such as adverse weather and downturns in the economies of development partners and major tourism sector markets.

CREDIT OPERATIONS

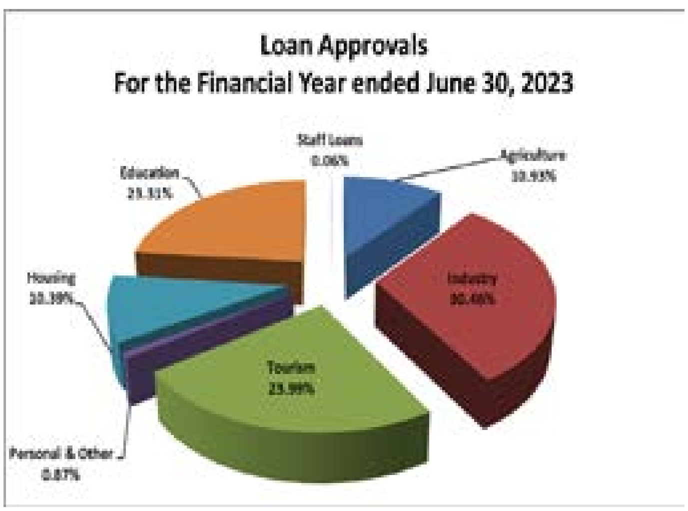
Loan Approvals

For the financial year ended June 30, 2023, three hundred and fifteen (315) loans were approved with a total value of $17.91 million. Industry loans valued at $5.46 million or 30.46 per cent and Tourism loans valued at $4.30 million or 23.99 per cent combined accounted for 54.45 per cent of the total approvals for the period.

Loan approvals for the year ended June 30, 2023 were 23.38 per cent higher than the corresponding period ended June 30, 2022 when an amount of $14.52 million was approved.

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

GRAPH 1



Loan Disbursements

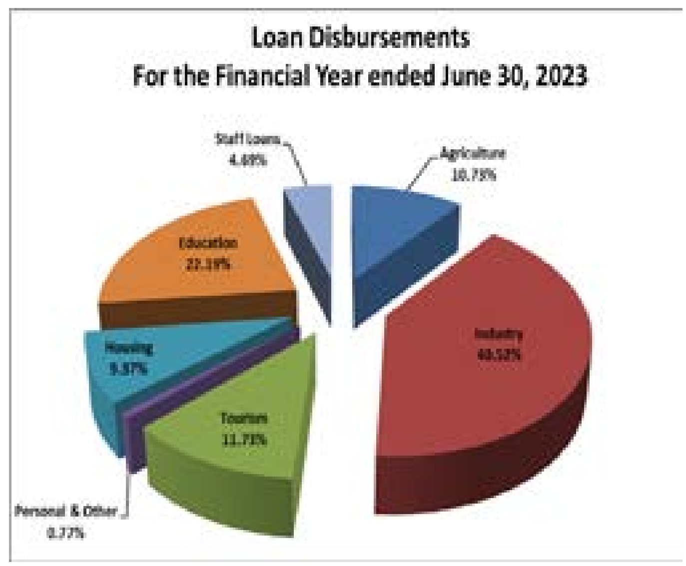
For the financial year ended June 30, 2023, loan disbursements totalled $14.63 million. This amount was lower than the disbursements for the corresponding period ended June 30, 2022 by 6.52 per cent, when an amount of $15.65 million was disbursed.

Disbursements for the year under review were made primarily in the Industry Sector with a value of $5.73 million or 39.19 per cent and Education Sector with a value of $3.14 million or 21.46 per cent.

The Bank also disburses Student Loan funds on behalf of the Government of Dominica. As at June 30, 2023, a total of $8.51 million has been disbursed under this facility.

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

GRAPH 2



Loan Rescheduling

The Bank remained committed to fulfilling its social responsibility by continuing to respond to the needs of customers towards the effective implementation of their ventures.

For the period under review, one hundred and ten (110) loans valued at $9.97 million were approved to be rescheduled. In comparison, for the twelve months ended June 30, 2022, one hundred and thirty (130) loans valued at $23.76 million were approved to be rescheduled.

Non-Performing Loans

The Bank continues to focus on improving the quality of the loan portfolio resulting in a significant reduction of $20.41 million in its non-performing loans over the past four (4) year strategic period.

As at June 30, 2023, the total Non-performing Portfolio evidenced a decrease of 0.54 per cent or a value of $0.67 million when compared to June 30, 2022.

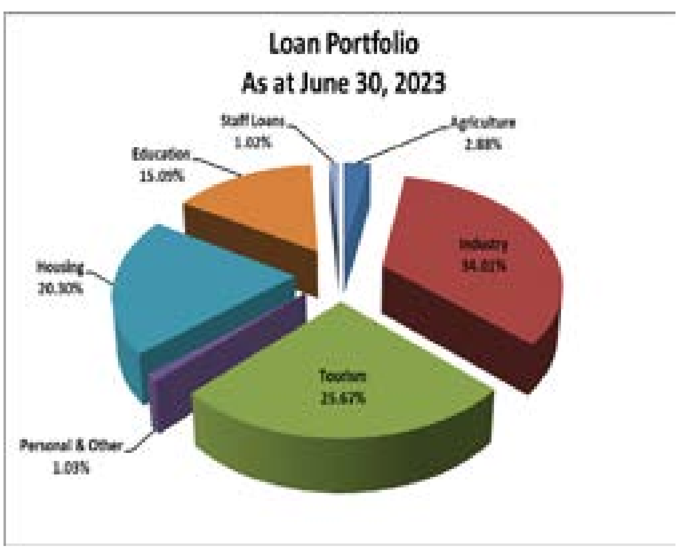
With respect to the distribution of this portfolio, the Tourism Sector accounted for the highest percentage at 44.84 per cent. The Industry sector contributed the second highest at 39.78 per cent. Year on year improvements were recorded in all sectors with the Agriculture sector recording the most significant reduction of 4.22 per cent for the financial year.

Loan Portfolio

At the end of the financial year ended June 30, 2023, the Bank's loan portfolio totalled $156.64 million compared to $156.12 as at June 30, 2022. The loan portfolio represents an increase of 0.33 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, 2023.

GRAPH 3



FUNDING

The financial year ended June 30, 2023, saw continued economic recovery following periods of contraction due to the challenges and restrictions from the Covid-19 pandemic. The Bank continued its role towards the recovery process by injecting low cost funding into the productive sectors which reflected growth in the major sectors into the second half of the 2023.

Government of Dominica

The AID Bank demonstrates its commitment towards the Government of Dominica's objectives, by promoting and influencing economic development and mobilizing funds for the purpose of such development.

The Bank continued the disbursement of concessionary funds into the economy to provide support to Micro, Small and Medium-sized Enterprises (MSMEs). By the end of the June 30, 2023 financial year, a total of $16.35 million or 58.8% of the amount approved of $27.8 million has been committed to the productive sectors of agriculture, tourism, manufacturing, transportation and services. The Bank saw the emergence of new businesses and the expansion of existing ones in several communities across Dominica. This has created employment and enterprises thus reducing the unemployment rate in the country.

The Kalinago Development Fund which was introduced in March 2022 continues to show positive results with the development of new and existing businesses within the Kalinago Territory. The funds are being on-lent at 2 per cent 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. To date a total of $1.36 million has been injected towards the development of our indigenous people under this line of credit.

Caribbean Development Bank

The Caribbean Development Bank provides consistent oversight, guidance and technical support to the AID

Bank, particularly in the execution of their lines of credit.

AID Bank now has in place a Climate Change Policy and Procedures and Climate Risk Screening Tools which were executed from grant funding from the CDB. The Bank is cognizant of the impact of climate change and has embraced the opportunity provided by the Caribbean Development Bank towards formalizing its assessment and mitigation measures.

In February 2024, AID Bank will commence consultancy services towards the development of an Environmental and Social Policy, which was made possible from grant assistance from the CDB. This approach is intended to integrate environmental and social considerations into the Bank's Investment Policies and Procedures.

CDB has also provided grant support to the AID Bank to develop 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. This process will also commence within the next financial year.

European Investment Bank

The European Investment Bank remains a valued partner to the AID Bank by providing oversight, and financial and technical support. EIB continued its intervention through the provision of institutional strengthening assistance in the areas of strategic planning support, project appraisal, risk and liquidity management and debt recovery strategies.

CARICOM Development Fund

The CARICOM Development Fund is considered to be a pillar of support to the AID Bank by providing both financial and technical assistance. Through grant assistance, AID Bank will continue its Business Continuity Program which includes risk assessment, development of a Business Continuity Plan, testing, training and implementation of the Plan.

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 with support from the CARICOM Development Fund.

HUMAN RESOURCE AND ADMINISTRATION

The effective management of the Bank's human resources continues to be a priority to ensure that its strategic goals and objectives are achieved. During the year under review, the Bank strengthened its human resource capacity through staff recruitment; training and development; prioritizing health and wellness; and ensuring a safe work environment. Employees benefited from training in Environmental and Climate Change; Managing and Administering Illness; Absences and Medical Severance; Anti-money Laundering; Digital and Social Media Marketing; Customer Service; and Financial Literacy and Management.

With the objective of promoting health and wellness, the Bank supported programmes for its employees, such as health talks and encouraging healthy eating habits.

The Bank continued to partner with the National Employment Programme towards the development of young persons. During the year under review, two (2) additional interns were assigned to the Bank. We have also supported training programmes organised by the Youth Development Division with the engagement of four (4) interns during the period, under a job attachment programme.

At the end of the period, the Bank's staff complement totalled forty-three (43) employees, inclusive of twelve (12) interns.

MANAGEMENT INFORMATION SYSTEMS

The Management Information Systems Department provides support to the operations of the Bank by utilizing modern technology towards the achievement of an efficient organisation. The enhanced platforms enable decisions to be made in a timelier and more efficient manner across the various departments, whilst giving access to relevant and accurate information.

The Department expanded the number of virtual machines thereby offering a higher level of reliability and availability. Resources were streamlined via virtual machines which offer enhanced data throughput and enable more efficient backups.

Work continued towards the movement of the Bank's backup system to cloud base which is a safer and easier mechanism to operate. There will also be the added benefit of recovery of lost or corrupted files and protection from potential data disaster.

The Bank also launched its new and enhanced website which provides updated information to the public and allows customers to digitally interact with the Bank.

The MIS and the Human Resource Department are at an advanced stage towards the procurement of an HRIS system which will provide an automated and integrated system to numerous processes within the Human Resource Department. The HRIS system will allow for an enhanced and more efficient management of the Bank's human resource administrative functions.

The consultancy for the implementation of the Bank's Business Continuity Plan to include Information Technology, Disaster Recovery Policy and Procedures, is scheduled to commence in February 2024 given that all the mechanisms have been finalized. The Bank looks forward to the implementation of this Plan.

INDUSTRIAL ESTATES

The Industrial Estates operation compliments the AID Bank's objectives of promoting and influencing economic development by providing affordable space to enterprises, with the goal of increasing production, creating employment, promoting exports and generating foreign exchange. This service also supports the Government of Dominica's overall objective of sustainable economic growth and development.

The Industrial Estates Department which is strategically located in the Canefield Industrial Estate, manages four (4) estates namely; Canefield, Picard, Geneva and Hertford (Jimmit) Industrial Estates. The Canefield Industrial Estate, the most developed, comprises of seventeen (17) industrial buildings, in addition to land space for rent.

By the end of the financial year, June 30, 2023, there were, one thousand, two hundred and ninety one (1,291) persons employed within the various enterprises on the estates, with a single employer within the ICT sector contributing 79.86 per cent or one thousand and thirty one (1,031) to the total work force. When compared to the previous year ended June 30, 2022, there were, one thousand two hundred and sixty five (1,265) persons employed at the estates, an increase of 2.06 per cent over the period.

The Industrial Estates operation continues to demonstrate its viability in terms of contribution to GDP, increasing investment property value and profitability. By the end of the June 30, 2023 financial year, the property value increased by 11.13 per cent, from $65.5 million to $72.8 million. The increase in property value, in addition to operating income resulted in an overall net profit in the Industrial Estate operation of $3.36 million as at June 30, 2023, an increase of 46.24 per cent over the amount of $2.3 million registered the previous year.

Focus into the next financial year will be placed on landscaping and beautification of the Canefield Industrial Estate.

PART III OTHER ACTIVITIES

FINANCIAL DATA SYSTEMS LIMITED (FDSL)

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

During the period under review, FDSL continued the update and development of the software, including creation and testing of reporting mechanism for AML compliance.

The company also focused on the provision of user support to the clients who converted to the upgraded version of DPAC, and providing training for existing users. Plans for the new financial year include continued update to the platforms in which the software operates.

PART IV CORPORATE SOCIAL RESPONSBILITY

The AID Bank's corporate social responsibility programme is demonstrated through our contribution which supports the needs of the society. Our presence was felt during the year under review where a significant impact was made in the areas of:

- Financial inclusion: We continue to promote financial inclusion by supporting initiatives that provide access to financial services for underserved and marginalized communities. This includes support to developing innovative financial products tailored to the needs of low-income individuals and small businesses. We are an active participant of the Eastern Caribbean Central Bank's, Financial Information Month where promotion of financial literacy is provided to the public. Our support continues to the President's Charities Foundation to assist this organisation in meeting its philanthropic obligations.

- Environmental sustainability: AID Bank plays a crucial role in promoting environmentally sustainable practices by incorporating environmental and social considerations into our investment decisions. These involve promoting energy efficiency, and investing in clean technologies that mitigate climate change and reduce environmental impact. We continue to support environmental projects such as the maintenance and beautification of the E.O LeBlanc Highway in Pottersville through our 'Adopt-a-Road' initiative.

- Social development and capacity building: We contribute to the development of social activities such as healthcare to include cancer walk and medical surgery; support to education such as numerous school graduations and award ceremonies; and the promotion of culture through donations to cultural activities throughout the island. We also support capacity building initiatives aimed at enhancing the skills and knowledge of local communities, particularly in areas such as entrepreneurship and good agricultural practices.

By integrating corporate social responsibility into our operations, AID Bank has contributed to positive social and environmental outcomes while also enhancing our own sustainability and reputation. These efforts have helped build trust with stakeholders, attract investment, and ultimately contribute to the long-term relationship with communities.

PART V FINANCIAL PERFORMANCE

Net Profit

The AID Bank recorded a net profit of $1.17 million for the financial year ended June 30, 2023. This figure was 151.58 per cent more than the net loss of $2.27 million recorded in 2022 as indicated in the table below.

Total comprehensive income was $1.20 million for the year under review or 30.08 per cent less than the total comprehensive income of $1.7 million recorded for the preceding financial year.

The key contributing factor to this performance was the year-on-year significant increase in the Bank's revalued Investment Properties given that one (1) lot which was vacant in the previous year became partially occupied and was reclassified as part of its portfolio of investment properties in financial year 2023.

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

per cent when compared to the previous financial year.

Administrative Expenses of $1.17 million increased by 21.06 per cent in comparison to the previous year.

Total operating expenses of $9.26 million were 2.20 per cent higher than the $9.06 million from June 2022.

	2023 – XCD	2022 – XCD
Interest income	6,181,736	5,946,740
Other operating income	2,461,359	2,190,915
Total income	8,643,095	8,137,655
Interest Expense	(3,748,608)	(3,847,772)
Staff Costs	(2,720,579)	(2,575,969)
Administrative Expenses	(1,167,666)	(964,504)
Factory sheds expenses	(721,290)	(705,567)
Other operating expenses	(578,328)	(611,402)
Depreciation	(321,756)	(353,678)
Total expenses	(9,258,227)	(9,058,892)
Net loss from Operations before the following income/(charges):	(615,132)	(921,237)
Increase in Fair Value of Investment Properties	3,099,172	1,823,453
Impairment Losses on Loans and Receivables	(1,314,466)	(3,169,671)
Net Profit/(Loss)	1,169,574	(2,267,455)
Revaluation excess on property, plant and equipment	29,710	3,982,595
Total Comprehensive Income	1,199,284	1,715,140

Income

Total income recorded for the financial year was $8.64 million, which was 6.21 per cent higher than the $8.14 million achieved in 2022.

Interest income increased by 3.95 per cent and other operating income also increased by 12.34 per cent from the previous financial year.

Expenses

Financial Expenses of $3.75 million were 2.58 per cent lower than the previous year's $3.85 million with decreases being recorded in all items of expenditure in this category. The largest portion of the decrease was related to a reduction in commitment fees as the Bank continued to draw down on funds from existing lines of credit in the amount of $9.36 million during the financial year.

Total staff expenses of $2.72 million increased by 5.61

Assets

At June 30, 2023, assets totalled $244.39 million representing a 0.71 per cent increase from the previous year's $242.67 million.

The major component of assets, net loans and advances valued at $149.81 million registered a 0.42 per cent decrease from the previous year's $150.45 million but adequately offset total long-term liabilities of $138.55 million.

Net loans and advances comprised of a principal outstanding of $156.69 million - (2022: $156.12 million) and interest receivable of $7.19 million – (2022: X$7.18 million) less loan provision of $14.07 million – (2022: $12.85 million).

The long-term debt to equity ratio of 1.64:1 was within the suggested range for the industry of 4:1.

Cash in current and operating account, and short-term investments totalled $7.51 million, which was 6.58 per cent lower than the previous year's $8.04 million.

Other receivables of $2.02 million were 1.09 per cent less than last year's $2.04 million. Other receivables include the Industrial Estate tenants' rental arrears; insurance premiums, legal and other fees paid on behalf of clients; and a short-term loan to Financial Data Systems Limited (FDSL).

Net investments in treasury bills, Government debentures and shares in companies totalled $73.42 million, of which $72.82 million represents Investment Properties. Net Investments were 11.01 per cent more than last year's $66.14 million.

Net total fixed assets of $10.17 million were 29.53 per cent lower than last year's $14.44 million given that one (1) lot valued at $4.00 million which was vacant in the previous year and classified as Property, Plant and Equipment became partially occupied and was reclassified as part of the portfolio of investment properties in financial year 2023.

Liabilities

Total liabilities were $159.76 million, which was 0.49 per cent more than last year's $158.98 million.

Due to customers was $7.64 million which was 20.24 per cent higher than the $6.36 million in the previous financial year.

Borrowed funds of $138.55 million registered a net decrease of 0.45 per cent from last year's $139.18 million.

Shareholders' Equity

Shareholders' Equity of $84.63 million increased by 1.13 per cent from the previous year's $83.69 million.

Retained Earnings of $5.65 million increased by 14.32 per cent for the financial year ended June 30, 2023 when compared to $4.94 million in 2022, largely as a result of the upward valuation of the investment properties stemming from the reclassification of one (1) lot from Property, Plant and Equipment to Investment Properties during the financial year.

Dominica Agricultural Industrial & Development Bank STAFF

DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

June 30, 2023

[Expressed in Eastern Caribbean dollars]

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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, 2023, and the statement of changes in equity, statement of comprehensive income, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at June 30, 2023, 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 2023 Annual Report

Other information consists of the information included in the Bank's 2023 Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2023 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 2023 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Shareholders of Dominica Agricultural Industrial and Development Bank

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.

PKF
Accountants & business advisers

INDEPENDENT AUDITOR'S REPORT (CONT'D)

To the Shareholders of Dominica Agricultural Industrial and Development Bank

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

We communicate with 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
November 7, 2023

DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK
Statement of Financial Position
As at June 30, 2023
(Expressed in Eastern Caribbean Dollars)

	Notes	2023 $	2022 $
Assets			
Cash and balances with Central Bank	6	**1,053,927**	1,158,356
Treasury bills	7	**410,000**	410,000
Deposits with banks and other financial institutions	8	**7,509,323**	8,038,327
Financial assets measured at amortised cost	9	**183,728**	197,321
Loans and advances to customers	10	**149,806,866**	150,444,732
Financial assets measured at FVTPL	12	**414,899**	414,899
Investment properties	13	**72,822,070**	65,528,918
Property and equipment	14	**10,173,103**	14,435,795
Other assets	15	**2,017,656**	2,039,799
Total assets		**244,391,572**	242,668,147
Liabilities			
Bank overdraft	16	**167,769**	-
Due to customers	17	**7,644,624**	6,357,940
Borrowed funds	18	**138,550,271**	139,183,492
Provisions	19	**59,225**	316,342
Other liabilities	20	**13,335,434**	13,125,408
Total liabilities		**159,757,323**	158,983,182
Equity			
Share capital	22	**47,970,205**	47,970,205
Contributed capital	23	**4,260,371**	4,260,371
Revaluation surplus	24	**8,301,259**	8,351,646
Reserves	25	**18,455,074**	18,162,680
Retained earnings		**5,647,340**	4,940,063
Total equity		**84,634,249**	83,684,965
Total liabilities and equity		**244,391,572**	242,668,147

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 Comprehensive Income
As at June 30, 2023
(Expressed in Eastern Caribbean Dollars)

	Notes	2023 $	2022 $
Interest income	26	**6,181,736**	5,946,740
Interest expense	26	**(3,748,608)**	(3,847,772)
Net interest income		**2,433,128**	2,098,968
Other operating income	27	**2,461,359**	2,190,915
Other operating expenses	28	**(5,509,619)**	(5,211,120)
Net interest and other operating income		**(615,132)**	(921,237)
Increase in fair value of investment properties	13	**3,099,172**	1,823,453
Net impairment loss on financial assets	11	**(1,314,466)**	(3,169,671)
Net profit/(loss) for the year		**1,169,574**	(2,267,455)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Revaluation of land and buildings	14, 24	**29,710**	3,982,595
Total comprehensive income for the year		**1,199,284**	1,715,140

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, 2023
(Expressed in Eastern Caribbean Dollars)

	Notes	Share Capital $	Contributed Capital $	Revaluation Surplus $	Reserves $	Retained Earnings $	Total $
Balance as July 1, 2022		47,970,205	4,260,371	8,351,646	18,162,680	4,940,063	83,684,965
Net profit for the year		-	-	-	-	1,169,574	1,169,574
Other comprehensive income							
Revaluation of land and buildings	**14, 24**	-	-	29,710	-	-	29,710
Balance at June 30, 2023		-	-	29,710	-	1,169,574	1,199,284
Dividends	**31**	-	-	-	-	(250,000)	(250,000)
Transfer to statutory reserve	**25**	-	-	-	292,394	(292,394)	-
Amortisation of revaluation surplus	**24**	-	-	(80,097)	-	80,097	-
		-	-	(80,097)	292,394	(462,297)	(250,000)
Balance at June 30, 2023		**47,970,205**	**4,260,371**	**8,301,259**	**18,455,074**	**5,647,340**	**84,634,249**

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

DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Statement of Changes in Equity (Cont'd)
For the Year Ended June 30, 2023
(Expressed in Eastern Caribbean Dollars)

	Notes	Share Capital $	Contributed Capital $	Revaluation Surplus $	Reserves $	Retained Earnings $	Total $
Balance at June 30, 2021, as previously reported		47,970,205	1,616,030	4,450,783	18,729,544	8,455,143	81,221,705
Effect of prior period adjustment		-	-	-	-	(1,646,221)	(1,646,221)
Balance as July 1, 2021, as restated		47,970,205	1,616,030	4,450,783	18,729,544	6,808,922	79,575,484
Net loss for the year		-	-	-	-	(2,267,455)	(2,267,455)
Additions during the year	**23**		2,644,341				2,644,341
Other comprehensive income							
Revaluation of land and buildings	**14, 24**	-	-	3,982,595	-	-	3,982,595
Balance at June 30, 2022		-	2,644,341	3,982,595	-	(2,267,455)	4,359,481
Dividends	**31**	-	-	-	-	(250,000)	(250,000)
Transfer to statutory reserve	**25**	-	-	-	(566,864)	566,864	-
Amortization of revaluation surplus	**24**	-	-	(81,732)	-	81,732	-
		-	-	(81,732)	(566,864)	398,596	(250,000)
Balance at June 30, 2022		47,970,205	4,260,371	8,351,646	18,162,680	4,940,063	83,684,965

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, 2023
(Expressed in Eastern Caribbean Dollars)

	Notes	2023 $	2022 $
Cash flow from operating activities			
Net profit/(loss) for the year		**1,169,574**	(2,267,455)
Adjustments for:			
Net impairment loss on loans and receivables	11	**1,314,466**	3,169,671
Increase in fair value of investment properties	13	**(3,099,172)**	(1,823,453)
Depreciation	14	**321,756**	353,677
Interest income on investments	26	**(75,578)**	(55,901)
Interest expense and similar charges	26	**3,648,006**	3,712,572
Foreign exchange loss	28	**27,467**	56,902
Cash flows before changes in operating assets and liabilities		**3,306,519**	3,146,013
Increase in loans and advances to customers		**(665,193)**	(4,285,459)
Decrease in fixed deposits and investments		**13,593**	2,011,910
Decrease in other assets		**23,643**	81,290
Increase in due to customers		**1,286,684**	301,392
(Decrease)/increase in provisions		**(257,117)**	197,785
(Decrease)/increase in other liabilities		**(324,749)**	501,878
Cash generated from operations		**3,383,380**	1,954,809
Interest income received		**64,171**	628,305
Interest expenses paid		**(3,114,733)**	(3,138,189)
Net cash generated from/(used in) operating activities		**332,818**	(555,075)
Cash flows from investing activities			
Purchase of investment property	13	**(193,980)**	(40,139)
Purchase of property and equipment	14	**(29,352)**	(36,164)
Net cash used in investing activities		**(223,332)**	(76,303)
Cash flows from financing activities			
Proceeds from borrowed funds		**9,360,304**	15,458,984
Repayment of borrowed funds		**(10,020,992)**	(7,698,394)
Dividends paid		**(250,000)**	(250,000)
Net cash (used in)/generated from financing activities		**(910,688)**	7,510,590
Net (decrease)/increase in cash and cash equivalents		**(801,202)**	6,879,212
Cash and cash equivalents - beginning of the year	6	**9,606,683**	2,727,471
Cash and cash equivalents - end of the year	6	**8,805,481**	9,606,683

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/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 November 7, 2023.

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.

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

(a) Overall policy (cont'd)

Transactions and balances

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

(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 2023 financial year are as follows:

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended June 30, 2022, except for the adoption of the new standards and interpretations below.

Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use (Effective January 1, 2022)

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment ("PP&E"), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

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 2023 financial year are as follows (cont'd):

Amendments to IFRS 3 – Reference to the Conceptual Framework (Effective January 1, 2022)

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

Amendments to IAS 37 - Onerous Contracts, Costs of Fulfilling a Contract (Effective January 1, 2022)

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no impact on the Bank.

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

(c) New standards, amendments to standards and interpretations

(ii) New Accounting Standards, Amendments and Interpretations not yet effective and have not been adopted by the Bank are as follows:

Amendments to IAS 1 – Classification of Liabilities as Current and Non-Current (Effective January 1, 2023)

In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies (Effective January 1, 2023)

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

Amendments to IAS 8 - Definition of Accounting Estimates (Effective January 1, 2023)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

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

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

(ii) New Accounting Standards, Amendments and Interpretations not yet effective and have not been adopted by the Bank are as follows (cont'd):

Amendments to IAS 8 - Definition of Accounting Estimates (Effective January 1, 2023) (cont'd)

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error.

- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

Amendments to IAS 12- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Effective January 1, 2023)

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

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

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

(ii) New Accounting Standards, Amendments and Interpretations not yet effective and have not been adopted by the Bank are as follows (cont'd):

Amendments to IAS 12- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Effective January 1, 2023) (cont'd)

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities.
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset.
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

IFRS 17 - Insurance Contracts (Effective January 1, 2023)

In May 2017, the International Accounting Standards Board ("IASB") issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

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

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

(ii) New Accounting Standards, Amendments and Interpretations not yet effective and have not been adopted by the Bank are as follows (cont'd):

IFRS 17 - Insurance Contracts (Effective January 1, 2023) (cont'd)

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

Amendments to IFRS 4 – Extension of the Temporary Exemption for applying IFRS 9 changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after January 1, 2023.

(iii) Improvements to International Reporting Standards

The annual improvements process for the International Accounting Standards Board deals with non-urgent but necessary clarifications and amendments to IFRS. The following amendments are applicable to periods beginning on or after January 1, 2022.

Annual improvements to IFRS Standards 2018-2020 cycle

IFRSs – Subject of Amendment

IFRS 1	First-time Adoption of International Financial Reporting Standards Subsidiary as a first-time adopter.
IFRS 9	Financial Instruments – Fees in the '10 per cent" test for derecognition of financial liabilities.
IFRS 16	Leases – Lease incentives
IAS 41	Agriculture – Taxation in fair value measurements

These amendments had no impact on the Bank.

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

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

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

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

Debt Instruments

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

- Amortised cost;
- FVOCI; and
- FVTPL

Investments in debt instruments are measured at amortised 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.

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

(e) Financial instruments (cont'd)

Business model assessment

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

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

The stated policies and objectives for the portfolio and the operation are those 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 sole payments of principal and interest ("SPPI") test.

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

(e) Financial instruments (cont'd)

'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 amortised cost

Debt instruments are measured at amortised 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 amortised cost. Interest income on these investments is recognised 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. Amortised 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 amortised cost is calculated using the expected credit loss ("ECL") approach. Loans and debt securities measured at amortised cost are presented net of the allowance for credit loss ("ACL") in the statement of financial position.

Debt instruments measured at fair value through other comprehensive income

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

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

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

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

(e) Financial instruments (cont'd)

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.

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 recognised on equity instruments.

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

(e) Financial instruments (cont'd)

Impairment of financial assets (cont'd)

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).

<u>Stage 3: Lifetime ECL- credit impaired</u>

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 recognised and interest revenue is calculated by applying the effective interest rate to the amortised 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.

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

(e) Financial instruments (cont'd)

Impairment of financial assets (cont'd)

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 derecognised 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 realisation of any collateral. It is usually expressed as a percentage of EAD.

Forward looking information

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

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

(e) Financial instruments (cont'd)

Macroeconomic factors

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

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.

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

(e) Financial instruments (cont'd)

Presentation of allowances for ECLs (cont'd)

- Debt instruments measured at fair value through OCI and the ECLs are not recognised 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 recognised 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 derecognised 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 amortised cost and debt financial assets carried at FVOCI are credit impaired (referred to as "Stage 3 financial assets"). A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

- Significant financial difficulty of the borrower;
- A breach of contract such as default or past due events;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;

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

(e) Financial instruments (cont'd)

Credit impaired financial assets (cont'd)

- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for 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 realisation of collateral. In circumstances where the new realisable 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 derecognises the original financial asset and recognises a new one at fair value with any difference recognised 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 recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit and loss.

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

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

(h) Property and equipment (cont'd)

(iii) Depreciation

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

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

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

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

(i) Investment properties

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

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

(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).

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

(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.

(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.

- An equity conversion related to an amount of $2.6m paid by the Government of Dominica to a funding agency on the Bank's behalf during a one-year moratorium arrangement.

(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.

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

(q) Retained earnings

Retained earnings include all current and prior period results of operations as disclosed in the statement of comprehensive income.

(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.

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

(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.

(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 standings. 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 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, corporate guarantees and personal guarantees.

3. Financial risk management (cont'd)

(b) Credit risk (cont'd)

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.

(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 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 recognised 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:

	Loans and Advances (%)	Collective Impairment (%)	Individual Impairment (%)
2023			
Bank's rating			
1. Pass	60.68	-	5.16
2. Special mention	8.31	-	10.03
3. Sub-standard	0.13	-	0.22
4. Doubtful	0.50	-	2.41
5. Loss	30.38	-	82.18
2002			
Bank's rating			
1. Pass	62.43	-	5.50
2. Special mention	6.18	-	10.70
3. Sub-standard	0.10	-	0.64
4. Doubtful	0.56	-	3.64
5. Loss	30.73	-	79.52

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 2023 $	Maximum Credit Risk Exposure 2022 $
Treasury bills	**410,000**	410,000
Deposits with banks and other financial institutions	**7,509,323**	8,038,327
Financial assets measured at amortised cost	**183,728**	197,321
Loans and advances to customers:		
Demand loans	**120,086,256**	117,809,793
Mortgage loans	**29,720,610**	32,634,939
Other assets	**2,017,656**	2,039,799
	159,927,573	161,130,179
Credit risk exposure relating to financial asset off the statement of financial position		
Loan commitments	**3,359,241**	3,688,888
	163,286,814	164,819,067

The above table represents a worst-case scenario of credit risk exposure to the Bank at June 30, 2023 and 2022, 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, 91.74% (2022 - 91.28%) 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 the following:

- 68.99% (2022 - 68.61%) of the loans and advances portfolio is categorised in the top two grades of the internal rating system;
- 30.00% (2022 - 30.51%) 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:

	2023	2022
	$	$
Neither past due not impaired	**49,156,995**	49,828,340
Past due but not impaired	**63,900,140**	62,218,117
Impaired	**50,819,651**	51,248,070
	163,876,786	163,294,527
Less: Allowance for impairment losses	**(14,069,920)**	(12,849,795)
	149,806,866	150,444,732

The total impairment provision for loans and advances is $14,069,920 (2022 - $12,849,795) of which $11,933,714 (2022 - $10,769,053) represents the Stage 3 ECL and the remaining amount of $2,136,206 (2022 - $2,080,742) 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, 2023			
Grades			
1. Pass	**35,735,989**	**13,421,006**	**49,156,995**
June 30, 2022			
Grades			
1. Pass	34,872,755	14,955,585	49,828,340

(ii) Loans and advances past due but not impaired

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

	Demand Loans $	Mortgage Loans $	Total $
June 30, 2023			
Past due up to 30 days	**45,372,193**	**12,968,650**	**58,340,843**
Past due 30-60 days	**466,938**	**47,450**	**514,388**
Past due 60-90 days	**482,941**	**72,168**	**555,109**
Past due over 90 days	**3,728,007**	**761,792**	**4,489,799**
Total	**50,050,080**	**13,850,060**	**63,900,140**
June 30, 2022			
Past due up to 30 days	42,584,880	14,908,646	57,493,526
Past due 30-60 days	362,707	63,731	426,438
Past due 60-90 days	350,015	50,047	400,062
Past due over 90 days	3,549,111	348,980	3,898,091
Total	46,846,713	15,371,404	62,218,117

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.

(iii) Loans and advances individually impaired

The table below shows the individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held.

The breakdown of the gross amount of individually impaired loans and advances by class are as follows:

	Demand Loans $	Mortgage Loans $	Total $
June 30, 2023			
Stage - 3			
individually impaired loans	**46,065,962**	**4,753,689**	**50,819,651**
June 30, 2022			
Stage - 3			
individually impaired loans	46,859,967	4,388,103	51,248,070

(iv) Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a current status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of the Bank's management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans. Renegotiated loans that would otherwise be past due or impaired totaled $9,928,925 as of June 30, 2023 (2022 - $23,839,685).

(v) Repossessed collateral

At the end of 2023, the Bank had not repossessed any collateral (2022 - $Nil).

3. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(vi) Geographical Sectors

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

(vii) Industry Sectors

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

	%	**$'000**	%	$'000
Industrial	**32.37**	**53,045**	31.37	51,220
Tourism	**28.64**	**46,940**	27.95	45,637
Mortgage	**19.54**	**32,025**	21.26	34,715
Education	**14.67**	**24,047**	15.09	24,644
Agricultural	**2.99**	**4,906**	2.70	4,410
Other consumers	**1.79**	**2,915**	1.63	2,669
Total before deduction for allowance for losses on loans and advances	**100.00**	**163,877**	100.00	163,295

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 exposure 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 particularised in Note 12.

At June 30, 2023, 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 (2022 - $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.

DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK
Notes to the Financial Statements
For the Year Ended June 30, 2023
(Expressed in Eastern Caribbean Dollars)

3. Financial risk management (cont'd)

(c) Market risk (cont'd)

(iii) Interest rate risk (cont'd)

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

	1 year $	2-5 years $	Over 5 years $	Non-interest bearing $	Total $
As at June 30, 2023					
Cash	-	-	-	1,053,927	1,053,927
Treasury bills	410,000	-	-	-	410,000
Deposits with the banks and other financial institutions	7,429,308	-	-	80,015	7,509,323
Financial assets measured at amortised cost	-	-	184,000	-	184,000
Loans and advances to customers	22,877,377	53,345,637	73,583,852	-	149,806,866
Financial assets measured at FVTPL	-	-	-	414,899	414,899
Other assets	-	-	-	2,017,656	2,017,656
Total assets	30,716,685	53,345,637	73,767,852	3,566,497	161,396,671
Bank overdraft	167,769	-	-	-	167,769
Due to customers	523,065	1,100,147	-	6,021,412	7,644,624
Borrowed funds	27,548,800	42,067,896	48,956,205	19,977,370	138,550,271
Other liabilities	-	-	-	13,394,659	13,394,659
Total financial liabilities	28,239,634	43,168,043	48,956,205	39,393,441	159,757,323
Net interest repricing gap	2,477,051	10,177,594	24,811,647	(35,826,944)	1,639,348

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, 2022					
Cash	-	-	-	1,158,356	1,158,356
Treasury bills	410,000	-	-	-	410,000
Deposits with the banks and other financial institutions	7,622,622	-	-	415,705	8,038,327
Financial assets measured at amortised cost	-	-	200,000	-	200,000
Loans and advances to customers	23,666,888	54,109,426	72,668,418	-	150,444,732
Financial assets measured at FVTPL	-	-	-	414,899	414,899
Other assets	-	-	-	2,039,799	2,039,799
Total assets	31,699,510	54,109,426	72,868,418	4,028,759	162,706,113
Due to customers	713,923	1,103,834	-	4,540,183	6,357,940
Borrowed funds	21,563,488	46,399,965	51,242,669	19,977,370	139,183,492
Other liabilities	-	-	-	13,441,750	13,441,750
Total financial liabilities	22,277,411	47,503,799	51,242,669	37,959,303	158,983,182
Net interest repricing gap	9,422,099	6,605,627	21,625,749	(33,930,544)	3,722,931

3. Financial risk management (cont'd)

(c) Market risk (cont'd)

(iii) Interest rate risk (cont'd)

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

	EC$ %	US$ %
As at June 30, 2023		
Assets		
Treasury bills	7.00	-
Deposits with banks and other financial institutions	1.27	-
Financial assets measurements at amortized cost	3.04	-
Loans and advances to customers	3.86	-
Liabilities		
Due to customers	1.47	-
Borrowed funds	2.19	2.41
As at June 30, 2022		
Assets		
Treasury bills	4.20	-
Deposits with banks and other financial institutions	0.60	-
Financial assets measurements at amortized cost	11.08	-
Loans and advances to customers	3.75	-
Liabilities		
Due to customers	1.59	-
Borrowed funds	2.35	2.13

(iv) *Sensitivity analysis*

Cash flow interest rate risks arise from borrowings at variable rates. At June 30, 2023 if variable interest rates had been 1% higher/lower with all other variables held constant, profit for the year would have been $268,921 (2022 - $295,286) 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 disbursements. 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, 2023				
Financial liabilities				
Bank overdraft	**167,769**	-	-	
Due to customers	**5,923,138**	**1,743,972**	**-**	**7,667,110**
Borrowed funds	**31,807,181**	**61,973,753**	**63,777,987**	**157,558,921**
Other liabilities	**3,461,124**	**4,223,908**	**5,709,627**	**13,394,659**
Total financial liabilities	**41,359,212**	**67,941,633**	**69,487,614**	**178,620,689**
As at June 30, 2022				
Financial liabilities				
Bank overdraft	-	-	-	-
Due to customers	4,620,314	1,758,800	-	6,379,114
Borrowed funds	25,831,987	64,938,994	69,232,648	160,003,629
Other liabilities	3,182,120	4,581,157	5,678,473	13,441,750
Total financial liabilities	33,634,421	71,278,951	74,911,121	179,824,493

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, 2023			
Loan commitments	**5,000,000**	**3,868,584**	**8,868,584**
As at June 30, 2022			
Loan commitments	5,000,000	5,188,726	10,188,726

(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.

3. Financial risk management (cont'd)

(e) Fair Value of financial assets and liabilities (cont'd)

Investment securities

Assets classified as FVTPL are measured at fair value.

Borrowed funds

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

Due to other banks and customers, and other liabilities

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

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

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
	2023	2022	**2023**	2022
	$	$	**$**	$
Financial assets				
Loans and advances to customers	**149,806,866**	150,444,732	**180,293,482**	184,934,063
Financial liabilities				
Borrowed funds	**138,550,271**	139,183,492	**132,259,027**	136,121,664

(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.

3. Financial risk management (cont'd)

(f) Fair value hierarchy (cont'd)

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

Assets measured at fair value:

	Level 1 $	Level 2 $	Level 3 $	Total $
As at June 30, 2023				
Financial assets				
Financial assets at FVTPL		**82,000**	**332,899**	**414,899**
Non-Financial Assets				
Investment properties	**-**	**-**	**72,822,070**	**72,822,070**
Land and building	**-**	**-**	**10,041,139**	**10,041,139**
	-	**82,000**	**83,196,108**	**83,278,108**
As at June 30, 2022				
Financial assets				
Financial assets at FVTPL		82,000	332,899	414,899
Non-Financial Assets				
Investment properties	-	-	65,528,918	65,528,918
Land and building	-	-	14,194,990	14,194,990
	-	82,000	80,056,807	80,138,807

The financial assets at FVTPL classified as Level 3 as at June 30, 2023 and 2022 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 recognised 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 Finance and Audit Committee at each reporting date.

3. Financial risk management (cont'd)

(f) Fair value hierarchy (cont'd)

Assets for which fair values are disclosed: (cont'd)

There were no transfers between levels in the fair value hierarchy in 2023 and 2022.

There were no gains or losses for the period included in the statement of comprehensive income for assets held at Level 3 as at June 30, 2023 and 2022.

	Level 1 $	Level 2 $	Level 3 $	Total $
As at June 30, 2023				
Financial assets				
Loans and advances to customers	-	-	**180,293,482**	**180,293,482**
As at June 30, 2022				
Financial assets				
Loans and advances to customers	-	-	184,934,063	184,934,063

Liabilities for which fair values are disclosed:

	Level 1 $	Level 2 $	Level 3 $	Total $
As at June 30, 2023				
Financial liabilities				
Borrowed funds	-	-	**132,259,027**	**132,259,027**
As at June 30, 2022				
Financial liabilities				
Borrowed funds	-	-	136,121,664	136,121,664

The valuation technique and unobservable quantitative input for receivables and liabilities classified as Level 3 as of June 30, 2023 and 2022 are summarized below:-

	Valuation Techniques	Unobservable Inputs	Range 2023 %	Range 2022 %
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 5

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 2023 and 2022, 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.

4. Segment analysis (cont'd)

Total assets and liabilities by segment are as follows:

	AID Bank $	Industrial Estate $	Total $
As at June 30, 2023			
Total assets	200,957,246	43,434,326	244,391,572
Total liabilities	157,341,347	2,415,976	159,757,323
As at June 30, 2022			
Total assets	201,397,275	41,270,872	242,668,147
Total liabilities	156,777,862	2,205,320	158,983,182

4. Segment analysis (cont'd)

2023 and 2022 Segment reporting:

	AID Bank $	Industrial Estate $	Total $
For the year ended June 30, 2023			
External revenue	655,333	1,806,026	2,461,359
Interest income	6,181,736	-	6,181,736
Interest expense	(3,718,124)	(30,484)	(3,748,608)
Net operating income	3,118,945	1,775,542	4,894,487
Depreciation	(294,222)	(27,534)	(321,756)
Impairment loss on loans and advances	(1,291,536)	(282,454)	(1,573,990)
Impairment recovery on loan commitments	257,117	-	257,117
Impairment recovery on investments	2,407	-	2,407
Other operating expenses	(3,986,034)	(1,201,829)	(5,187,863)
Changes in fair value of investment properties	-	3,099,172	3,099,172
Total operating (expenses)/income	(5,312,268)	1,587,355	(3,724,913)
Net (loss)/income for the year	**(2,193,323)**	**3,362,897**	**1,169,574**
For the year ended June 30, 2022			
External revenue	426,705	1,764,210	2,190,915
Interest income	5,946,740	-	5,946,740
Interest expenses	(3,818,582)	(29,190)	(3,847,772)
Net operating income	2,554,863	1,735,020	4,289,883
Depreciation	(329,366)	(24,313)	(353,679)
Impairment loss on loans and advances	(2,780,500)	(198,309)	(2,978,809)
Impairment loss on loan commitments	(197,785)	-	(197,785)
Impairment recovery on investments	6,923	-	6,923
Other operating expenses	(3,821,152)	(1,036,289)	(4,857,441)
Changes in fair value of investment properties	-	1,823,453	1,823,453
Total operating (expenses)/income	(7,121,880)	564,542	(6,557,338)
Net (loss)/income for the year	**(4,567,017)**	**2,299,562**	**(2,267,455)**

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 recognised 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, capitalisation of potential rentals and the market price of comparable properties, as applicable in each case.

6. Cash and balances with Central Bank

	2023 **$**	2022 $
Balances with Central Bank	**1,052,542**	1,156,971
Cash on hand	**1,385**	1,385
	1,053,927	1,158,356

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

	Notes	**2023** **$**	2022 $
Cash and balances with Central Bank		**1,053,927**	1,158,356
Placement with banks	**8**	**7,509,323**	8,038,327
Treasury bills	**7**	**410,000**	410,000
Bank overdraft	**16**	**(167,769)**	-
		8,805,481	9,606,683

7. Treasury Bills

	2023 **$**	2022 $
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 2023 is 7.00% (2022 – 4.20%).

8. Deposits with banks and other financial institutions

	2023 $	2022 $
Placements with banks	**7,509,323**	8,038,327

The weighted average effective interest rate in respect of interest-bearing deposits in 2023 is 1.27% (2022 – 0.60%).

There were no certificates of deposit included in placements with banks and other financial institutions.

9. Financial assets measured at amortised cost

	2023 $	2022 $
Financial assets measured at amortised cost:		
3.50% debenture expiring on June 1, 2034	**184,000**	200,000
Less: Allowance for ECL	**(272)**	(2,679)
	183,728	197,321

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

	2023 $	2022 $
At the beginning of the year	**2,679**	9,602
Recovery during the year	**(2,407)**	(6,923)
At end of the year	**272**	2,679

Financial assets measured at amortised 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 2023 is 3.04% (2022 - 11.08%).

10. Loans and advances to customers

	2023	2022
	$	$
Demand loans	**131,852,030**	128,579,435
Mortgage loans	**32,024,756**	34,715,092
	163,876,786	163,294,527
Less: Allowance for impairment losses	**(14,069,920)**	(12,849,795)
	149,806,866	150,444,732
Current	**22,877,377**	23,666,888
Non-current	**126,929,489**	126,777,844
	149,806,866	150,444,732

The weighted average effective interest rate on productive loans at June 30, 2023 is 3.86% (2022 – 3.75%).

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, 2023			
At beginning of the year	**10,769,642**	**2,080,153**	**12,849,795**
Provisions expensed for the year	**996,132**	**223,993**	**1,220,125**
At end of the year	**11,765,774**	**2,304,146**	**14,069,920**
As at June 30, 2022			
At beginning of the year	16,413,642	1,996,496	18,410,138
Provisions (recovered)/expensed for the year	(5,644,000)	83,657	(5,560,343)
At end of the year	10,769,642	2,080,153	12,849,795

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, 2023			
At beginning of the year	**2,080,742**	**10,769,053**	**12,849,795**
Provisions expensed for the year	**55,464**	**1,164,661**	**1,220,125**
At end of the year	**2,136,206**	**11,933,714**	**14,069,920**
As at June 30, 2022			
At beginning of the year	1,815,757	16,594,381	18,410,138
Provisions expensed/(recovered) for the year	264,985	(5,825,328)	(5,560,343)
At end of the year	2,080,742	10,769,053	12,849,795

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

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

	2023	2022
	$	$
Expense/(recovery) for the year	**1,220,125**	(5,560,343)
Increase in provision during the year	**282,454**	198,309
(Recovery)/expense on loan commitments during the year	**(257,117)**	197,785
Recovery on investments during the year	**(2,407)**	(6,923)
Loans written-off during the year	**71,411**	8,340,843
	1,314,466	3,169,671

12. Financial Assets measured at FVTPL

	2023	2022
	$	$
Financial assets measured at FVTPL:		
Equity securities at fair value		
- Listed	**82,000**	82,000
- Unlisted	**332,899**	332,899
	414,899	414,899

13. Investment properties

	Land and Buildings $
As at June 30, 2022	**65,528,918**
Net additions during the year	**4,193,980**
Increase in fair value	**3,099,172**
As at June 30, 2023	**72,822,070**
As at June 30, 2021	63,665,326
Net additions during the year	40,139
Increase in fair value	1,823,453
As at June 30, 2022	65,528,918

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, 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 recognised 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 $1,770,386 (2022 - $1,747,320) and is further particularised in Note 27, while direct operating expenses arising from these investment properties during the year was $721,290 (2022 - $705,567) and is further particularised in Note 28. Rent is charged below market rates.

DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK
Notes to the Financial Statements
For the Year Ended June 30, 2023
(Expressed in Eastern Caribbean Dollars)

14. Property and Equipment

	Notes	Land $	Building $	Motor $	Furniture and Equipment $	Computer Equipment $	Total $
As at June 30, 2021							
Cost or valuation		2,448,697	9,105,439	215,747	1,976,253	1,274,392	15,020,528
Accumulated depreciation		-	(1,159,634)	(189,425)	(1,696,910)	(1,203,846)	(4,249,815)
Net book value		2,448,697	7,945,805	26,322	279,343	70,546	10,770,713
Year Ended June 30, 2022							
Opening net book value		2,448,697	7,945,805	26,322	279,343	70,546	10,770,713
Additions		-	-	-	10,757	25,407	36,164
Revaluations	**24**	3,910,000	72,595	-	-	-	3,982,595
Depreciation	**28**	-	(182,107)	(9,976)	(108,511)	(53,083)	(353,677)
Closing net book value		6,358,697	7,836,293	16,346	181,589	42,870	14,435,795
As at June 30, 2022							
Cost or valuation		6,358,697	9,178,034	215,747	1,987,009	1,299,799	19,039,286
Accumulated depreciation		-	(1,341,741)	(199,401)	(1,805,420)	(1,256,929)	(4,603,491)
Net book value		6,358,697	7,836,293	16,346	181,589	42,870	14,435,795
Year Ended June 30, 2023							
Opening net book value		**6,358,697**	**7,836,293**	**16,346**	**181,589**	**42,870**	**14,435,795**
Transfer to Investment Properties		**(4,000,000)**	**-**	**-**	**-**	**-**	**(4,000,000)**
Additions		**-**	**-**	**-**	**26,056**	**3,298**	**29,354**
Revaluations	**24**	**-**	**29,710**	**-**	**-**	**-**	**29,710**
Depreciation	**28**	**-**	**(183,561)**	**(9,977)**	**(97,813)**	**(30,405)**	**(321,756)**
Closing net book value		**2,358,697**	**7,682,442**	**6,369**	**109,832**	**15,763**	**10,173,103**
As at June 30, 2023							
Cost or valuation		**2,358,697**	**9,207,744**	**215,747**	**2,013,065**	**1,303,097**	**15,098,350**
Accumulated depreciation		**-**	**(1,525,302)**	**(209,378)**	**(1,903,233)**	**(1,287,334)**	**(4,925,247)**
Net book value		**2,358,697**	**7,682,442**	**6,369**	**109,832**	**15,763**	**10,173,103**

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 2023 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

	2023 $	2022 $
Rent receivable	**1,393,236**	1,269,434
Other receivable	**1,815,053**	1,839,627
	3,208,289	3,109,061
Less: Allowance for impairment losses	**(1,377,293)**	(1,255,922)
	1,830,996	1,853,139
Due from Financial Data Services Limited	**186,660**	186,660
	2,017,656	2,039,799

Allowance for impairment losses related to the following accounts:

	2023 $	2022 $
Rent receivable	**1,377,293**	1,255,922

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

	2023 $	2022 $
At the beginning of the year	**1,255,922**	1,099,855
Written-off rent receivable during the year	**(161,083)**	(37,303)
Provision during the year	**282,454**	193,370
	1,377,293	1,255,922

16. Bank overdraft

	2023	2022
	$	$
National Bank of Dominica Ltd	**167,769**	-

The overdraft facility was guaranteed by the Government of Dominica in accordance with the provision of the Loans Act, Chapter 64:05 Section 3(1) of the 1990 Revised Laws of the Commonwealth of Dominica. Interest is charged on the facility at a rate of 5% (2022 – 5%) per annum.

17. Due to customers

	2023	2022
	$	$
Fixed deposits	**1,623,212**	1,817,757
Refundable deposits	**1,939,226**	1,781,558
Loan prepayments	**4,082,187**	2,758,625
	7,644,624	6,357,940
Current	**5,923,138**	4,620,314
Non-current	**1,721,486**	1,737,626
	7,644,624	6,357,940

All cash collateral carries fixed interest rates. The weighted average effective interest rate of cash collaterals at June 30, 2023 is 1.47% (2022 - 1.59%).

18. Borrowed funds

	2023 $	2022 $
Caribbean Development Bank	**45,610,567**	39,727,413
Government of the Commonwealth of Dominica	**29,042,753**	30,042,753
Development Bank of Venezuela	**18,812,542**	18,812,542
Dominica Social Security	**18,273,352**	20,152,879
National Bank of Dominica	**9,237,228**	10,016,802
PetroCaribe Fund	**7,060,157**	7,521,059
European Investment Bank	**3,699,069**	5,248,812
CARICOM Development Fund	**2,743,837**	3,905,332
Dominica National Petroleum Company Ltd.	**1,249,108**	1,349,653
Republic of China	**530,302**	648,162
	136,258,915	137,425,407
Interest payable	**2,291,357**	1,758,085
	138,550,271	139,183,492
Current	**27,548,799**	21,563,488
Non-current	**111,001,471**	117,620,004
	138,550,271	139,183,492

Interest on the above borrowings ranges from 0% to 5% (2022 – 0% to 5%) and are guaranteed by the Government of the Commonwealth of Dominica.

The National Bank of Dominica loan is secured by certificate of titles to land and building, stamped to cover $33,057,000 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 $59,225 (2022 - $316,342).

20. Other liabilities

	2023 **$**	2022 $
Others	**3,406,416**	3,266,235
Agency liabilities	**6,246,926**	6,177,695
Dividends payable	**2,898,510**	2,898,510
Grants	**432,363**	432,363
Deferred income	**351,219**	350,605
	13,335,434	13,125,408
Current	**3,461,124**	3,182,120
Non-current	**9,874,310**	9,943,288
	13,335,434	13,125,408

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:

	2023 **$**	2022 $
Gratuity payable	**1,665,912**	1,793,737
Vacation leave and salaries payable	**312,185**	314,734
IEU tenant's security deposits	**298,814**	296,754
Other payable	**1,129,505**	861,010
	3,406,416	3,266,235

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

	2023	2022
	$	$
Authorised		
10,000,000 ordinary shares with a $5 par value	**50,000,000**	50,000,000
Issued and fully paid		
9,594,041 (2022 - 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

	2023	2022
	$	$
Land vested by the Government of the Commonwealth of Dominica	**1,616,030**	1,616,030
Equity conversion of loan payable	**2,644,341**	2,644,341
	4,260,371	4,260,371

24. Revaluation surplus

	2023	2022
	$	$
At beginning of the year	**8,351,646**	4,450,783
Unrealised gain on revaluation of land and buildings	**29,710**	3,982,595
Amortisation for the year	**(80,097)**	(81,732)
At end of the year	**8,301,259**	8,351,646

25. Reserves

	2023 $	2022 $
Statutory reserve	**15,271,388**	14,978,994
Loan loss reserve	**2,654,330**	2,654,330
Special reserve	**441,122**	441,122
General reserve	**88,234**	88,234
	18,455,074	18,162,680

Movements in reserves were as follows:

	2023 $	2022 $
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.

	2023 $	2022 $
Statutory reserve		
At beginning of the year	**14,978,994**	15,545,858
Transfer from retained earnings	**292,394**	(566,864)
At end of the year	**15,271,388**	14,978,994

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.

	2023 $	2022 $
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% (2022 – 40%) of the Portfolio at Risk as at June 30, 2023 (2022 - 40%).

	2023 $	2022 $
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

	2023 $	2022 $
Interest income		
Loans and advances	**6,106,158**	5,890,839
Investments	**75,578**	55,901
	6,181,736	5,946,740
Interest expense		
Borrowings	**(3,648,006)**	(3,712,572)
Bank charges	**(84,990)**	(92,095)
Interest on deposits	**(15,612)**	(43,105)
	(3,748,608)	(3,847,772)
Net interest income	**2,433,128**	2,098,968

27. Other operating income

	Note	2023 $	2022 $
Rental income from IEU operations	13	**1,770,386**	1,747,320
Other		**295,509**	107,498
Recovery on written-off loans		**220,863**	158,436
Commitment fees		**159,384**	156,436
Agency fees		**15,217**	21,225
		2,461,359	2,190,915

28. Other operating expense

	Notes	2023 $	2022 $
Staff costs	29	**2,720,579**	2,575,969
General and administrative expenses	30	**1,167,666**	964,504
Factory sheds expenses	13	**721,290**	705,567
Building occupancy expenses		**550,861**	554,500
Depreciation	14	**321,756**	353,678
Foreign exchange loss		**27,467**	56,902
		5,509,619	5,211,120

29. Staff costs

	Note	2023 $	2022 $
Salaries and wages		**2,067,895**	2,137,304
Other staff costs		**477,354**	260,797
Social security costs		**133,548**	135,330
Group insurance		**41,782**	42,538
	28	**2,720,579**	2,575,969

During the year, the number of employees at the Bank was 35 (2022 - 35).

30. General and administrative expenses

	Note	2023 $	2022 $
Legal and professional fees		**320,208**	267,516
Directors' emoluments and expenses		**192,795**	150,035
Repair and maintenance of furniture and equipment		**127,623**	20,504
Telephone, postage and fax		**119,015**	125,062
Printing, stationery, and office supplies		**92,762**	92,496
Subscriptions and donations		**83,751**	48,844
Advertising		**74,891**	39,447
Insurance		**40,225**	40,225
Bad debt expenses		**39,491**	113,576
Motor vehicle expenses		**34,167**	33,057
Annual report expenses		**27,008**	24,968
Miscellaneous expenses		**15,730**	8,774
	28	**1,167,666**	964,504

31. Dividends

On July 6, 2023, 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 for the year ended June 2022. The amount of dividends declared in 2021 was $250,000 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 venture;

(iv) the party is a member of the key management personnel of the Bank or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is the entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v);

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

32. Related party transactions (cont'd)

Loans and advances outstanding from related parties are as follows:

	2023	2022
	$	$
Financial Data Services Limited	**844,019**	844,019

At year-end, directors of the Bank and companies in which they have an interest had no fixed deposits with the Bank (2022 - $Nil) and had loans and guaranteed loans with outstanding balances of $69,222 (2022 - $71,527).

In 2023, the total remuneration paid to directors and key management personnel was $1,130,166 (2022 - $1,129,169).

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

	Note	**2023**	2022
	Note	**$**	$
Dominica Social Security	**18**	**18,273,352**	20,152,879
Government of the Commonwealth of Dominica	**18**	**29,042,753**	30,042,753
		47,316,105	50,195,632
Interest payable		**4,527**	4,892
		47,320,632	50,200,524

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.

33. Contingent liabilities and commitments

Loans and advances

As at year-end, loans and advances approved by the Bank but not yet disbursed, amounted to approximately $8,868,584 (2022 - $10,188,726).

Litigation

There is an ongoing legal matter for approximately $360,000 against the Bank. The Bank has disclaimed liability and is defending the action. The directors are of the view that no material losses will arise in respect of the legal claim at the date the issuance of these financial statements.

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.