

DOMINICA AGRICULTURAL
INDUSTRIAL AND DEVELOPMENT BANK



2 0 2 0
**ANNUAL
REPORT**



Our Mission

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

Our Vision


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

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ACRONYMS AND ABBREVIATIONS

AFS	Available for Sale
CariCRIS	Caribbean Information & Credit Rating Services Limited
CARICOM	Caribbean Community
CBI	Citizenship By Investment
CDB	Caribbean Development Bank
CDF	CARICOM Development Fund
CTCS	Caribbean Technological Consultancy Services
BANDES	Banco de Desarrollo Económico y Social de Venezuela
DAIDB	Dominica Agricultural Industrial and Development Bank
DFI	Development Finance Institution
DPAC	Development Package for Development Financial Institution
DSC	Dominica State College
DYBT	Dominica Youth Business Trust
ECCB	Eastern Caribbean Central Bank
ECCU	Eastern Caribbean Currency Union
EC\$	Eastern Caribbean Dollar
EIB	European Investment Bank
ERM	Enterprise Risk Management
FEFF	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 Roosevelt Skerrit
Prime Minister and Minister for Finance
Prime Minister's Office
Financial Centre
Kennedy Avenue
Roseau
Commonwealth of Dominica

September 30, 2020


Dear Honourable Prime Minister,

Pursuant to Section 22[1], Chapter 74:03 of the Laws of the Commonwealth of Dominica [1990 Revised Edition] I have the honour to submit to you, on behalf of the Board of Directors, the Annual Report on the operations and Audited Financial Statements of the Dominica Agricultural Industrial and Development Bank for the Financial Year ended June 30, 2020.

Please accept, Honourable Prime Minister, the assurances of my highest consideration.

Yours sincerely,

DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK



MR. MARTIN CHARLES
CHAIRMAN
BOARD OF DIRECTORS

MEMBERS OF THE BOARD OF DIRECTORS

As at June 30, 2020



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

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

Tel. No. 767-255-9400
767-448-2853

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

Website www.aidbank.com



MEMBERS OF MANAGEMENT

As at June 30, 2020

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

OFFICE OF THE GENERAL MANAGER	
MARIE-THERESE JOHNSON	General Manager
MATHILDA JOHN-ROSE	Executive Manager, Operations
MEKELLE QUAMMIE	General Manager / Board Secretary
CREDIT	
NICHOL AZILLE-FAUSTIN	Head Of Credit (Ag.)
PATRICIA SHILLINGFORD-CHAMBERS	Manager Credit (Ag.)
FRANKLYN FABIEN	Credit Officer
MERVIN HENRY	Credit Officer
ADRIAN THOMAS	Credit Officer (Ag.)
SHERNELL VICTOR	Loans Administrative Assistant
RECOVERIES	
INGRID PROSPER-BRUNO	Manager, Recoveries
RUBY XAVIER	Senior Recoveries Officer
KENNETH ALBERT	Recoveries Officer
GEORGINA EDWARDS	Recoveries Officer
KERRY SHILLINGFORD	Recoveries Officer
LESTER FRANK	Intern - Recoveries Department
KENRICK ETIENNE	Intern – Recoveries Department
ZEBEENA CHARLES	Intern – Recoveries Department
ADIAN YANIK GEORGE	Intern – Recoveries Department
BRIANNE LAWRENCE	Intern – Recoveries Department
GENELLE DOVER	Intern – Recoveries Department
BUSINESS DEVELOPMENT	
JOSEPHINE DECHAUSAY TITRE	Marketing and Communications Officer
BERTILIA BETHEL	Agricultural Development Officer
NIKITA LAURENT	Receptionist
FRANKA ROYER	Customer Service Representative
SHERNIA SERAPHINE	Intern – Business Development
KESTAR TOUSSAINT	Intern – Business Development
ASHER MATTHEW	Intern – Business Development
RISK AND COMPLIANCE	
PAMELA MCALMONT-POGSON	Risk Officer
NIGEL BREWSTER	Administrative Assistant, Internal Audit and Risk
FINANCE AND ACCOUNTS	
TAMMY JEAN-JACQUES	Chief Financial Officer
MARISCA JOSEPH	Accountant
ANDREA DUPIGNY	Accounts Officer
SHARNITA THOMAS	Accounting Assistant
CONLEE JNO JULES	Accounting Clerk
ADRIAN JOSEPH	Teller
NICOLE GEORGE	Intern – Finance and Accounts Department
KIMARA DURAND	Intern – Finance and Accounts Department
HUMAN RESOURCE AND ADMINISTRATION	
MARTHA ABEL	Sr. Manager Human Resource & Administration
VERLENA HENDERSON	Administrative Assistant, Human Resource and Administration
GABRIEL NICHOLLS	Office Attendant
VERONA VALMOND	Intern – Human Resource and Administration Department
MANAGEMENT INFORMATION SYSTEMS	
AVRIL COIPEL	Senior Manager, MIS
KHAN SYLVESTER	Technical Officer, MIS
LINDA GONZALEZ-PELTIER	Application Support Assistant, MIS/FDSL
IKE BANNIS	Technical Assistant, MIS
LEGAL DEPARTMENT	
SAUDIA CYRUS	Legal Officer
HERMINA ALBERT	Securities Officer
NATASHA WINSTON	Legal Secretary
SHANIQUE AFRICA	Intern – Legal Department
INDUSTRIAL ESTATES	
GLENROY ELOI	Manager, Industrial Estates,(Ag)
SANDRA GREGOIRE	Technical Officer
RAQUELLE LETANG	Intern - Industrial Estates Department
JOSH JOSEPH	Intern – Industrial Estates Department
KELVIN COIPEL	Maintenance Officer



CHAIRMAN'S STATEMENT

June 2020

Dear Shareholders,

Ladies and gentlemen, in 2020 the world was challenged with economic uncertainty which was occasioned by the COVID-19 pandemic. We experienced an unprecedented global shut down, millions of lives lost and having to adjust our way of life. The IMF in the World Economic Outlook in June 2020, referred to the impact of the pandemic as, “a crisis like no other”, with an uncertain recovery and negative global growth projected for 2020. The ECCB reported that the regional economy contracted in 2020 and also projected a subdued and uncertain outlook in the ECCU.

As Chairman of the Dominica Agricultural Industrial and Development Bank, I can report that the Bank was not immune to the economic downturn and achieved relatively sober results for the financial year ended June 2020.

Although we were able to accomplish our objective of cost reduction, the impact of the pandemic contributed to a 10% reduction in interest income.

The Government of Dominica, our key strategic partner, intervened in earnest to buffer the economic shock through the initial injection of EC\$5 million into the AID Bank to on-lend to eligible small businesses at a concessional rate of 1%, with a one year moratorium on interest and principal payments. The result was an immediate 6% increase in the Bank's Industry Portfolio by the end of June 2020. The Bank's loan portfolio, less impairment loss showed an overall 2% improvement from \$149.5 million as at June 30, 2019 to \$152.5 million as at June 30, 2020.

In response to the global upheavals, in 2020 the AID Bank embarked on the development of a forward looking and modernized Strategic Plan which is intended to address the changing environment and focus on economic, financial, social and environmental sustainability. Our Strategic Plan for the period 2020 – 2024 is themed, “**Embracing the path to a dynamic and resilient Dominica**”.

Our primary objective during the strategic period is to propel our mission of economic recovery, modernization and transformation. We intend to

increase investments in the productive sectors utilizing a range of differentiated products, be an information-driven institution, focus on customer care and continue our corporate responsibility, which are all intended to assist in building a dynamic and resilient Dominica.

Other key achievements under the Strategic Plan included:

1. Expansion of Products and Services

The Bank has re-bundled its products into a range of specialized packages targeted at various segments of the population. We are now able to more appropriately address the needs of the youth, professionals, groups and cooperatives, Micro, Small and Medium-sized Enterprises (MSMEs) and vulnerable groups, all intended to improve the livelihoods of every segment.

Through grant assistance from the Caribbean Development Bank, we have commenced the process of developing a Gender Equality Policy where particular focus will be placed on addressing the differential needs of male and female clients in order to improve their entrepreneurial opportunities more equitably.

2. Climate Adaptation

We continue to place focus on the impact of climate change given our country's vulnerability to natural disasters. Thanks to the Caribbean Development Bank, we now have in place a comprehensive Climate Change Policy. Our staff has received the necessary training which will guide the Bank in its efforts to increase the climate resilience and climate change mitigation of our investment activities. This approach supports the attainment of Dominica's goal to become the first climate resilient country in the world.

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

Additionally, the Bank's lending will continue

to be provided in the areas of Energy Efficiency (EE) and Renewable Energy (RE), towards a more sustainable environment. We can boast that we have repackaged our lending to cater to EE/RE technologies to meet the customer's evolving needs.

Digital Technology

The Bank has commenced the move towards a more digital platform in keeping with the changing business trends. The preparation of a comprehensive Marketing and Information Technology (IT) Plan has begun and will be incorporated into our Strategic Plan.

We are cognizant that our customers can be better served digitally given the challenges imposed by the current pandemic, therefore we will be part of the solution by undertaking the necessary system upgrades. This is part of our contribution to prevent and control the spread of the virus by providing easier banking access.

Our marketing strategies will be redirected to meet the customers where they most recreate, on digital social platforms. We have commenced the rebranding project to refocus and promote more digital marketing strategies.

4. Customer Care

In keeping with the changing global climate, the Bank continues to focus on customer care by pursuing the necessary adjustments in order to address their changing needs. To enhance customer service delivery, we continue to streamline our processes and operate in a more digital environment by pursuing remote banking access, reduced waiting time and reduced turnaround time.

5. Corporate Social Responsibility

The Bank's corporate responsibility programs support its mission and vision. We continue to undertake the maintenance and beautification of our surroundings and provide support to programs geared towards the development of the youth, elderly, physically challenged and the underprivileged. We also continue to promote arts and culture and initiatives geared towards the preservation

of the environment.

6. Human Resource Development

In pursuit of a holistic approach to growth and development, priority continues to be given to staff training, health and wellness, safety and security, staff welfare and safety of the environment, which are all aligned to the Bank's strategic objectives.

7. Industrial Estates Development

The Industrial Estates continue to serve its purpose of providing space at concessionary rates to productive sector enterprises. The estates are also the Bank's second largest investment and are an essential and profitable product. By the end of the financial year 2020, the Industrial Estates, though it reflected 8% reduction in value, maintained an overall 24% contribution to the Bank's total assets of \$226.6 million.

During the period focus was placed on enhancing the aesthetics of the properties, improvement in rental collections and operational efficiency.

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

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

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

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

economic development.

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

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

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

DAIDB FIVE-YEAR HIGHLIGHTS AT A GLANCE

INCOME STATEMENT	2020 EC\$ ('000)	2019 EC\$ ('000) Restated	2018 EC\$ ('000)	2017 EC\$ ('000) Restated	2016 EC\$ ('000)
Interest Income	6,975	7,740	9,229	9,705	11,191
- Interest Expense	4,446	4,656	4,635	4,522	4,444
= Net interest Income	2,529	3,084	4,594	5,183	6,747
+ Other Operating Income Net	1,770	1,796	1,421	1,919	1,909
- Other Operating Expenses					
- Staff Costs	3,156	2,992	3,226	3,567	4,044
- Administrative Costs	2,466	2,666	3,381	2,719	3,165
= Operating (Loss)/Income	(1,323)	(778)	(592)	816	1,447
+ Income on Insurance Claim	0	13	8,268	0	0
- (Decreases)/Increase in fair value of properties	(5,029)	20,822	9,768	1,002	0
- Impairment on properties/loss on disposal	334	61	9,839	447	0
- (Recovery)/provisions	(4,450)	760	6,871	0	246
= Net profit/(Loss)	(2,236)	19,236	734	1,371	1,201
BALANCE SHEET	2020 EC\$ ('000)	2019 EC\$ ('000)	2018 EC\$ ('000)	2017 EC\$ ('000)	2016 EC\$ ('000)
Assets					
Cash and Balances with Central Bank	148	10	17	21	19
+ Deposit with Other Banks	6,382	17,343	29,434	22,695	2,713
+ Investments [Net of Impairment]	997	1,420	1,443	1,452	1,449
+ Investment Properties	53,496	58,179	35,591	34,958	33,634
+ Loans [Net of Impairment]	152,485	149,480	151,795	158,723	162,028
+ Other	13,061	13,235	22,019	12,203	12,863
= Total Assets	226,569	239,667	240,299	230,052	212,706
Liabilities					
Deposits	6,785	7,563	11,317	6,857	7,548
+ Borrowings	129,322	141,166	149,819	146,351	124,894
+ Other Liabilities	14,195	12,185	11,869	10,034	10,894
+ Equity	76,267	78,753	67,294	66,810	69,370
= Total Liabilities and Equity	226,569	239,667	240,299	230,052	212,706
OTHER INFORMATION	2020 EC\$ ('000)	2019 EC\$ ('000)	2018 EC\$ ('000)	2017 EC\$ ('000)	2016 EC\$ ('000)
Loan Approvals ('000)	16,690	18,920	12,896	16,762	13,796
Loan Disbursements ('000)	12,844	16,391	10,687	13,819	17,451
Estimated Number of Jobs Created	1,174	518	524	820	354
Industrial Estate Employment	787	874	844	1,000	916
Return on Equity (per cent)	-2.93	24.43	1.09	2.05	1.73
Return on Assets (per cent)	-0.99	8.03	0.31	0.60	0.56
Loan Provisions as per cent of Portfolio	12.90	17.86	14.10	10.84	8.68
Loan Provisions as per cent of NP Portfolio	31.82	45.00	36.87	46.66	56.08



PART I

THE ECONOMY OF DOMINICA

The Eastern Caribbean Central Bank, in the Annual Economic and Financial Review for the year ended December 2019 reported that the economy of Dominica expanded by 5.7 per cent in 2019 primarily due to growth in all the major economic sectors to include tourism, manufacturing, construction and agriculture, livestock and forestry. However, by the first half of June 2020 economic activity declined as a result of the COVID-19 pandemic as the Government had to introduce measures to contain the spread of the virus.

The construction sector which accounted for 11.3 per cent of GDP grew by 6.7 per cent in 2019 due to increased activities in both the public and private sector projects. Economic restoration post Hurricane Maria continued with the construction of

homes, rehabilitation of roads and bridges and river dredging while private sector projects were mainly in the areas of on-going work on tourism related facilities and construction and rehabilitation of private homes. By the first half of 2020 the construction sector is estimated to have declined as both public and private sector projects were temporarily stalled to due lockdown and curfew restrictions.

During the year 2019, activities in the manufacturing sector rebounded and increased by 8.0 per cent due to increases in the production of beverages and soaps. By the first half of 2020 however production in the sector was adversely affected by the implementation of COVID-19 containment measures as well as a general decline in global demand.

Value added in the agriculture, livestock and forestry sector also increased by approximately 13.8 per cent in the year 2019 primarily due to the growth in crops, particularly banana production. By the first

half of 2020 the agricultural sector is the only sector which registered an increase in activities. The impact of the pandemic contributed to an increase in agricultural output due to an increase in investment in the sector.

In the tourism sector, there was an increase in activities by an estimated 41.9 per cent in 2019 compared to a contraction of 22.8 per cent the previous year. This was triggered mainly by a 65.7 per cent increase in visitor arrivals mainly in the cruise ship and stay-over categories. The COVID-19 pandemic which began affecting the economy in 2020 had a huge negative impact on the tourism sector. Given the closure of the country's borders for the entire second quarter of 2020, the total number of visitor arrivals is estimated to have decreased by 34 per cent by June 2020 due to a 24 per cent and 58.3 per cent decline in cruise ship passengers and stay-over arrivals respectively.

The consumer price index is estimated to have risen by 0.1 per cent in 2019 compared to 4.0 per cent in 2018. The increase was attributed to increases in the prices of food and non-alcoholic beverages and hotels and restaurants. By the first half of 2020 the consumer price index decreased by 0.7 per cent due primarily to declines in the prices of transport, hotels and restaurants and housing, utilities, gas and fuels.

Government's fiscal operations reflected a preliminary overall deficit (after grants) of \$284.1 million or 17.7 per cent of GDP for the year 2019. This is compared to a smaller deficit of \$117.0 million or 7.9 per cent of GDP the previous year. The deficit was predominately as a result of decline in current revenue as inflows from the Citizenship by Investment Programme (CBI) decreased, and increase in current expenditure due to increased spending on goods and services and transfers and subsidies. By the end of June 2020, government's fiscal operations resulted in an overall deficit of \$91.6 million, a significant improvement from the amount \$233.6 million recorded the corresponding period of 2019. The improvement was mainly driven by a reduction in expenditure which surpassed the decline in revenue caused by the pandemic. Capital expenditure also decreased as on-going projects were temporarily stalled due to lock-down and curfew restrictions.

The Eastern Caribbean Central Bank, Economic and Financial Review, June 2020 highlighted that based on anticipated negative developments in key sectors

caused by the impact of the COVID-19 pandemic, economic activity in Dominica is projected to decline in 2020. The report highlighted however that activity in the construction sector is expected to grow due to on-going reconstruction and rehabilitation work in the public sector and private sector projects. Additionally, it is projected that activity in the agricultural sector will continue to grow in 2020.

The report highlighted that the economy remains at risk to a deterioration in revenue from the Citizenship by Investment Programme, lower than expected grant receipts and/or delays in the disbursement of loan or grant funds. The economy remains vulnerable to external shocks such as adverse weather and weaken recovery prospects of trading partners. With an effective vaccine or better and/or cheaper testing methods, the global economy could recover faster than expected which would have a positive impact on the Dominican economy.



PART II

THE PERFORMANCE OF DAIDB

CREDIT OPERATIONS

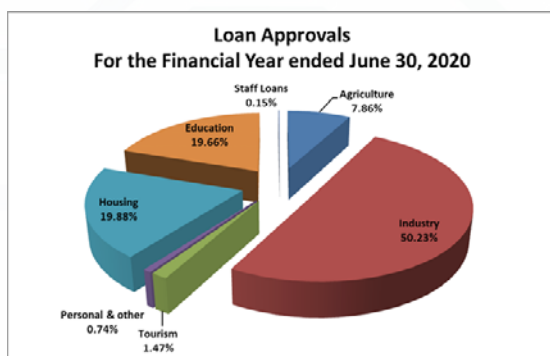
Loan Approvals

For the financial year ended June 30, 2020, four hundred approved with a total value of \$16.69 million. Industry loans valued at \$8.33 million or 50.23 per cent and Housing loans valued at \$3.30 million or 19.88 per cent respectively, accounted for 70.11 per cent of the total approvals for the period.

Loan approvals for the year ended June 30, 2020 were 11.79 per cent lower than the corresponding period ended June 30, 2019 when an amount of \$18.92 million was approved.

The sectoral allocation of approvals is presented in Graph 1.

GRAPH 1



Loan Disbursements

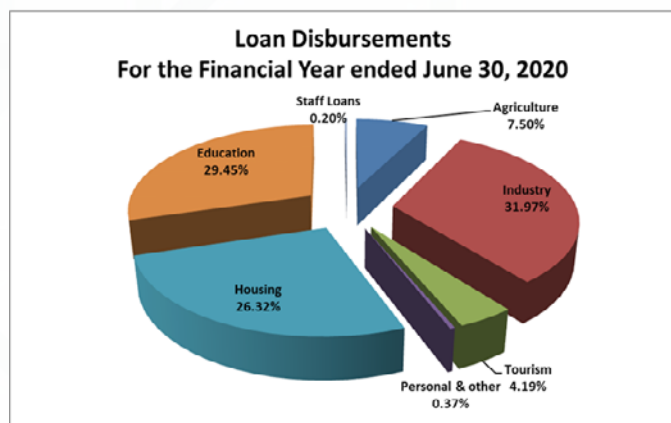
For the financial year ended June 30, 2020, loan disbursements totalled \$12.84 million. This amount was lower than the disbursements for the corresponding period ended June 30, 2019 by 23.09 per cent, when an amount of \$16.70 million was disbursed.

Loan disbursements for the year under review were made primarily in the Industry sector with a value of \$4.06 million or 31.97 per cent and the Education sector valued at \$3.74 million or 29.45 per cent.

The Bank also disburses Student loan funds on behalf of the Government of the Commonwealth of Dominica. As at June 30, 2020, a total of \$7.33 million had been disbursed under this facility which commenced in November 2010.

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

GRAPH 2



Loan Rescheduling

For the period under review, the Bank remained committed to fulfilling its social responsibility by responding to the needs of customers who were impacted by the COVID-19 pandemic. The Bank provided relief to its customers by way of moratorium on principal and interest which allowed them to cushion the negative effects of the pandemic.

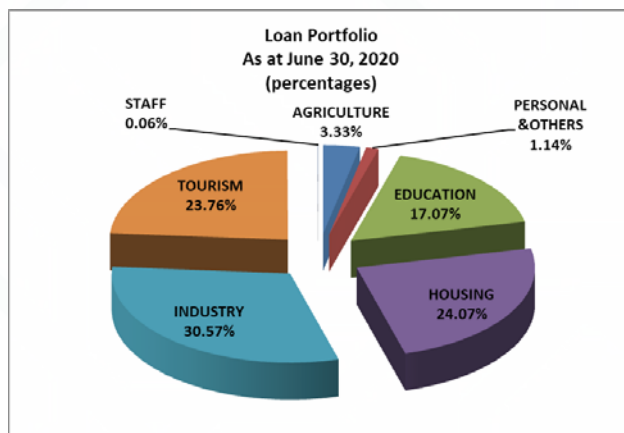
Eighty-one (81) loans valued at \$6.5 million were approved to be rescheduled for the financial year ended June 30, 2020. In comparison, for the twelve months ended June 30, 2019, seventy (70) loans valued at \$6.7 million were approved to be rescheduled.

Loan Portfolio

As at the financial year ended, June 30 2020, the Bank's loan portfolio totalled \$164.9 million compared to \$171.4 million as at June 30, 2019. The loan portfolio as at June 30, 2020 represented a decrease of 3.78 per cent over the same period last year.

Graph 3 represents the sectoral distribution of the loan portfolio as at June 30, 2020.

GRAPH 3



FUNDING

For the greater part of the year 2020 the Bank was forced to adopt measures to address the unprecedented global shut down and the immediate decline in economic activity amid the crisis from the COVID-19 pandemic.

We continued to maintain our relevance by injecting funds at concessionary terms into the productive sectors of the economy towards their growth and recovery.

Government of Dominica

The Government of Dominica, the Bank's majority shareholder and strategic partner continues to utilize the AID Bank by channelling development funds to the productive sectors of the economy. During the financial year ended June 30, 2020, the Government injected an initial EC\$5 million into the AID Bank to on-lend to eligible small businesses at a concessionary rate of 1%, with a one year moratorium on interest and principal payments. The objective of these funds was to buffer the economic shock to small businesses caused by the pandemic.

European Investment Bank

The European Investment Bank is considered to be among the AID Bank's long existing funding partner. Over the years they have provided both financial and technical assistance to the AID Bank and continued during the financial year to provide institutional strengthening support to us in the areas of strategic planning, project appraisal, liquidity management and debt recovery strategies. The result of the assistance produced a more efficient organisation with more effective utilisation of resources.

Caribbean Development Bank

The Caribbean Development Bank, the AID Bank's largest funding agency has been a pillar of financial and technical support from inception. Through grant funding from the CDB, the AID Bank now has in place a comprehensive Climate Change Policy which will guide the Bank in its efforts at increasing the climate resilience and climate change mitigation in projects being financed. The AID Bank's Investment Policies and Procedures Manual has been enhanced with the documentation of the process of identification, assessment and the management of projects most sensitive to climate change impact.

CARICOM Development Fund

Under the year in review the AID Bank pursued the development of its Finance and Accounting Policies and Procedures Manual from grant funding received from the CARICOM Development Fund. The detailed manual is intended to document a more structured approach to accounting in keeping with developing standards.

The Bank continued its Business Continuity Program which includes risk assessment, development of a Business Continuity Plan, testing, training and implementation of the Plan.

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

HUMAN RESOURCE AND ADMINISTRATION

The Bank recognizes the critical role of its human

resource in achieving its objectives. As such, during the financial year, emphasis was placed on training and development, health and wellness and safety and security of staff.

During the year under review, the Bank readjusted its business operations and established rules and regulations to ensure the safety of its employees, customers and stakeholders amid the spread of the COVID-19 virus. We partnered with the Ministry of Health, Health Promotions Unit to increase staff awareness of the virus. The Bank ensured that adequate Personal Protective Equipment (PPE) was provided in the work place, that employees and customers wore face mask while on the premises, that social distancing was maintained and that adequate information on the protocol was posted at strategic locations to both customers and staff. These measures were intended to ensure the orderly, efficient and safe working environment and conduct of business.

Adjustments were also made to the mode of training provided to staff. During the period, the Bank financed virtual training in areas of Human Resource Management and Performance Management. In house virtual training sessions were also conducted on the DPAC Loans Management Software and the Rent Manager Software.

The Bank continued to partner with the Ministry of Employment, National Employment Program (NEP) in carrying out its mandate of sustainable growth and development. During the year, the Bank engaged ten (10) additional interns under the program. We are thankful to the Government of Dominica and by extension the NEP for their tremendous support provided over the years.

The Bank also partnered with the Dominica State College towards the growth and development of the youth by engaging a second year student for a one month internship arrangement.

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

MANAGEMENT INFORMATION SYSTEMS

The Management Information Systems Department continued to pursue its role through the provision of the relevant technology towards the development of a productive and efficient organization to meet the needs of our customers.

During the financial year ended June 30, 2020, the MIS Department's focus continued to be placed on strengthening security controls, ensuring that users have trouble free access to the information system, ensuring that both the hardware and software operated at an optimal level and kept downtime to a minimum.

As part of the Bank's business continuity program, focus was placed on strengthening its internal operations particularly its computer operating systems to include upgraded servers and UPS devices, licences, antivirus and data storage to include enhanced internal and external backup. The Department also supervised the installation of a new generator to provide sufficient redundant power and conducted IT security training to staff.

Enhancement to the Bank's hardware and software will continue in tandem with the implementation of a robust Business Continuity Program geared towards a more resilient financial system.

INDUSTRIAL ESTATES

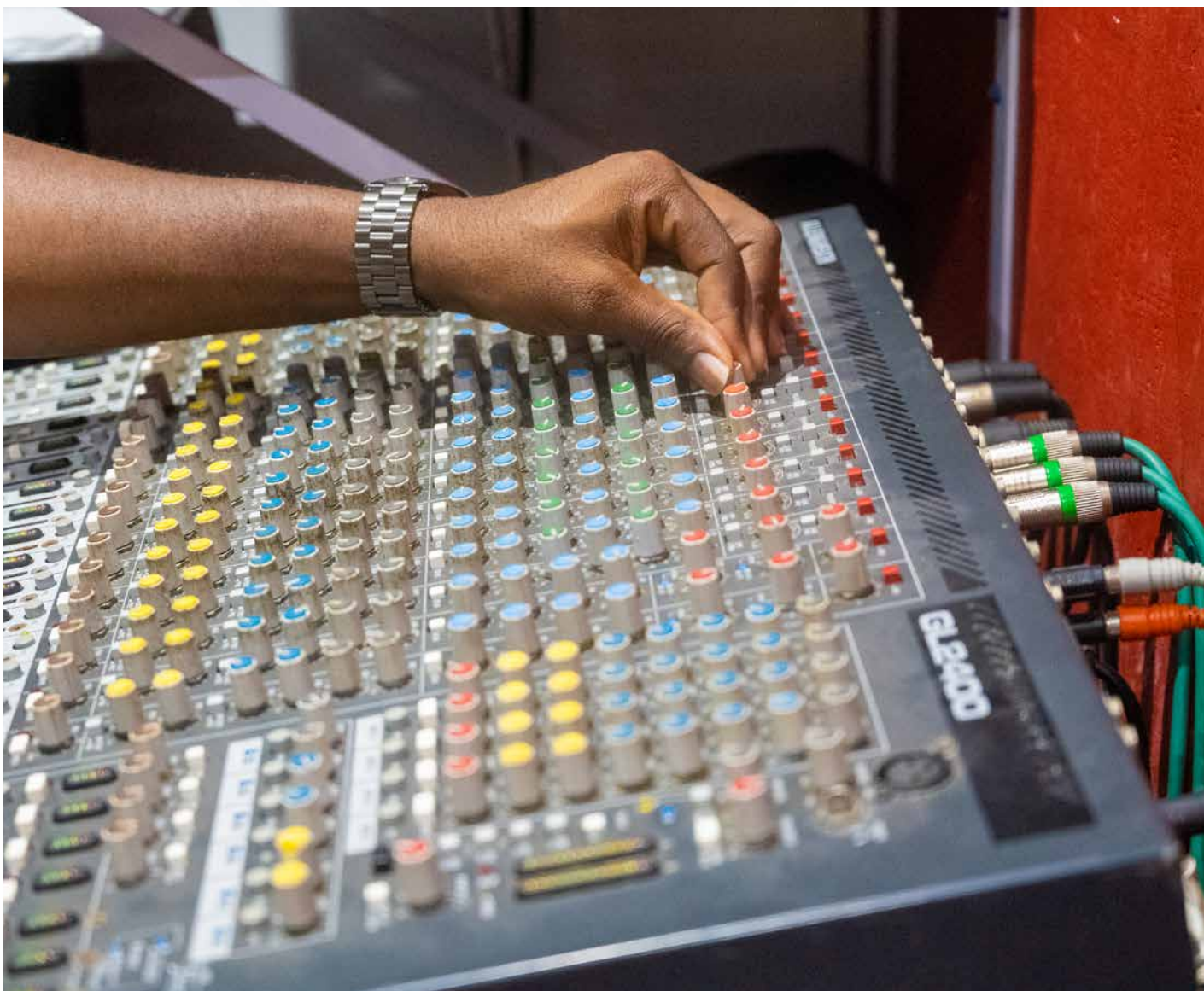
As the AID Bank's second largest investment, the Industrial Estates complement the Bank's overall objectives by providing shed and land space at concessionary rates to productive sector enterprises with the aim of increasing production, creating employment, promoting exports and generating foreign exchange. These are also in keeping with the Government of Dominica's overall objective of sustainable economic development.

With the onset of the COVID-19 pandemic, the Commonwealth of Dominica experienced decreased economic activity for the year ended December 2020. Tenants of the Industrial Estates were not immune to these shocks, therefore the Bank assisted by offering waiver on rental payments and cancellation of fees in an effort to cushion the impact on their businesses.

For the year ended June 30, 2020, seven hundred and eighty-seven (787) persons were employed at the Industrial Estates, with the ICT sector being the largest employer of 80% or six hundred and twenty-seven (627) persons.

The Industrial Estate Department placed focus on enhancing the aesthetics of the properties, improvement in rental collections and operational efficiency during the financial year under review.

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



PART III OTHER ACTIVITIES

FINANCIAL DATA SYSTEMS LIMITED

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

For the year ended June 30, 2020, the company continued its focus on its DPAC software, performing minor upgrades and updates to the software.

FDSL continued its marketing and outreach efforts to identify potential and/or returning customers requiring software focused on development banking. Some potential clients have been identified and will be engaged in the new financial year in an effort to bring them on board.



PART IV

AID BANK'S CORPORATE SOCIAL RESPONSIBILITY

As an indigenous and conscientious development financial institution, the AID Bank has shared in the shocks and resilience of the Dominican people, this financial period ended June 30, 2020. On the cusp of recovering from the natural disasters of recent memory, our people watched in horror from late 2019 to early 2020, through the international media, the global impact of the COVID-19 pandemic. This universal health disaster was one that many of us never thought would have been witnessed nor experienced in our lifetime.

However, prior to the reality of the phenomena upon our shores in March 2020, the efforts of many, inclusive of the Government of Dominica, through its critical agencies, as well as regional and international health affiliates, did much to mitigate the impact of the pandemic. In retrospect, this support prepared us for the health battle of our time. In fulfillment of the Bank's social mandate, strict observance to the hygienic protocols, lock-downs, curfews, shortened work-days, a unique corporate shift system, skeleton staff, social distancing and

periodic testing proved to be in the best interest of the Bank and its customers.

During the period under review the Bank was afforded the opportunity to continue its Corporate Social Responsibility Programme which supported its mission and vision. As such, we continued to provide support to programs geared towards the development of the youth, elderly, physically challenged and the underprivileged. We also promoted arts and culture and initiatives geared towards the preservation of the environment.

The beneficiaries of the AID Bank's generosity during this financial year included basic support for representatives of Kaz Kweyol Productions, at the Caribbean Festival of Arts; a "Performing Arts Workshop", which was organized by the Ti Matador Creole Pageant; the DBS Song Contest; and the National Cultural Council's History Week.

The Bank was pleased to be associated with 'Market Day with a Difference' an event organized by the



Dominica Export Import Agency (DEXIA). Additionally, the Bank participated in and contributed to the Youth Symposium of the Dominica Manufacturer's Association. In collaboration with the Eastern Caribbean Central Bank, the AID Bank participated in and contributed to Financial Information Month (FIM 2019).

Other recipients of the Bank's generosity during the 2020 financial year were; the Arthur Waldron Seventh-day Adventist Academy, the Dominica Cancer Society, the Dominica Council on Ageing, the Pichelin Village Council, the Waitukubuli Dance Theatre Company and the Rotaract Club.

The AID Bank's passion for the environment and in continuation of its Adopt-a-Road Programme resulted in the engagement of its staff in another tree planting activity on the Edward Oliver LeBlanc Highway.

The diversity of the Bank's financial support, tells of its strategic objectives in being associated with meaningful events, programs and activities that are aligned to the productive sector, education, culture, the performing arts, the environment, financial literacy, charitable organizations and communities, which all have a nurturing impact on the advancement of our people.



PART V

FINANCIAL PERFORMANCE

Net Profit

The AID Bank recorded a net loss of \$1.90 million in the financial year ended June 30, 2020. This figure was 109.99 per cent less than the net profit of \$19.05 million recorded in 2019 as indicated in the table below.

Total comprehensive loss was \$2.24 million for the year under review or approximately 111.63 per cent less than the total comprehensive income recorded for the preceding financial year. The key contributing factor to this performance was the year on year increase in the fair value of the Bank's investment properties by 57.98 per cent for the financial year ended June 30, 2019 when compared to the 8.65 per cent decrease in the financial year ended June 30, 2020. In addition, the Bank recorded a reduction in interest income and an impairment loss on property, plant and equipment.

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

	2020 – EC\$	2019 – EC\$
Interest income	6,975,615	7,739,803
Other operating income	1,769,936	1,795,755
Total income	8,745,551	9,535,558
Interest Expense	(4,446,387)	(4,655,685)
Staff Costs	(3,156,405)	(2,992,714)
Administrative Expenses	(1,053,725)	(1,106,888)
Factory sheds expenses	(370,170)	(537,315)
Other operating expenses	(627,177)	(622,221)
Depreciation	(414,341)	(399,214)
Total expenses	(10,068,205)	(10,314,037)
Net income/(loss) from Operations before the following income/(charges):	(1,322,654)	(778,479)
Income on Insurance Claim	-	13,212
(Decrease)/Increase in Fair Value Investment Properties	(5,029,578)	20,633,784
Impairment Recovery/(Losses) on Loans and Receivables	4,450,080	(759,959)
Loss on disposal of property and equipment	-	(60,728)
Net (Loss)/Profit	(1,902,152)	19,047,830
Revaluation excess office building	-	188,287
Impairment Losses on Property, Plant and Equipment	(334,164)	-
Total Comprehensive (Loss)/Income	(2,236,316)	19,236,117

Income

Total income recorded for the financial year was \$8.75 million, which was 8.28 per cent lower than the \$9.54 million achieved in 2019.

Interest income decreased by 9.87 per cent while other operating income decreased by 1.44 per cent from the previous financial year.

Expenses

Financial Expenses of \$4.45 million were 4.50 per cent lower than the previous year's \$4.66 million.

Total staff expenses of \$3.16 million increased by 5.47 per cent when compared to the previous financial year.

Administrative Expenses of \$1.05 million decreased by 4.80 per cent in comparison to the previous year.

Total operating expenses of \$10.07 million were 2.38 per cent lower than the \$10.31 million from June 2019.

Assets

At June 30, 2020, assets totalled \$226.57 million representing a 5.46 percentage decrease from the preceding year's \$239.67 million.

The major component of assets, net loans and advances valued at \$152.49 million registered a 2.01 per cent increase from the previous year's \$149.48 million and adequately offset total long-term liabilities of \$129.32 million.

Net loans and advances comprised of a gross loan balance of \$164.92 million - (2019: \$171.48 million) and interest receivable of \$10.16 million - (2019: \$10.50 million) less loan provision of \$22.59 million - (2019: \$32.50 million).

The long-term debt to equity ratio of 1.70:1 was within the suggested range for the industry of 4:1.

Cash in current and operating account, and short-term investments totalled \$6.38 million, which was 63.20 per cent lower than the previous year's \$17.34 million.

Other receivables of \$2.23 million was recorded for the financial year ended June 30, 2020 and was 14.66 per cent more than the preceding year's \$1.95 million. Other receivables comprise the Industrial Estate tenants' rental arrears, insurance premiums, legal and other fees due from clients and a short-term loan to Financial Data Systems Limited (FDSL). The year on year increase was primarily influenced by a 15.24 per cent increase in the Industrial Estate tenants' rental arrears and an 11.56 per cent increase in insurance premiums, legal and other fees due from clients.

Net investments in Investment Properties, Treasury Bills, Government Debentures and shares in companies totalled \$54.09 million, of which \$53.50 million represents Investment Properties of the Industrial Estate Unit (IEU). Net Investments were 8.62 per cent less than the previous year's \$59.20 million.

Net total fixed assets of \$10.83 million were 4.07 per cent lower than last year's \$11.29 million.

Liabilities

Total liabilities were \$150.30 million, which was 6.59 per cent less than last year's \$160.91 million.

Due to customers was \$5.88 million which was 11.36 per cent lower than the \$6.63 million in the previous financial year.

Borrowed funds of \$129.32 million registered a net decrease of 8.39 per cent from last year's \$141.17 million.

Shareholders' Equity

Shareholders' Equity of \$76.27 million decreased by 3.16 per cent from the previous year's \$78.75 million.

Retained Earnings of \$4.95 million decreased by 29.15 per cent for the financial year ended June 2020 when compared to \$6.99 million in 2019.



Dominica Agricultural Industrial and Development Bank

Financial Statements

Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

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, 2020, and the statements of changes in equity, comprehensive income and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at June 30, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other information included in the Bank's 2019 Annual Report

Other information consists of the information included in the Bank's 2020 Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2020 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 2020 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

INDEPENDENT AUDITOR'S REPORT (CONT'D)

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

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

We also provide those 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.

BDO

Chartered Accountants
Castries, St. Lucia
June 18, 2021

Dominica Agricultural Industrial and Development Bank

Statement of Financial Position

As at June 30, 2020

(Expressed in Eastern Caribbean Dollars)

	Notes	2020 \$	Restated 2019 \$	2018 \$
Assets				
Cash and cash equivalents	8	148,111	10,227	17,424
Treasury bills	9	410,000	410,000	410,000
Deposits with banks and other financial institutions	10	6,382,084	17,343,075	29,434,100
Financial assets measured at amortized cost	11	186,243	609,228	-
Debentures		-	-	631,870
Loans and advances to customers	12	152,484,995	149,479,873	151,795,355
Financial assets measured at FVTPL	14	400,499	400,499	-
Available for sale investments		-	-	400,499
Investment properties	15	53,496,121	58,178,747	35,590,637
Property and equipment	16	10,830,440	11,289,831	11,092,562
Other assets	17	2,230,826	1,945,549	10,926,755
Total Assets		226,569,319	239,667,029	240,299,202
Liabilities				
Bank overdraft	18	906,637	931,346	2,613,942
Due to customers	19	5,878,353	6,631,734	8,702,859
Borrowed funds	20	129,322,230	141,165,483	149,819,498
Provisions	21	475,063	157,164	-
Other liabilities	22	13,719,947	12,027,897	11,869,272
Total Liabilities		150,302,230	160,913,624	173,005,571
Equity				
Share capital	24	47,970,205	47,970,205	47,970,205
Contributed capital	25	1,616,030	1,616,030	1,616,030
Revaluation surplus	26	4,224,374	4,673,368	4,572,556
Reserves	27	17,505,842	17,505,842	12,767,484
Retained earnings		4,950,638	6,987,960	367,356
Total Equity		76,267,089	78,753,405	67,293,631
Total Liabilities and Equity		226,569,319	239,667,029	240,299,202

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


Director

APPROVED ON BEHALF OF THE BOARD:-


Director

Dominica Agricultural Industrial and Development Bank

Statement of Changes in Equity
For the Year Ended June 30, 2020
(Expressed in Eastern Caribbean Dollars)

	Notes	Share Capital \$	Contributed Capital \$	Revaluation Surplus \$	Reserves \$	Retained Earnings \$	Total \$
Balance at July 1, 2019, as previously reported		47,970,205	1,616,030	5,890,019	18,551,443	10,030,364	84,058,061
Effect of prior period adjustments	38	-	-	(1,216,651)	(1,045,601)	(3,042,404)	(5,304,656)
Balance at July 1, 2019, as restated		47,970,205	1,616,030	4,673,368	17,505,842	6,987,960	78,753,405
Net loss for the year		-	-	-	-	(1,902,152)	(1,902,152)
Other comprehensive loss							
Impairment loss on land and buildings	16, 26	-	-	(334,164)	-	-	(334,164)
Total comprehensive loss		-	-	(334,164)	-	(1,902,152)	(2,236,316)
Dividends	33	-	-	-	-	(250,000)	(250,000)
Transfer to statutory reserve	27	-	-	-	-	-	-
Amortization of revaluation surplus	26	-	-	(114,830)	-	114,830	-
		-	-	(114,830)	-	(135,170)	(250,000)
Balance at June 30, 2020		47,970,205	1,616,030	4,224,374	17,505,842	4,950,638	76,267,089

Dominica Agricultural Industrial and Development Bank

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

	Notes	Share Capital \$	Contributed Capital \$	Revaluation Surplus \$	Reserves \$	Retained Earnings \$	Total \$
Balance as at July 1, 2018, as previously reported		47,970,205	1,616,030	4,572,556	12,767,484	367,356	67,293,631
Effect of prior period adjustments		-	-	-	(23,600)	(7,502,743)	(7,526,343)
Balance as at July 1, 2018, as restated		47,970,205	1,616,030	4,572,556	12,743,884	(7,158,987)	59,767,288
Net loss for the year, as restated		-	-	-	-	19,047,830	19,047,830
Other comprehensive income							
Unrealized gain on revaluation of land and buildings, as restated	16, 26	-	-	188,287	-	-	188,287
Total comprehensive income		-	-	188,287	-	19,047,830	19,236,117
Dividends	33	-	-	-	-	(250,000)	(250,000)
Transfer to statutory reserve, as restated	27	-	-	-	4,761,958	(4,761,958)	-
Amortization of revaluation surplus	26	-	-	(87,475)	-	87,475	-
Balance at June 30, 2019, as restated		47,970,205	1,616,030	4,673,368	17,505,842	6,987,960	78,753,405

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

Dominica Agricultural Industrial and Development Bank

Statement of Comprehensive Income

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

	Notes	2020 \$	Restated 2019 \$
Interest income	28	6,975,615	7,739,803
Interest expense	28	(4,446,387)	(4,655,685)
Net interest income		2,529,228	3,084,118
Other operating income	29	1,769,936	1,795,755
Other operating expenses	30	(5,621,818)	(5,658,352)
Net interest income and other operating loss		(1,322,654)	(778,479)
(Decrease)/Increase in fair value of investment property	15	(5,029,578)	20,633,784
Income on insurance claim		-	13,212
Loss on disposal of property and equipment	16	-	(60,728)
Net impairment recovery/(loss) on financial assets	13	4,450,080	(759,959)
Net (loss)/income for the year		(1,902,152)	19,047,830
Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods			
Revaluation of land and buildings	16, 26	-	188,287
Impairment loss on land and buildings	16, 26	(334,164)	-
Total comprehensive (loss)/income for the year		(2,236,316)	19,236,117

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, 2020

(Expressed in Eastern Caribbean Dollars)

	Notes	2020 \$	Restated 2019 \$
Cash flows from operating activities			
Net (loss)/income for the year		(1,902,152)	19,047,830
Adjustments for:			
Net impairment (recovery)/loss on loans and receivables	13	(4,450,080)	759,959
Decrease/(increase) in fair value of investment properties	15	5,029,578	(20,633,784)
Depreciation	16	414,341	399,214
Loss on disposal of assets	16	-	60,728
Income on insurance claim		-	(13,212)
Interest income on investments	28	(270,834)	(462,530)
Interest expense and similar charges	28	4,338,161	4,526,243
Foreign exchange loss	30	89,208	43,483
Cash flows before changes in operating assets and liabilities		3,248,222	3,727,931
Decrease/(increase) in loans and advances to customers		1,111,413	(5,970,821)
Decrease in fixed deposits		5,468,421	5,564,852
(Increase)/decrease in other assets		(285,277)	8,994,418
Decrease in due to customers		(753,381)	(2,071,125)
Increase in provisions		317,899	157,164
Increase in other liabilities		1,103,085	158,625
Cash generated from operations		10,210,382	10,561,044
Interest received		604,379	178,776
Interest paid		(3,999,196)	(4,310,016)
Net cash generated from operating activities		6,815,565	6,429,804
Cash flows from investing activities			
Purchase of investment property	15	(346,952)	(1,954,326)
Purchase of property and equipment	16	(289,114)	(468,924)
Net cash used in investing activities		(636,066)	(2,423,250)
Cash flows from financing activities			
Borrowed funds		5,250,000	2,850,000
Repayment of borrowed funds		(17,182,461)	(11,763,725)
Dividends paid		-	(250,000)
Net cash used in financing activities		(11,932,461)	(9,163,725)
Net decrease in cash and cash equivalents		(5,752,962)	(5,157,171)
Cash and cash equivalents, beginning of year		9,808,240	14,965,411
Cash and cash equivalents, end of year	8	4,055,278	9,808,240

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

Dominica Agricultural Industrial and Development Bank

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Dominica Agricultural Industrial and Development Bank

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Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

1. Corporate Information

The Dominica Agricultural Industrial and Development Bank (the Bank) is a corporate body established under Chapter 74:03 of the revised laws of the Commonwealth of Dominica, with its principal objectives being to promote and influence the economic development of the Commonwealth of Dominica and to mobilize funds for the purpose of such development. The Bank manages lands and buildings at four Industrial Estates in Canefield, Geneva, Picard, Hertford and Jimmit. The Estates collectively comprise 19 buildings with one each in Geneva and Picard and 17 in Canefield. The Industrial Estates are managed by the Industrial Estate Unit (the IEU) which is separate from the core lending functions of the Bank. The core lending function and the management of the industrial estate unit 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.

2. Date of Authorisation of Issue

These financial statements were authorised for issue by the Board of Directors on June 18, 2021.

3. Basis of Preparation of Financial Statements

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as used by the International Accounting Standards Board (IASB) as at June 30, 2020 (the reporting date).

Basis of Preparation

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

Use of Estimate and Judgements

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 7.

4. Summary of Significant Accounting Policies

(a) New Accounting Policies/improvements Adopted

New standards, amendments and interpretations effective in the 2020 financial year are as follows:

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended June 30, 2019:

A number of other new standards are also effective from July 1, 2019 but they do not have a significant impact on the Bank's financial statements.

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

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

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

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

New standards, amendments and interpretations effective in the 2020 financial year are as follows: (Cont'd)

IFRS 16 Leases (effective January 1, 2019)

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

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

The adoption of the standard has no impact on the financial statements of the Bank.

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

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

The adoption of the standard has no impact on the financial statements of the Bank.

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

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

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

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

IAS 12 Income Taxes

IAS 12, 'Income Taxes' was amended to clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.

The application of this amendment did not have a material impact on amounts reported in respect to the Bank's financial statements.

IAS 19 Employee Benefits

IAS 19, 'Employee Benefits' was amended to clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The application of this amendment did not have a material impact on amounts reported in respect to the Bank's financial statements.

IAS 23 Borrowing Costs

IAS 23, 'Borrowing Costs' was amended to clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The application of this amendment did not have a material impact on amounts reported in respect to the Bank's financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23, 'Uncertainty over Income Tax Treatments' was issued to address the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12, 'Income Taxes'.

The application of this amendment did not have a material impact on amounts reported in respect to the Bank's financial statements.

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

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

(b) Standards Issued but not yet Effective

Standards, amendments and interpretations that are issued but not effective and have not been early adopted in the financial year are as follows:

- IAS 1, 'Presentation of Financial Statements' and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' were amended to clarify when information is material. In particular, the amendments clarify:
 - (a) That the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
 - (b) The meaning of "primary users of general-purpose financial statements" to whom those financial statements are directed, by defining them as "existing and potential investors, lenders and other creditors" that must rely on general purpose financial statements for much of the financial information they need.

This amendment is applicable for annual periods beginning on or after January 1, 2020. It is not anticipated that the application of this amendment will have a material impact on amounts reported in respect to the Bank's financial statements.

(c) Cash and Cash Equivalents

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

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

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

(d) Financial Instruments

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

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

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

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

Debt Instruments

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

- Amortized cost;
- FVOCI; and
- FVTPL

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

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

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

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

(d) Financial Instruments (Cont'd)

Business model assessment

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

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

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

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

Assessment of contractual cash flows

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

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

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

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

(d) Financial Instruments (Cont'd)

Debt instruments measured at amortized cost

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

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

Debt instruments measured at fair value through other comprehensive income.

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

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

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

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

Equity instruments

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

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

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

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

(d) Financial Instruments (Cont'd)

Financial Liabilities

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

Impairment of financial assets

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.

Expected credit loss impairment model

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

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

Stage 1: 12-months ECL

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

Stage 2: Lifetime ECL-not credit impaired

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

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

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

(d) Financial Instruments (Cont'd)

Impairment of financial assets (Cont'd)

Stage 3: Lifetime ECL- credit impaired

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

Measurement of ECL

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

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

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

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

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.

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

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

(d) Financial Instruments (Cont'd)

Impairment of financial assets (Cont'd)

Macroeconomic factors

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

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

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers both quantitative and qualitative information and analysis based on its historical experience and credit risk assessment. The Bank considers as a backstop that significant increase in credit risk occurs when 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 Stage 2 or 3, loss allowances reflect expected credit losses over the expected remaining life of the instrument. For most instruments, the expected life is limited to the remaining contractual life.

Presentation of allowances for ECLs

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

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

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

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

(d) Financial Instruments (Cont'd)

Impairment of financial assets (Cont'd)

Restructured financial assets

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

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

Credit Impaired Financial Assets

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

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

- Significant financial difficulty of the borrower;
- A breach of contract such as default or past due events;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - Adverse changes in the payment status of borrowers in the group; or
 - National or economic conditions that correlate with defaults on the assets in the group.

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

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

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

(d) Financial Instruments (Cont'd)

Impairment of financial assets (Cont'd)

Definition of default

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

- Significant financial difficulty of the borrower;
- Default or delinquency of principal and interest by a borrower;
- Restructuring of a loan or advance by the Bank on terms that the 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.

Write-offs

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

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

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

(e) Renegotiated Loans

During the normal course of business financial assets carried at amortised cost may be restructured with the mutual agreement of the Bank and the counterparty. When this occurs for reasons other than those which could be considered indicators of impairment, the Bank assesses whether the restructured or renegotiated financial asset is significantly different from the original one by comparing the present value of the restructured cash flows discounted at the original instruments interest rate. If the restructured terms are significantly different the Bank derecognizes the original financial asset and recognizes a new one at fair value with any difference recognized in the statement of comprehensive income. Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans.

(f) Offsetting Financial Instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(g) Property and Equipment

(i) Initial measurement

Property and equipment are initially stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributed to the acquisition of items.

(ii) Subsequent measurement

Land and building

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

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

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

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

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

(g) Property and Equipment (Cont'd)

(ii) *Subsequent measurement (Cont'd)*

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

Land is not depreciated.

Motor Vehicle, Furniture and Equipment and Computer Equipment

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

(iii) *Depreciation*

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

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

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.

(h) 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.

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

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

(i) 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).

(j) Prepayments

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

(k) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transactions cost and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) Retained Earnings

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

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

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

(q) 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.

(r) 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.

(s) 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.

(t) Foreign Currency Translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

4. 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.

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

5. Financial Risk Management

(a) Financial Risk Factors

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

- Credit Risk
- Market Risk
- Liquidity Risk

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

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

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

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

Strategy in using financial instruments

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

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

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

5. Financial Risk Management (Cont'd)

(b) Credit Risk

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

Cash and balances with Central Bank

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

Debt securities and other bills

For debt securities and treasury bills, external ratings such as CariCRIS or its equivalent are used by the senior management for managing of the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirements at the same time.

Loans and advances to customers

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers and to industry segments. Such risks are monitored on a revolving basis and subject to monthly reviews. The Bank also undertakes supervised credit of large projects whereby loans are disbursed in tranches. A progress report is completed after each tranche is disbursed to ascertain the project value. The Bank is exposed to potential loss only in the amount of loan disbursed. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Industrial Estate Unit (IEU)

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

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

5. Financial Risk Management (Cont'd)

(b) Credit Risk (Cont'd)

(i) Credit risk measurement - Loans and advances

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparties. They have been developed based on the Eastern Caribbean Central Bank guidelines. Customers of the Bank are segmented into five rating classes. The Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary.

Bank's rating	Description of the grade
1	Pass
2	Special mention
3	Sub-standard
4	Doubtful
5	Loss

(ii) Risk limit control and mitigation policies

The Bank manages limits and controls concentrations of credit risk wherever they are identified - in particular, to individual counterparties and groups, and to industries. The Bank structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to the industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary by the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on-and-off Statement of Financial Position exposures, and daily delivery risk limits in relation to trading items. Actual exposures against limits are monitored. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below.

(i) Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as premises, property and equipment and motor vehicles;
- Charges over financial instruments such as debt securities' and equities;
- Assignment to the Bank of key-man, life, homeowners and motor vehicle insurances.

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

5. Financial Risk Management (Cont'd)

(b) Credit Risk (Cont'd)

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

(ii) Credit-related commitments

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

(iii) Impairment and provisioning policies

The internal and external rating systems described under "credit risk measurement" focus more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment.

The impairment provision shown in the Statement of Financial Position at year-end is derived from each of five internal rating grades. The table below shows the percentage of the Bank's loans and advances and the associated impairment provision for each of the Bank's internal rating categories:

	2020			2019		
	Loans and Advances (%)	Collective Impairment (%)	Individual Impairment (%)	Loans and Advances (%)	Collective Impairment (%)	Individual Impairment (%)
Bank's rating						
1. Pass	46.28	-	1.62	51.97	-	5.63
2. Special mention	8.93	-	3.06	8.33	-	1.03
3. Sub-standard	4.24	-	5.79	0.45	-	0.46
4. Doubtful	2.87	-	4.44	1.88	-	1.80
5. Loss	37.68	-	85.09	37.36	-	91.08

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

5. Financial Risk Management (Cont'd)

(b) Credit Risk (Cont'd)

The internal rating tool assists management to determine whether objective evidence of impairment exists under IFRS 9, based on the following criteria set out by the Bank:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income as a percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The Bank's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the expected loss at reporting date on a case-by-case basis and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Maximum exposure

	Maximum credit risk exposure	
	2020	2019
	\$	\$
Treasury bills	410,000	410,000
Deposits with banks and other financial institutions	6,382,084	17,343,075
Financial Assets measured at Amortized Cost	186,243	609,228
Loans and advances to customers:		
Demand loans	115,517,482	111,396,014
Mortgage loans	36,967,513	38,083,859
Other assets	2,195,835	1,910,558
	<u>161,659,157</u>	<u>169,752,734</u>
Credit risk exposures relating to financial assets off the statement of financial position		
Loan commitments	15,448,581	8,686,933
	<u>177,107,738</u>	<u>178,439,667</u>

The above table represents a worst-case scenario of credit risk exposure to the Bank at June 30, 2020 and 2019, 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, 86.10% (2019 - 83.77%) of the total maximum exposure is derived from loans and advances to customers.

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

5. Financial Risk Management (Cont'd)

(b) Credit Risk (Cont'd)

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

- 55.21% (2019 - 60.30%) of the loans and advances portfolio is categorised in the top two grades of the internal rating system;
- 23.96% (2019 - 23.50%) 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:

	2020 \$	2019 \$
Neither past due nor impaired	41,949,590	42,767,142
Past due but not impaired	62,131,045	66,982,584
Impaired	70,997,379	72,230,334
	175,078,014	181,980,060
Less: allowance for impairment losses on loans and advances	(22,593,019)	(32,500,187)
	152,484,995	149,479,873

The total impairment provision for loans and advances is \$22,593,019 (2019 - \$32,500,187) of which \$21,583,186 (2019 - \$30,334,904) represents the Stage 3 ECL and the remaining amount of \$1,009,833 (2019 - \$2,165,283) 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 12 and 13.

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

5. Financial Risk Management (Cont'd)

(b) Credit Risk (Cont'd)

(i) *Loans and advances neither past due nor impaired*

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank.

	Demand Loans \$	Mortgage Loans \$	Total \$
June 30, 2020			
Grades			
1. Pass	25,554,999	16,394,591	41,949,590
June 30, 2019			
Grades			
1. Pass	28,275,284	14,491,858	42,767,142

(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, 2020			
Past due up to 30 days	41,672,992	15,110,674	56,783,666
Past due 30 - 60 days	481,945	80,737	562,682
Past due 60 - 90 days	524,795	79,813	604,608
Past due over 90 days	3,867,385	312,704	4,180,089
Total	46,547,117	15,583,928	62,131,045
June 30, 2019			
Past due up to 30 days	42,114,844	20,284,619	62,399,463
Past due 30 - 60 days	505,175	96,169	601,344
Past due 60 - 90 days	455,210	70,555	525,765
Past due over 90 days	3,175,402	280,610	3,456,012
Total	46,250,631	20,731,953	66,982,584

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

5. Financial Risk Management (Cont'd)

(b) Credit Risk (Cont'd)

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets.

(iii) *Loans and advances individually impaired*

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

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

	Demand Loans \$	Mortgage Loans \$	Total \$
June 30, 2020			
Stage - 3 Individually impaired loans	65,280,586	5,716,793	70,997,379
June 30, 2019			
Stage 3 - Individually impaired loans	67,578,582	4,651,752	72,230,334

(iv) *Loans and advances renegotiated*

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a current status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of the Bank's management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans. Renegotiated loans that would otherwise be past due or impaired totalled \$5,657,449 as of June 30, 2020 (2019 - \$6,744,097).

(v) *Reposessed collateral*

At the end of 2020, the Bank had not reposessed any collateral (2019 - \$0).

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

5. Financial Risk Management (Cont'd)

(b) Credit Risk (Cont'd)

(vi) Geographical Sectors

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

(vii) Industry Sectors

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

	%	2020 \$'000	%	2019 \$'000
Industrial	28.79	50,406	26.14	47,577
Tourism	26.72	46,784	29.10	52,963
Mortgage	22.41	39,232	21.91	39,875
Education	16.57	29,004	16.18	29,440
Agricultural	3.70	6,483	3.99	7,263
Other consumers	1.81	3,169	2.68	4,862
Total before deduction for allowance for losses on loans and advances	100.00	175,078	100.00	181,980

(c) Market Risk

The Bank takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Bank's exposures to market risks arise from its non-trading portfolios.

Non-trading portfolios primarily arise from the interest rate management of the Bank's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of equity risks arising from the Bank's available-for-sale investments.

(i) Price risk

The Bank is exposed to price risk because of investments in FVTPL. To manage its price risk arising from investments in equity securities, the Bank diversifies its portfolio (See Note 14).

At June 30, 2020, 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 (2019 - \$16,533) higher/lower as a result of the increase/decrease in fair value of available-for-sale equity securities.

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

5. Financial Risk Management (Cont'd)

(c) Market Risk (Cont'd)

(ii) Currency risk

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows, primarily with respect to the United States dollar (US\$). The Board of Directors sets limits on the level of exposure by currency and in total which are monitored daily. The Bank's exposure to currency risk is minimal with respect to the US\$ since the exchange rate of the Eastern Caribbean dollar (EC\$) to the US\$ has been formally pegged at EC\$2.70 = US\$1.00 since 1974.

(iii) Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken.

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

	1 year \$	2 - 5 years \$	Over 5 years \$	Non - Interest bearing \$	Total \$
As at June 30, 2020					
Cash	-	-	-	148,111	148,111
Treasury bills	410,000	-	-	-	410,000
Deposits with banks and other financial institutions	6,374,477	-	-	7,607	6,382,084
Financial Assets measured at Amortized Cost	-	-	200,000	-	200,000
Loans and advances to customers	26,131,097	55,701,156	70,652,742	-	152,484,995
Financial Assets measured at FVTPL	-	-	-	400,499	400,499
Other assets	-	-	-	2,195,835	2,195,835
Total financial assets	32,915,574	55,701,156	70,852,742	2,752,052	162,221,524
Bank overdraft	906,637	-	-	-	906,637
Due to customers	681,860	1,631,526	-	3,564,967	5,878,353
Borrowed funds	10,610,627	40,102,947	58,631,286	19,977,370	129,322,230
Other liabilities	-	-	-	14,195,010	14,195,010
Total financial liabilities	12,199,124	41,734,473	58,631,286	37,737,347	150,302,230
Net interest repricing gap	20,716,450	13,966,683	12,221,456	(34,985,295)	11,919,294

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

5. Financial Risk Management (Cont'd)

(c) Market Risk (Cont'd)

(iii) Interest Rate Risk

	1 year \$	2 - 5 years \$	Over 5years \$	Non - Interest bearing \$	Total \$
As at June 30, 2019					
Cash	-	-	-	10,227	10,227
Treasury bills	410,000	-	-	-	410,000
Deposits with banks and other financial institutions	17,335,468	-	-	7,607	17,343,075
Financial Assets measured at Amortized Cost	-	431,870	200,000	-	631,870
Loans and advances to customers	26,788,882	56,181,636	66,509,355	-	149,479,873
Financial Assets measured at FVTPL	-	-	-	400,499	400,499
Other assets	-	-	-	1,910,558	1,910,558
Total financial assets	44,534,350	56,613,506	66,709,355	2,328,891	170,186,102
Bank overdraft	931,346	-	-	-	931,346
Due to customers	982,061	1,702,933	-	3,946,740	6,631,734
Borrowed funds	14,559,002	46,514,250	54,869,777	25,222,454	141,165,483
Other liabilities	-	-	-	12,185,061	12,185,061
Total financial Liabilities	16,472,409	48,217,183	54,869,777	41,354,255	160,913,624
Net interest repricing gap	28,061,941	8,396,323	11,839,578	(39,025,364)	9,272,478

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

5. Financial Risk Management (Cont'd)

(c) Market Risk (Cont'd)

(iii) Interest Rate Risk (Cont'd)

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

	EC %	US %
As at June 30, 2020		
Assets		
Treasury bills	7.00	-
Deposits with bank and other financial institutions	5.23	-
Financial Assets measured at Amortized Cost	7.28	-
Loans and advances to customers	3.90	-
Liabilities		
Due to customers	1.41	-
Borrowed funds	2.68	3.42
As at June 30, 2019		
Assets		
Treasury bills	4.20	-
Deposits with bank and other financial institutions	3.24	-
Debentures	3.50	-
Loans and advances to customers	4.35	-
Liabilities		
Due to customers	1.56	-
Borrowed funds	2.35	4.20

(iv) Sensitivity Analysis

Cash flow interest rate risks arise from borrowings at variable rates. At June 30, 2020 if variable interest rates had been 1% higher/lower with all other variables held constant, profit for the year would have been \$235,397 (2019 - \$224,858) higher/lower.

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

5. Financial Risk Management (Cont'd)

(d) Liquidity Risk

The Bank is exposed to daily calls on its available cash resources from maturing deposits and loan disbursement. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of other borrowing facilities that should be placed to cover withdrawals at unexpected levels of demand.

The matching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and different types. An unmatched position potentially enhances profitability, but also increases the risks of losses.

The maturities and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates.

(i) Non-Derivative Cash Flow

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

	1 Year \$	2 - 5 Years \$	Over 5 Years \$	Total \$
As at June 30, 2020				
Financial liabilities				
Bank overdraft	906,637	-	-	906,637
Due to customers	3,712,161	2,199,524	-	5,911,685
Borrowed funds	17,895,941	86,165,028	48,835,717	152,896,686
Other liabilities	3,161,529	5,144,733	5,888,748	14,195,010
Total financial liabilities	25,676,268	93,509,285	54,724,465	173,910,018
As at June 30, 2019				
Financial liabilities				
Bank overdraft	931,346	-	-	931,346
Due to customers	4,320,146	2,349,338	-	6,669,484
Borrowed funds	23,784,536	97,410,052	55,642,769	176,837,357
Other liabilities	2,973,945	4,381,497	4,829,619	12,185,061
Total financial liabilities	32,009,973	104,140,887	60,472,388	196,623,248

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

5. Financial Risk Management (Cont'd)

(d) Liquidity (Cont'd)

(ii) Loan Commitments

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

	1 year \$	2 - 5years \$	Total \$
As at June 30, 2020			
Loan commitments	10,000,000	5,448,581	15,448,581
As at June 30, 2019			
Loan commitments	5,000,000	3,686,933	8,686,933

(e) Fair Value of Financial Assets and Liabilities

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

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

Loans and advances to customers

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

Investment securities

Assets classified as FVTPL 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.

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

5. Financial Risk Management (Cont'd)

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

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's statement of financial position at their fair value.

	Carry Value		Fair Value	
	2020	2019	2020	2019
	\$	\$	\$	\$
Financial assets				
Loans and advances to customers	152,484,995	149,479,873	195,335,418	204,727,410
Financial Liabilities				
Borrowed funds	129,322,230	141,165,483	131,259,539	143,894,798

(f) Fair Value Hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchange.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

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

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

5. Financial Risk Management (Cont'd)

(f) Fair Value Hierarchy (Cont'd)

Assets Measured Fair Value

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
As at June 30, 2020				
Financial Assets				
Financial assets at FVTPL	-	82,000	318,499	400,499
Non-Financial Assets				
Investment properties	-	-	53,496,121	53,496,121
Land and building	-	-	10,260,606	10,260,606
	-	-	63,756,727	63,756,727
	-	82,000	64,075,226	64,157,226
As at June 30, 2019				
Financial Assets				
Financial assets at FVTPL	-	82,000	318,499	400,499
Non-Financial Assets				
Investment properties	-	-	58,178,747	58,178,747
Land and building	-	-	10,721,734	10,721,734
	-	-	68,900,481	68,900,481
	-	82,000	69,218,980	69,300,980

The financial assets at FVTPL classified as Level 3 as at June 30, 2020 and 2019 relates to unquoted equity investments measured at cost.

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

The fair value is estimated based on appraisals performed by an independent professionally qualified valuer who holds a recognized and relevant professional qualification. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the Board and Audit Committee at each reporting date.

There were no transfers between levels in the fair value hierarchy in 2020 and 2019.

There were no gains or losses for the period included in the statement of income or comprehensive income for assets held at Level 3 as at June 30, 2020 and 2019.

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

5. Financial Risk Management (Cont'd)

(f) Fair Value Hierarchy (Cont'd)

Assets for which Fair Values are Disclosed

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
As at June 30, 2020				
Financial Assets				
Loans and advances to customers	-	-	195,335,418	195,335,418

As at June 30, 2019

Financial Assets

Loans and advances to customers	-	-	204,727,410	204,727,410
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Liabilities for which Fair Values are Disclosed

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
As at June 30, 2020				
Financial Liabilities				
Borrowed funds	-	-	131,259,539	131,259,539

As at June 30, 2019

Financial Liabilities

Borrowed funds	-	-	143,894,798	143,894,798
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The valuation technique and unobservable quantitative input for receivables and liabilities classified as Level 3 as of June 30, 2020 and 2019 are summarized below:-

	Valuation Technique	Unobservable Inputs	Range 2020 %	2019 %
Loans and advances to customers	Discounted cash flows	Discount rates	0 to 13	0 to 13
Borrowed funds	Discounted cash flows	Discount rates	0 to 7	0 to 7

(g) Capital Management

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

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

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

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

6. Segment Analysis

In the financial years 2020 and 2019, 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.

2020 Segment Reporting

	AID Bank \$	Industrial Estate \$	Total \$
For the year ended June 30, 2020			
External revenue	360,844	1,409,092	1,769,936
Interest income	6,975,615	-	6,975,615
Interest expense	(4,391,987)	(54,400)	(4,446,387)
Net operating income	2,944,472	1,354,692	4,299,164
Depreciation	(387,253)	(27,088)	(414,341)
Impairment loss/(recovery) on loans and advances to customers	4,866,258	(107,164)	4,759,094
Impairment loss on loan commitments	(317,899)	-	(317,899)
Impairment loss on investments	8,885	-	8,885
Other operating expenses	(4,368,585)	(838,892)	(5,207,477)
Changes in fair value of investment property	-	(5,029,578)	(5,029,578)
Total other (expenses)/income	(198,594)	(6,002,722)	(6,201,316)
Net (loss)/income for the year	2,745,878	(4,648,030)	(1,902,152)

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

6. Segment Analysis (Cont'd)

Total assets and liabilities by segment are as follows: -

	AID Bank \$	Industrial Estate \$	Total \$
As at June 30, 2020			
Total assets	202,635,407	23,933,912	226,569,319
Total liabilities	148,065,796	2,236,434	150,302,230

2019 Segment Reporting

	AID Bank \$	Industrial Estate \$	Total \$
For the year ended June 30, 2019			
External revenue	499,245	1,296,510	1,795,755
Interest income	7,739,803	-	7,739,803
Interest expense	(4,607,112)	(48,573)	(4,655,685)
Net operating income	3,631,936	1,247,937	4,879,873
Depreciation	(365,522)	(33,692)	(399,214)
Impairment loss on loans and advances to customers	(1,307,265)	12,209	(1,295,056)
Impairment loss on loan commitments	417,848	-	417,848
Impairment loss on investments	117,249	-	117,249
Loss on disposal of property and equipment	(60,728)	-	(60,728)
Other operating expenses	(4,370,341)	(888,797)	(5,259,138)
Income on insurance claim	13,212	-	13,212
Changes in fair value of investment property	-	20,633,784	20,633,784
Total other (expenses)/income	(5,555,547)	19,723,504	14,167,957
Net (loss)/income for the year	(1,923,611)	20,971,441	19,047,830

Total assets and liabilities by segment are as follows: -

	AID Bank \$	Industrial Estate \$	Total \$
As at June 30, 2019			
Total assets	212,254,597	27,412,432	239,667,029
Total liabilities	158,568,351	2,345,273	160,913,624

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

7. Critical Accounting Estimates and Judgements

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

(a) *Going Concern*

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

(b) *Impairments Losses on Loans and Advances*

The Bank reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio.

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

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

(d) *Impairment of non-financial assets*

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

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

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

(e) Revaluation of land and buildings and investment property

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

8. Cash and Cash Equivalents

	2020 \$	2019 \$
Cash in hand	146,726	8,917
Balance with Central Bank	1,385	1,310
	<u>148,111</u>	<u>10,227</u>

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

	Notes	2020 \$	2019 \$
Cash and balances with Central Bank		148,111	10,227
Placement with banks	10	4,403,804	10,319,359
Treasury Bills	9	410,000	410,000
Bank overdraft	18	(906,637)	(931,346)
		<u>4,055,278</u>	<u>9,808,240</u>

9. Treasury Bills

	2020 \$	2019 \$
Treasury bills	410,000	410,000

Treasury bills are debt securities issued by the Government of Dominica for a term of three (3) months. The weighted average effective interest rate in 2020 is 7.00% (2019 - 4.20%).

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

10. Deposits with Bank and other Financial Institutions

	2020 \$	2019 \$
Placements with banks	4,403,804	10,319,359
Fixed deposits	1,978,280	7,023,716
	<u>6,382,084</u>	<u>17,343,075</u>

The weighted average effective interest rate in respect of interest-bearing deposits in 2020 is 5.23% (2019 - 3.24%).

Included in placements with banks and other financial institutions are certificates of deposit amounting to \$1,959,570 (2019 - \$6,920,206) which is used to secure certain borrowings of the Bank (Note 20).

11. Financial Assets measured at Amortized Cost

	2020 \$	2019 \$
Financial Assets measured at Amortized Cost:		
3.50% debenture redeemable on October 1, 2019	-	431,870
3.50% debenture redeemable on June 10, 2034	200,000	200,000
	<u>200,000</u>	<u>631,870</u>
Allowance for ECL	(13,757)	(22,642)
	<u>186,243</u>	<u>609,228</u>

Movements of the Bank's allowance for ECL follows:

	2020 \$	2019 \$
At the beginning of the year	22,642	-
Effect of IFRS 9 at July 1, 2018	-	(139,890)
(Recovery)/provision during the year	(8,885)	117,248
At end of year	<u>13,757</u>	<u>(22,642)</u>

Financial Assets measured at amortized cost are debentures, debt securities issued by the Government of Dominica for a term of five (5) to thirty (30) years. The weighted average effective interest rate in 2020 is 7.28% (2019 - 3.50%).

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

12. Loans and Advances to Customers

	Notes	2020 \$	2019 \$
Demand loans		135,846,035	142,104,497
Mortgage loans		39,231,979	39,875,563
		<u>175,078,014</u>	<u>181,980,060</u>
Less allowance for impairment loss on loans and advances	13	<u>(22,593,019)</u>	<u>(32,500,187)</u>
		<u>152,484,995</u>	<u>149,479,873</u>
 Current		 26,131,097	 26,788,883
Non-current		<u>126,353,898</u>	<u>122,690,990</u>
		<u>152,484,995</u>	<u>149,479,873</u>

The weighted average effective interest rate on productive loans at June 30, 2020 is 3.90% (2019 - 4.35%).

13. Allowance for Impairment Loss on Loans and Advances

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

	Demand Loans \$	Mortgage Loans \$	Total \$
As at June 30, 2020			
At beginning of year	30,708,483	1,791,704	32,500,187
Provision recovered for the year	(10,379,930)	472,762	(9,907,168)
At end of year	<u>20,328,553</u>	<u>2,264,466</u>	<u>22,593,019</u>
As at June 30, 2019			
At the beginning of year, as previously reported	23,853,593	1,059,596	24,913,189
Prior period adjustments	5,597,670	770,980	6,368,650
At the beginning of year, as restated	29,451,263	1,830,576	31,281,839
Provision for the year, as previously reported	1,257,220	(38,872)	1,218,348
At end of year	<u>30,708,483</u>	<u>1,791,704</u>	<u>32,500,187</u>

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

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

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

	Stage 1 & 2 \$	Stage 3 \$	Total \$
As at June 30, 2020			
At beginning of year	2,165,283	30,334,904	32,500,187
Provision recovered for the year	(1,155,450)	(8,751,718)	(9,907,168)
At end of year	1,009,833	21,583,186	22,593,019
	Stage 1 & Stage 2 \$	Stage 3 \$	Total \$
As at June 30, 2019			
At the beginning of year, as previously reported	3,242,551	21,670,638	24,913,189
Prior period adjustment - brought forward	344,152	6,024,498	6,368,650
At the beginning of year, as restated	3,586,703	27,695,136	31,281,839
Provision for the year, as previously reported	-	2,639,768	2,639,768
Reduction in provision during the year	(1,421,420)	-	(1,421,420)
At end of year	2,165,283	30,334,904	32,500,187

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

	2020 \$	2019 \$
(Recovery)/provision for the year	(9,907,168)	1,218,348
Increase/(reduction) in provision during the year	107,164	(12,209)
Provision/(recovery) on loan commitments during the year	317,899	(417,848)
Recovery on investments during the year	(8,885)	(117,249)
Written-off loans during the year	5,040,910	88,917
	(4,450,080)	759,959

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

14. Financial Assets measured at FVTPL

	2020 \$	2019 \$
Financial Assets measured at FVTPL:		
Equity securities at fair value		
- Listed	82,000	82,000
- Unlisted	318,499	318,499
	<u>400,499</u>	<u>400,499</u>

15. Investment Properties

	Restated Land and Buildings \$
As at June 30, 2019, as previously reported	62,266,752
Effect of prior period adjustment (Note 38)	<u>(4,088,005)</u>
As at June 30, 2019, as restated	58,178,747
Net additions during the year	346,952
Increase/(decrease) in fair value	<u>(5,029,578)</u>
As at June 30, 2020	<u>53,496,121</u>
As at June 30, 2018	35,590,637
Net additions during the year	1,954,326
Increase in fair value	<u>20,633,784</u>
As at June 30, 2019	<u>58,178,747</u>

The investment properties are industrial sheds being held for long and short-term rental for use in the production or supply of goods or services, or administrative purposes or for sale in the ordinary course of business; and lands held for capital appreciation or sale in the ordinary course of business.

An independent valuation of the Bank's investment properties was performed by an independent professionally qualified valuer who holds a recognized and relevant professional qualification and who has recent experience in the location and category of the investment property being valued. The valuation was carried out using a market-based income approach that reflects observed rental prices for similar properties and incorporates adjustments for factors specific to the property in question, including plot size, location and current use.

Rental income from investment properties recognised in comprehensive income was \$1,380,217 (2019 - \$1,252,700) (Note 29) while direct operating expenses arising from these investment properties during the year was \$370,170 (2019 - \$537,315) (Note 30). Rent is charged below market rates.

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements
For the Year Ended June 30, 2020
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16. Property and Equipment

	Notes	Land \$	Building \$	Motor Vehicle \$	Furniture and Equipment \$	Computer Equipment \$	Total \$
At June 30, 2018							
Cost or valuation		2,687,347	8,622,024	230,713	1,528,837	1,054,835	14,123,756
Accumulated depreciation		-	(629,496)	(169,985)	(1,195,698)	(1,036,015)	(3,031,194)
Net book amount		<u>2,687,347</u>	<u>7,992,528</u>	<u>60,728</u>	<u>333,139</u>	<u>18,820</u>	<u>11,092,562</u>
Year ended June 30, 2019 (Restated)							
Opening net book amount		2,687,347	7,992,528	60,728	333,139	18,820	11,092,562
Additions		-	26,456	49,883	249,677	142,908	468,924
Revaluations	38	(238,650)	1,643,588	-	-	-	1,404,938
Prior period adjustment		-	(1,216,651)	-	-	-	(1,216,651)
Depreciation		-	(172,884)	(3,608)	(181,439)	(41,283)	(399,214)
Disposals		-	-	(64,850)	-	-	(64,850)
Impairment losses		-	-	4,122	-	-	4,122
Closing net book amount		<u>2,448,697</u>	<u>8,273,037</u>	<u>46,275</u>	<u>401,377</u>	<u>120,445</u>	<u>11,289,831</u>
At June 30, 2019 (Restated)							
Cost or valuation		2,448,697	9,075,417	215,746	1,778,514	1,197,743	14,716,117
Accumulated depreciation		-	(802,380)	(169,471)	(1,377,137)	(1,077,298)	(3,426,286)
Net book amount		<u>2,448,697</u>	<u>8,273,037</u>	<u>46,275</u>	<u>401,377</u>	<u>120,445</u>	<u>11,289,831</u>
Year ended June 30, 2020							
Opening net book amount		2,448,697	8,273,037	46,275	401,377	120,445	11,289,831
Additions		-	54,376	-	170,816	63,922	289,114
Revaluations	26	-	(334,164)	-	-	-	(334,164)
Depreciation	30	-	(181,340)	(9,976)	(167,292)	(55,733)	(414,341)
Closing net book amount		<u>2,448,697</u>	<u>7,811,909</u>	<u>36,299</u>	<u>404,901</u>	<u>128,634</u>	<u>10,830,440</u>
At June 30, 2020							
Cost or valuation		2,448,697	8,795,629	215,746	1,949,330	1,261,665	14,671,067
Accumulated depreciation		-	(983,720)	(179,447)	(1,544,429)	(1,133,031)	(3,840,627)
Net book amount		<u>2,448,697</u>	<u>7,811,909</u>	<u>36,299</u>	<u>404,901</u>	<u>128,634</u>	<u>10,830,440</u>

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

16. Property and Equipment (Cont'd)

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

An independent valuation of the Bank's land and buildings was performed by a professionally qualified property valuer in 2019 to determine the fair value. The valuation was carried out using a market value that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the property in question. The revaluation surplus was credited to other comprehensive income and is shown in 'revaluation surplus' in equity.

17. Other Assets

	2020 \$	2019 \$
Rent receivable	1,168,236	1,013,739
Other receivable	1,910,134	1,712,190
Less allowance for impairment losses	(1,124,195)	(1,017,031)
	1,954,175	1,708,898
Due from Financial Data Services Limited	241,660	201,660
Prepayments	34,991	34,991
	2,230,826	1,945,549

Allowance for impairment losses relate to the following accounts:-

	2020 \$	2019 \$
Rent receivable	1,119,256	1,012,092
Other receivable	4,939	4,939
	1,124,195	1,017,031

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

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17. Other Assets (Cont'd)

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

	2020 \$	2019 \$
At the beginning of year, as previously reported	1,017,031	586,450
Effect of adopting IFRS 9 at July 1, 2018	-	442,791
At beginning of year, as restated	1,017,031	1,029,241
Provision/(recovery) during the year	107,164	(12,210)
	<u>1,124,195</u>	<u>1,017,031</u>

18. Bank Overdraft

	2020 \$	2019 \$
National Bank of Dominica	<u>906,637</u>	<u>931,346</u>

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

19. Due to Customers

	2020 \$	2019 \$
Fixed deposits	2,313,386	2,684,995
Refundable deposits	1,735,325	1,801,769
Loan prepayments	1,829,642	2,144,970
	<u>5,878,353</u>	<u>6,631,734</u>
Current	3,712,161	4,314,863
Non-current	2,166,192	2,316,871
	<u>5,878,353</u>	<u>6,631,734</u>

All cash collateral carries fixed interest rates. The weighted average effective interest rate of cash collaterals at June 30, 2020 is 1.41% (2019 - 1.56%).

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

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20. Borrowed Funds

	Note	2020 \$	2019 \$
Caribbean Development Bank		28,845,182	28,755,232
European Investment Bank		8,692,769	12,015,031
BANDES - Economic and Social Development Bank of Venezuela		18,812,542	20,219,625
Dominica Social Security	34	21,756,018	23,149,685
PetroCaribe Fund		8,525,078	8,849,859
National Bank of Dominica		11,572,748	12,401,445
CARICOM Development Fund		6,126,726	7,188,609
Government of Dominica	34	21,477,370	25,222,454
Dominica National Petroleum Company Ltd.		1,568,676	1,639,527
Republic of China		883,883	1,001,743
		<u>128,260,992</u>	<u>140,443,210</u>
Interest payable		<u>1,061,238</u>	<u>722,273</u>
		<u>129,322,230</u>	<u>141,165,483</u>
Current		10,860,627	14,809,001
Non-current		<u>118,461,603</u>	<u>126,356,482</u>
		<u>129,322,230</u>	<u>141,165,483</u>

These loans earn interest ranging from 2% to 7% and are guaranteed by the Government of Dominica. The National Bank of Dominica loan is secured by the Bank's certificate of deposit amounting to \$1,959,570 (2019 - \$1,920,206) (Note 10) and certificate of titles to land and building.

21. Provisions for Loan Commitments

The Bank is required to allocate a provision for expected credit losses related to loan commitments issued as a result implementation of IFRS 9. As at the year end the provision was \$475,063 (2019: \$157,164).

22. Other Liabilities

	2020 \$	2019 \$
Agency liabilities	6,644,973	5,958,019
Dividends payable	2,898,510	2,648,510
Deferred income	299,873	250,200
Grants	432,363	230
Others	3,444,228	3,170,938
	<u>13,719,947</u>	<u>12,027,897</u>
Current	3,161,529	2,816,781
Non-current	<u>10,558,418</u>	<u>9,211,116</u>
	<u>13,719,947</u>	<u>12,027,897</u>

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

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Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

22. Other Liabilities (Cont'd)

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

Others relates to accrued liabilities comprised as follows:

	2020 \$	2019 \$
Gratuity payable	2,011,681	1,998,290
Vacation leave and salaries payable	342,422	254,319
IEU tenant's security deposits	285,439	291,939
Other payables	804,686	626,390
	<u>3,444,228</u>	<u>3,170,938</u>

23. Fiduciary Activities

The Bank acts as executing and collecting agent for funds used for specific purposes issued to the Bank by the Government of Dominica and other local agencies. The Bank earns agency fees as prescribed by the contractual agreement.

24. Share Capital

	2020 \$	2019 \$
Authorised:		
10,000,000 ordinary shares with a \$5 par value	50,000,000	50,000,000
Issued and fully paid:		
3,509,526 ordinary shares	17,547,631	17,547,631
6,084,515 ordinary shares	30,422,574	30,422,574
	<u>47,970,205</u>	<u>47,970,205</u>

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

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

25. Contributed Capital

	2020 \$	2019 \$
Land vested by the Government of the Commonwealth of Dominica	<u>1,616,030</u>	<u>1,616,030</u>

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26. Revaluation Surplus

	Notes	2020 \$	Restated 2019 \$
At beginning of year, as restated		4,673,368	4,572,556
Impairment loss on buildings	16	(334,164)	-
Unrealized gain on revaluation of land and buildings	16	-	188,287
Amortization for the year		(114,830)	(87,475)
At end of year		<u>4,224,374</u>	<u>4,673,368</u>

27. Reserves

	2020 \$	Restated 2019 \$
General reserve	88,234	88,234
Statutory reserve	14,322,156	14,322,156
Loan loss reserve	2,654,330	2,654,330
Special reserves	441,122	441,122
	<u>17,505,842</u>	<u>17,505,842</u>

Movements in reserves were as follows:

	2020 \$	2019 \$
General reserve		
At beginning and end of year	<u>88,234</u>	<u>88,234</u>

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.

	2020 \$	Restated 2019 \$
Statutory reserve		
At beginning of year	14,322,156	9,560,198
Transfer from retained earnings	-	4,761,958
At end of year	<u>14,322,156</u>	<u>14,322,156</u>

This represents 25% of the net earnings of the Bank for each financial year allocated to the reserve account as required by Section 20 of Chapter 74:03 of the Laws of Dominica Revised Edition.

	2020 \$	2019 \$
Loan loss reserve		
At beginning and end of year	<u>2,654,330</u>	<u>2,654,330</u>

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27. Reserves (Cont'd)

The loan loss reserve was set up in compliance with the provision of European Investment Bank (EIB) loan agreement, which requires the Bank to set aside provision to cover potential loan losses, which shall not be less than 40% of the Portfolio at Risk as of June 30, 2020 (2019 - 40%).

	2020 \$	2019 \$
Special reserves		
Caribbean Development Consolidated Entity Provision		
At beginning and end of year	441,122	441,122

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

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

28. Net Interest Income

	2020 \$	2019 \$
Interest income		
Loans and advances	6,704,781	7,277,273
Investments	270,834	462,530
	6,975,615	7,739,803
Interest expense		
Long-term debt	(4,338,161)	(4,526,243)
Interest on deposits	(22,539)	(27,981)
Bank charges	(85,687)	(101,461)
	(4,446,387)	(4,655,685)
	2,529,228	3,084,118

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(Expressed in Eastern Caribbean Dollars)

29. Other Operating Income

	Note	2020 \$	2019 \$
Rental income from IEU operations	15	1,380,217	1,252,700
Commitment fees		141,874	134,742
Agency fees		-	20,382
Recovery on written off loans		47,545	188,349
Others		200,300	199,582
		<u>1,769,936</u>	<u>1,795,755</u>

30. Other Operating Expenses

	Notes	2020 \$	2019 \$
Staff costs	31	3,156,405	2,992,714
Administrative expenses	32	1,053,725	1,106,888
Depreciation	16	414,341	399,214
Factory sheds expenses	15	370,170	537,315
Building occupancy expenses		537,969	578,738
Foreign exchange loss		89,208	43,483
		<u>5,621,818</u>	<u>5,658,352</u>

31. Staff Costs

	Note	2020 \$	2019 \$
Salaries and wages		2,554,105	2,290,910
Social security costs		138,848	120,920
Group insurance		57,295	69,242
Other staff costs		406,157	511,642
	30	<u>3,156,405</u>	<u>2,992,714</u>
Number of employees		<u>40</u>	<u>40</u>

32. Administrative Expenses

	Note	2020 \$	2019 \$
Legal and professional fees		435,338	504,639
Directors' emoluments and expenses		151,471	163,839
Advertising		44,861	81,088
Telephone, postage and fax		133,247	73,287
Subscriptions and donations		50,588	55,594
Printing, stationery, and office supplies		80,256	112,089
Motor vehicle expenses		28,351	57,258
Insurance		41,610	25,839
Annual report		26,944	-
Repair and maintenance of furniture and equipment		20,956	23,747
Miscellaneous expenses		40,103	9,508
	30	<u>1,053,725</u>	<u>1,106,888</u>

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

33. Dividends

The Shareholders of the Bank had not met in 2020 and as such no dividends were declared. The amount of dividends declared in 2019 was \$250,000 with respect to the ordinary shares held by the Dominica Social Security.

34. Related Party Transactions

A party is related to the Bank, if:

- (i) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Bank (this includes parents, subsidiaries and fellow subsidiaries); has an interest in the Bank that gives it significant influence over the Bank; or has joint control over the Bank;
- (ii) the party is an associate of the Bank;
- (iii) the party is a joint venture in which the Bank is a venturer;
- (iv) the party is a member of the key management personnel of the Bank or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is the entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v);
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Bank, or of any entity that is a related party of the Bank.

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

Loans and advances outstanding from related parties are as follows:

	2020 \$	2019 \$
Financial Data Services Limited	899,019	859,019

At year-end, Directors of the Bank and companies in which they have an interest had no fixed deposits with the Bank (2019 - \$0) and had loans and guaranteed loans with outstanding balances of \$74,617 (2019 - \$81,234).

In 2020, the total remuneration paid to directors and key management personnel was \$1,198,569 (2019 - \$1,035,140).

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

	Note	2020 \$	2019 \$
Dominica Social Security	20	21,756,018	23,149,685
Government of Dominica	20	21,477,370	25,222,454
		43,233,388	48,372,139
Interest payable		272,731	299,671
		43,506,119	48,671,810

Dominica Agricultural Industrial and Development Bank

Notes to the Financial Statements

For the Year Ended June 30, 2020

(Expressed in Eastern Caribbean Dollars)

35. Contingent Liabilities and Commitments

As at year-end, loans and advances approved by the Bank but not yet disbursed, amounted to approximately \$15,448,581 (2019 - \$8,686,933).

36. Taxation

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

37. Comparatives

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

38. Prior Period Adjustments

The effect of the restatements for the years ended June 30, 2019 are summarised below:-

Year ended June 30, 2019	Notes	As previously reported \$	Adjustments \$	As restated \$
<u>Statement of Financial Position</u>				
Assets				
Investment properties	15	62,266,752	(4,088,005)	58,178,747
Property and equipment	16	12,506,482	(1,216,651)	11,289,831
Shareholders' Equity				
Revaluation surplus	16	5,890,019	(1,216,651)	4,673,368
Reserves	27	18,551,443	(1,045,601)	17,505,842
Retained earnings		10,030,364	(3,042,404)	6,987,960
<u>Statement of Comprehensive Income</u>				
Increase in fair value of investment property	16, 26	24,721,789	(4,088,005)	20,633,784
Revaluation of land and buildings	16, 26	1,404,938	(1,216,651)	188,287

The Bank restated the value of its Investment Properties and Property and Equipment for the year ended June 2019 to more closely align the capitalization rate used in computing the value of the properties to international standards.

The Bank also restated the reserves related to Available-for-sale (AFS) investment amounting to \$23,600 for the beginning balances dated July 1, 2018.

Consequently, the opening revaluation surplus, reserves, and retained earnings were adjusted to reflect the impact of the revised valuations for the year ended June 2019.

The effect of the prior period adjustments on the Retained Earnings as at June 30, 2020 is summarized below:-

	Notes	2019 \$
Opening balance as previously reported		10,030,364
Decrease in fair value of investment properties	15	(4,088,005)
Decrease in reserves		1,022,001
Decrease in reserves - AFS		23,600
Opening balance for the year, as restated		<u>6,987,960</u>

