

# Dominica Agricultural Industrial and Development Bank



# 2022

## ANNUAL REPORT





## Our Mission

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

## Our Vision

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

# Contents

Acronyms and Abbreviations	02	<b>Part Four</b>	
Chairman's Letter of Transmittal	03	<b>Corporate Social Responsibility</b>	<b>18</b>
Members of the Board of Directors	04		
Members of Management	05		
Members of Staff	06	<b>Part Five</b>	
Chairman's Statement	08	<b>Financial Performance</b>	<b>20</b>
Five Year Highlights at a Glance	09	Net Profit	20
		Income	20
		Expenses	20
		Assets	20
		Liabilities	21
		Shareholders' Equity	21
<b>Part One</b>			
<b>The Economy of Dominica</b>	<b>12</b>		
<b>Part Two</b>			
<b>The Performance of DAIDB</b>	<b>13</b>	<b>Auditor's Report</b>	
Credit Operations	13	<b>and Financial Statements</b>	<b>24</b>
Funding	14		
Human Resources and Administration	15		
Management Information Systems	16		
Industrial Estate Unit (IEU)	17		
<b>Part Three</b>			
<b>Other Activities</b>	<b>18</b>		
Financial Data Systems Limited (FDSL)	18		

## Acronyms & Abbreviations

AFS	Available for Sale
AML	Anti Money Laundering
CariCRIS	Caribbean Information & Credit Rating Services Limited
CARICOM	Caribbean Community
CBI	Citizenship By Investment
CDB	Caribbean Development Bank
CDF	CARICOM Development Fund
CTCS	Caribbean Technological Consultancy Services
BANDES	Banco de Desarrollo Económico y Social de Venezuela
DAIDB	Dominica Agricultural Industrial and Development Bank
DFI	Development Finance Institution
DPAC	Development Package for Development Financial Institution
DSC	Dominica State College
DYBT	Dominica Youth Business Trust
ECCB	Eastern Caribbean Central Bank
ECCU	Eastern Caribbean Currency Union
EC\$	Eastern Caribbean Dollar
EIB	European Investment Bank
ERM	Enterprise Risk Management
FEEF	Foreign Exchange Equalization Fund
FDSL	Financial Data Systems Limited
GDP	Gross Domestic Product
IAS	International Accounting Standards
ICT	Information and Communications Technology
IFRS	International Financial Reporting Standards
IFRIC	International Financial Reporting Interpretations Committee
IEU	Industrial Estate Unit
IMF	International Monetary Fund
IT	Information Technology
MIS	Management Information Systems
MSME	Micro, Small and Medium-sized Enterprises
NBD	National Bank of Dominica
NEP	National Employment Program
NP	Non-performing
OCI	Other Comprehensive Income
OECS	Organisation of Eastern Caribbean States
PAR	Portfolio-at-Risk
SFR-D	Special Fund Resources – Dominica
US\$	United States dollar

# Letter of Transmittal

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

September 30, 2022

Dear Honourable Minister,

Pursuant to Section 22(1), Chapter 74:03 of the Laws of the Commonwealth of Dominica (1990 Revised Edition), I have the honour to submit to you, on behalf of the Board of Directors, the Annual Report on the operations and Audited Financial Statements of the Dominica Agricultural Industrial and Development Bank for the Financial Year ended June 30, 2022.

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

Yours sincerely,  
DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK



MR. MARTIN CHARLES  
CHAIRMAN  
BOARD OF DIRECTORS





## MEMBERS OF THE BOARD OF DIRECTORS



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

CHAIRMAN  
 DEPUTY CHAIRMAN  
 DIRECTOR  
 DIRECTOR  
 DIRECTOR  
 DIRECTOR  
 DIRECTOR  
 DIRECTOR  
 DIRECTOR



## CONTACT DETAILS

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 Goodwill, Commonwealth of Dominica

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[customerservice@aidbank.com](mailto:customerservice@aidbank.com)

Website [www.aidbank.com](http://www.aidbank.com)



## MEMBERS OF MANAGEMENT *As at June 30, 2022*

Ms. Marie-Therese Johnson  
 Mrs. Mathilda John-Rose  
 Ms. Tammy Jean-Jacques  
 Mrs. Nichol Azille-Faustin  
 Mrs. Martha Abel

Mrs. Patricia Shillingford-Chambers  
 Mrs. Ruby Xavier  
 Mr. Glenroy Eloï  
 Mrs. Pamela McAlmont-Pogson  
 Ms. Saudia Cyrus

General Manager  
 Executive Manager Operations  
 Chief Financial Officer  
 Head of Credit (Ag.)  
 Senior Manager - Human Resource and  
 Administration  
 Manager Credit (Ag.)  
 Manager Recoveries (Ag.)  
 Manager Industrial Estates (Ag.)  
 Risk and Compliance Officer  
 Legal Officer







<b>OFFICE OF THE GENERAL MANAGER</b>	
MARIE-THERESE JOHNSON	General Manager
MATHILDA JOHN-ROSE	Executive Manager, Operations
MEKELLE QUAMMIE	General Manager/Board Secretary
<b>CREDIT</b>	
NICHOL AZILLE-FAUSTIN	Head Of Credit (Ag.)
PATRICIA SHILLINGFORD-CHAMBERS	Manager Credit (Ag.)
ADRIAN THOMAS	Credit Officer (Ag.)
SHERNELL VICTOR	Loans Administrative Assistant
KESTAR TOUSSAINT	Intern – Credit Department
KENRICK ETIENNE	Intern – Credit Department
MERISSA GABORY	Intern – Credit Department
<b>RECOVERIES</b>	
RUBY XAVIER	Manager, Recoveries (Ag)
KENNETH ALBERT	Recoveries Officer
GEORGINA EDWARDS	Recoveries Officer
KERRY SHILLINGFORD	Recoveries Officer
LESTER FRANK	Intern - Recoveries Department
SHERLYN EDWARDS	Intern – Recoveries Department
ZEBEENA CHARLES	Intern – Recoveries Department
VERKELA O'BRIEN	Intern – Recoveries Department
KERLAN AUGUSTINE	Intern – Recoveries Department
<b>BUSINESS DEVELOPMENT</b>	
JOSEPHINE DECHAUSAY TITRE	Marketing and Communications Officer
BERTILIA BETHEL	Agricultural Development Officer
NIKITA LAURENT	Receptionist
FRANKA ROYER	Customer Service Representative
SHANIQUE AFRICA	Intern – Business Development
<b>RISK AND COMPLIANCE</b>	
PAMELA MCALMONT-POGSON	Risk and Compliance Officer
NIGEL BREWSTER	Administrative Assistant, Internal Audit and Risk
<b>FINANCE AND ACCOUNTS</b>	
TAMMY JEAN-JACQUES	Chief Financial Officer
ANDREA DUPIGNY	Accountant (Ag.)
SHARNITA THOMAS	Accounting Assistant
CONLEE JNO JULES	Accounting Clerk
ADRIAN JOSEPH	Teller
NICOLE GEORGE	Intern – Finance and Accounts Department
LERIQUE HONORE	Intern – Finance and Accounts Department
<b>HUMAN RESOURCE AND ADMINISTRATION</b>	
MARTHA ABEL	Sr. Manager Human Resource & Administration
GABRIEL NICHOLLS	Office Attendant
SARAYAH CHARLES	Intern – Human Resource & Admin Department
<b>MANAGEMENT INFORMATION SYSTEMS</b>	
KHAN SYLVESTER	Technical Officer, MIS
LINDA GONZALEZ-PELTIER	Application Support Assistant, MIS/FDSL
IKE BANNIS	Technical Assistant, MIS
<b>LEGAL DEPARTMENT</b>	
SAUDIA CYRUS	Legal Officer
HERMINA ALBERT	Securities Officer
NATASHA WINSTON	Legal Secretary
SHERNIA SERAPHIN	Intern – Legal Department
SHEVONNE WILLIAMS	Intern – Legal Department
<b>INDUSTRIAL ESTATES</b>	
GLENROY ELOI	Manager, Industrial Estates, (Ag)
RAQUELLE LETANG	Intern - Industrial Estates Department
KELVIN COIPEL	Maintenance Officer



# CHAIRMAN'S STATEMENT

June 30, 2022

Dear Shareholders,

## Overview

According to the ECCB's Annual Economic and Financial Review, the year 2021 into the first half of 2022, the Eastern Caribbean Currency Union showed visible signs of economic recovery following a historic contraction of 17.0 per cent in 2020. Economic activity in Dominica increased by 6.5 per cent in 2021 and continued to increase into 2022. This growth was triggered by an upturn in activities in the construction, tourism, agriculture and manufacturing sectors.

The AID Bank, a major driver of economic growth embraced the collective action approach and readjusted its strategies towards the rebuilding process of economic recovery, modernisation and transformation, brought about by the challenges and restrictions of the COVID-19 pandemic. As outlined in our 2020-2024 Strategic Plan, the Bank focused on economic, financial, social and environmental sustainability.

The Bank's collective action approach entailed continued collaboration with our development partners particularly the Government of Dominica and major funding agencies. The Bank has seen results over the past three years with the injection of three lines of credit at concessionary terms into the Dominican economy. As a result, we saw the development and upgrade of numerous micro, small and medium-sized businesses in the agriculture, services, transportation, manufacturing and tourism sectors.

The Honourable Prime Minister remained true to his promise as outlined in his 2021-22 Budget Address, that the Government of Dominica would further improve the social, economic well-being, and living standards of the Kalinago people through the further capitalization of concessionary funds at 2% at the AID Bank. The funds are being on-lent in the areas of residential and commercial development, cultural and enterprise development, crop production and processing, education, off-shore fisheries, art and craft, tourism and climate resilience and renewable energy development. This is the second injection of funds under the Kalinago Development Fund totalling to date \$1.36 million.

Shareholders, Ladies and Gentlemen, the AID Bank is aware that climate change remains a serious existential threat to Dominica and the region which could easily erase development gains. We continue to assess and manage climate change risk into our project appraisal process through the adoption of a Climate Change Policy and Procedures, and Climate Risk Screening Tools. As a broader objective, we are also moving swiftly towards the



development of an Environmental, Social and Governance (ESG) Policy, which will be integrated into the Bank's Investment Policies and Procedures. This we hope will be fully implemented by the next financial year.

By the end of the financial year, June 30, 2022, the AID Bank saw positive results with an enhanced Statement of its Financial Position brought about by augmented assets and a stronger equity position. The Bank also saw positive results from its focus on cost reduction, the enhanced value of its investment properties and the efficient management of the loan portfolio.

Shareholders, I can gladly report that for the year ended June 30, 2022, the AID Bank's contribution to economic growth was reflected in its continued sustainable initiatives which realized an overall total comprehensive income of \$1.72 million.

### The Future

Moving forward, we will continue our strategic approach to growth and development by working collaboratively with key partners, thinking creatively and adopting innovative measures. We will continue to enhance operational efficiency with priority given to upgrading our human resource capacity through continued staff training and development, succession planning, good governance and employee health and wellness. Enhancement to key internal policies, business continuity, streamlining internal processes, maintaining customer relationship and continue our corporate social responsibility will remain our priority. The Bank will, into the next financial year, launch its highly upgraded website which is meant to provide easy access to its information and resources.

Effective risk management continues to be our priority particularly given emerging uncertainties such as pandemics, climate change and global warming, and their impact on the operating environment. As such, the Bank continues to periodically review its Enterprise Risk Management Framework with a view to strengthening its assessment, mitigation and monitoring mechanisms. I must reiterate that the AID Bank is directly exposed to economic shocks and therefore seeks to adopt proactive measures to mitigate potential risks in order to maintain its relevance.

Shareholders, because of our commitment towards the development of a truly sustainable economy and to bring life-changing benefits to the citizens of Dominica, focus will continue on access to concessionary lines of credit to include technical assistance and green finance for renewable energy and energy efficient projects. The Bank acknowledges the competitive environment in which it operates and will continue to improve on its customer relations and service, and aspire to provide excellent service which will solidify its relevance in the market.

As we approach the end of the Strategic Period 2020-2024, the Bank is in the process of formulating its new strategic objectives. To this end, we will endeavour to engage all stakeholders in charting the way forward for the

Bank. The Bank will outline some very ambitious and bold initiatives, all geared at the creation of sustainable jobs, wealth creation and economic activities.

### Acknowledgement

On behalf of the Board of Directors, I express deepest gratitude to the Government of Dominica our key strategic partner, who continues to demonstrate immense interest in the AID Bank both in terms of debt and equity injection. Your guidance, regulatory and financial support and continued confidence placed in the AID Bank are highly appreciated.

We commend the Honourable Prime Minister for his initiatives and astute leadership towards the growth and development of the economy. Sir, your sharp focus towards country development continues to filter throughout all sectors.

We recognize and appreciate the Financial Secretary, Ms. Denise Edwards for her oversight, guidance and collaboration, especially during one of the most challenging periods ever faced by the Bank, the pandemic. You continue to demonstrate your willingness to work towards the advancement of the AID Bank.

Deepest gratitude to the Dominica Social Security our minority shareholder, for your interest and support to us throughout the years. We thank you for your consistent presence and commitment towards economic development. We look forward to greater collaboration in the future on projects, especially infrastructural projects which we believe we can be undertaken through joint venture partnership.

Sincere appreciation to my fellow board members which I have had the honor to lead over the years. You continue to provide steady and strong leadership to the AID Bank. Your swift approach and commitment towards the advancement of the Bank and country are greatly appreciated.

To the management and staff of the Bank we recognize your loyalty, commitment and dedication in steering the Bank forward. You continue to assist in nation building by implementing and administering the strategies set forth by the Board of Directors. We truly appreciate your effort.

To our customers, you are our greatest asset. We recommit our best efforts towards serving you and shall continue to provide excellent customer service and affordable quality products to fulfil your evolving needs.

As we continue our quest towards economic prosperity through the realism of natural and external shocks, let us hold firm to the assurance of our Almighty Father, *"Therefore, my dear brothers and sisters, stand firm. Let nothing move you. Always give yourselves fully to the work of the Lord, because you know that your labor in the Lord is not in vain" (1 Corinthians 15:58)*

## DAIDB FIVE-YEAR HIGHLIGHTS AT A GLANCE

INCOME STATEMENT	2022 EC\$ ('000)	2021 EC\$ ('000) Restated	2020 EC\$ ('000) Restated	2019 EC\$ ('000) Restated	2018 EC\$ ('000)
Interest Income	5,946	6,828	8,321	7,740	9,229
- Interest Expense	3,847	3,758	4,446	4,656	4,635
= Net interest Income	2,099	3,070	3,875	3,084	4,594
+ Other Operating Income Net	2,191	2,722	1,770	1,796	1,421
- Other Operating Expenses					
- Staff Costs	2,576	3,010	3,156	2,992	3,226
- Administrative Costs	2,635	2,410	2,466	2,666	3,381
= Operating Income/(Loss)	(921)	372	23	(778)	(592)
+ Income on Insurance Claim	0	0	0	13	8,268
+ Increase in fair value of properties	5,806	10,449	(5,029)	20,822	9,768
- Impairment on properties/loss on disposal	0	0	334	61	9,839
- Provisions	3,170	7,045	(4,450)	760	6,871
= Net profit/(Loss)	1,715	3,776	(890)	19,236	734
BALANCE SHEET	2022 EC\$ ('000)	2021 EC\$ ('000)	2020 EC\$ ('000)	2019 EC\$ ('000)	2018 EC\$ ('000)
Assets					
Cash and Balances with Central Bank	1,158	727	148	10	17
+ Deposit with Other Banks	8,038	4,512	6,382	17,343	29,434
+ Investments [Net of Impairment]	1,022	1,015	997	1,420	1,443
+ Investment Properties	65,529	63,665	53,496	58,179	35,591
+ Loans [Net of Impairment]	150,445	149,901	153,830	149,480	151,795
+ Other	16,476	12,892	13,061	13,235	22,019
= Total Assets	242,668	232,712	227,914	239,667	240,299
Liabilities					
Deposits	6,358	6,959	6,785	7,563	11,317
+ Borrowings	139,183	131,366	132,017	141,166	149,819
+ Other Liabilities	13,442	14,812	11,500	12,185	11,869
+ Equity	83,685	79,575	77,612	78,753	67,294
= Total Liabilities and Equity	242,668	232,712	227,914	239,667	240,299
OTHER INFORMATION	2022 EC\$ ('000)	2021 EC\$ ('000)	2020 EC\$ ('000)	2019 EC\$ ('000)	2018 EC\$ ('000)
Loan Approvals ('000)	14,519	25,649	16,690	18,920	12,896
Loan Disbursements ('000)	15,646	20,369	12,844	16,391	10,687
Estimated Number of Jobs Created	694	3,096	1,174	518	524
Industrial Estates Employment	1,265	993	787	874	844
Return on Equity ( per cent)	2.05	4.75	-1.15	24.43	1.09
Return on Assets ( per cent)	0.71	1.62	-0.39	8.03	0.31
Loan Provisions as per cent of Portfolio	7.87	10.94	12.81	17.86	14.10
Loan Provisions as per cent of NP Portfolio	25.07	31.39	31.23	45.00	36.87







## PART I

### THE ECONOMY OF DOMINICA

According to the Eastern Caribbean Central Bank, Annual Economic and Financial Review for the year ended December 2021, economic activity in the Commonwealth of Dominica is estimated to have increased by 6.5 per cent in 2021, as the country began to recover from the effects of the COVID-19 pandemic. This expansion was largely triggered by development in the construction and agricultural sectors. By the first half of 2022, economic activity registered accelerated growth relative to the same period in 2021. This was driven by expansion in activity in the tourism, agricultural and manufacturing sectors.

For the year ended December 2021, value added in the construction sector increased by 16.9 per cent. There was growth in public sector capital projects such as the Marigot Hospital, the second and third phases of the Dominica China Friendship Hospital, the Edward Oliver Leblanc Highway Rehabilitation and the Roseau Enhancement Project. Private sector hotel projects also registered growth during this period. By the first half of 2022, activity in the construction sector is estimated to have contracted due to a reduction in public sector capital investment as some major projects came to an end and there was also a decline in the commencement of private sector residential and commercial construction.

In the agricultural sector, value added rose by an estimated 26.4 per cent for the year ended December 2021 due to increased public investment such as inputs in crops and livestock the previous year. By the first half of 2022, the sector continued to register growth as banana production rose by 4.2 per cent. Other crops and livestock also registered growth during the period.

The tourism sector registered an estimated 14.0 per cent decline in economic activity for the year ended December 2021. The negative outturn was driven by a decline in the total number of stay over arrivals and cruise ship passengers. By the half year ended June 2022 however, activity in the tourism sector increased sharply. The total number of visitor arrivals expanded from 4,963 at the end of June 2021 to 121,442 by June 2022, reflecting a resumption of cruise tourism and stronger stay-over arrivals.

Value added in the manufacturing sector fell by 17.2 per cent for the year ended December 2021. This was driven by a decline in the production of soaps. By the first half of 2022, output in the sector was mixed as an 84.8 per cent increase in soap production and 1.8 per cent increase in beverages were offset by a decline in paint production of 15.1 per cent.

Inflationary pressures were observed in 2021 with a 0.5 per cent increase in the consumer price index. This was associated with increases in the prices of housing, utilities, gas and fuel; communication; and food and non-alcoholic beverages. The rate of inflation accelerated into the first half of 2022, increasing to 6.11 per cent, from 0.5 per cent the prior year. This was as a result of global increases in food and oil prices which contributed to higher domestic price indices of housing, utilities, gas and fuel; food; and transportation.

The fiscal operations of the Government of Dominica resulted in an overall deficit of \$105.4 million or 7.2 per cent of GDP for the year ended December 2021. This compares to a deficit of \$48.6 million or 3.6 per cent of GDP recorded in 2020. The deterioration in the fiscal balances was driven by an increase in capital expenditure which increased to \$423.3 million, as the government implemented capital projects to boost economic recovery. The current account registered a surplus of \$257.5 million or 17.5 per cent of GDP for the year ended December 2021. Current revenue grew by 46.5 per cent mainly due to an increase in non-tax revenue associated with the growth in Economic Citizenship Programme receipts. There was also an increase in tax revenue due to higher collections of taxes on domestic goods and services. A decline in current expenditure of 9.5 per cent was recorded for the period which was influenced by a contraction in spending on goods and services.

By the end of June 2022, the fiscal operations of central government resulted in an overall surplus of \$113.1 million, a significant improvement from a deficit of \$69.3 million recorded in the corresponding period of 2021. The improvement was primarily associated with a sharp reduction in capital expenditure as works on a number of projects slowed while others concluded. Capital grants also increased for the period under review, reflecting increased receipts from bilateral and multilateral partners.

The Eastern Caribbean Central Bank, Economic and Financial Review, June 2022 projected a continued acceleration of economic activity over the remainder of 2022 based on anticipated positive developments in key sectors. The report highlighted that activity in the construction sector is likely to pick up in the second half of the year as the government begins work under its Resilience Infrastructure Programme.

The agricultural sector will continue to benefit from a number of initiatives aimed at boosting production, while activities in the tourism sector is expected to remain strong and strengthen further during the peak seasons and the hosting of the World Creole Music Festival.

The report highlighted that the risks to economic growth encompasses natural disasters, the deceleration in revenue from the Citizenship by Investment programme, upward pressures on global commodity prices due to the Russia-Ukraine war and the recent oil production cut by OPEC.



## PART II

### THE PERFORMANCE OF DAIDB

#### CREDIT OPERATIONS

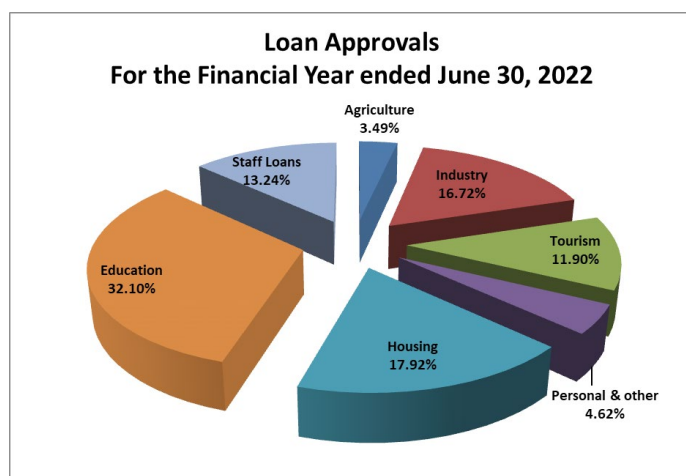
##### Loan Approvals

For the financial year ended June 30, 2022, two hundred and thirty-six (236) loans were approved with a total value of \$14.52 million. Education loans valued at \$4.66 million or 32.10 per cent and Housing loans valued at \$2.60 million or 17.92 per cent, combined accounted for 50.02 percent of the total loan approvals for the period.

Loan approvals for the year ended June 30, 2022 were 43.39 per cent lower than the corresponding period ended June 30, 2021 when an amount of \$25.65 million was approved. Approvals for the year ended June 30, 2021 were primarily influenced by the rapid take-up of funds provided by the Government of Dominica during the heavy onset of COVID-19 towards economic recovery.

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

GRAPH 1



##### Loan Disbursements

For the financial year ended June 30, 2022, loan disbursements totalled \$15.65 million. This amount was lower than the disbursements for the

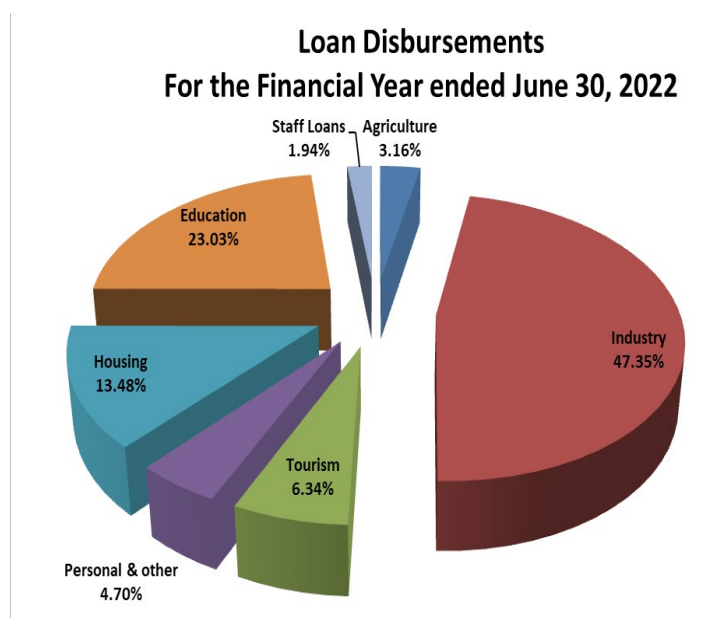
corresponding period ended June 30, 2021 by 23.19 per cent, when an amount of \$20.37 million was disbursed.

Disbursements for the year under review were made primarily in the Industry Sector with a value of \$7.15 million or 47.35 per cent and Education Sector with a value of \$3.48 million or 23.03 per cent.

The Bank also disburses Student Loan funds on behalf of the Government of the Commonwealth of Dominica. As at June 30, 2022, a total of \$8.27 million was disbursed under the Government of Dominica, Student Loan Facility .

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

GRAPH 2



##### Loan Rescheduling

The Bank remained committed to fulfilling its social responsibility by continuing to respond to the needs of customers who were impacted by internal and external shocks which affected the economy.

For the period under review, one hundred and thirty (130) loans valued at \$23.76 million were approved to be rescheduled. In comparison, for the twelve months ended June 30, 2021, three hundred and twenty-one (321) loans valued at \$32.8 million were approved to be rescheduled.

## Non-Performing Loans

The Bank continues to focus on improving the quality of the Non-Performing Portfolio resulting in a significant reduction of \$19.8 million over the past 3 years.

As at June 30, 2022, the total Non-Performing Portfolio evidenced a decrease of 3.70 per cent or a value of \$7.4 million when compared to June 30, 2021.

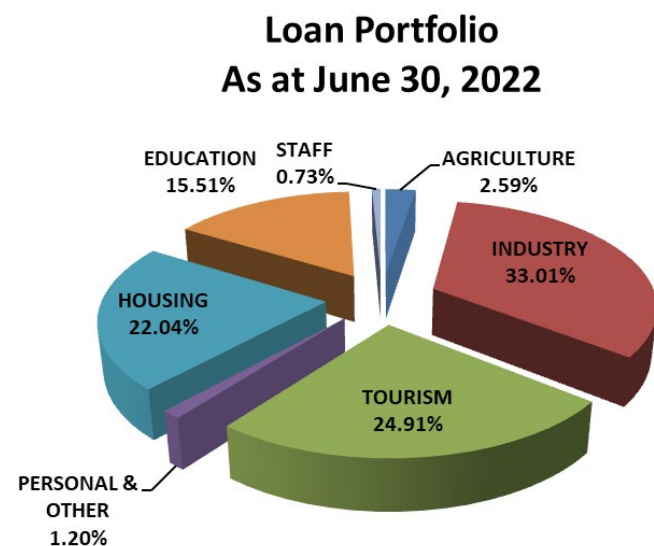
With respect to the distribution of this portfolio, the Tourism sector accounted for the highest percentage at 45.83 per cent. The Industry sector contributed the second highest at 39.12 per cent. Year on year improvements were recorded in all sectors with the Industry sector recording the most significant reduction of 9.6 per cent for the fiscal year.

## Loan Portfolio

At the end of the financial year ended June 30, 2022, the Bank's loan portfolio totalled \$156.12 million compared to \$160.56 million as at June 30, 2021. The loan portfolio represents a decrease of 2.77 per cent over the same period last year, which was a direct correlation with the Bank's thrust towards portfolio quality enhancement.

Graph 3 represents the sectoral distribution of the loan portfolio as at June 30, 2022.

**GRAPH 3**



## FUNDING

The financial year ended June 30, 2022 represented a period of economic recovery from the challenges and restrictions of the COVID-19 pandemic. The Bank forged ahead by continuing the injection of concessionary funds into the economy which contributed to growth in the productive sectors by the first half of 2022.

### Government of Dominica

The AID Bank continues to be the vehicle through which financial resources from the Government of Dominica are channelled into the productive sectors of the economy.

During the Bank's last financial year, the Government of Dominica injected three (3) lines of credit at concessionary terms through the Bank. An initial amount of EC\$5 million and a further EC\$6 million were provided by the Government of Dominica to assist micro, small and medium-sized businesses to meet their short-term liquidity needs and support business continuity as a result of the impact of the COVID-19 pandemic. The Bank can report that by the financial year ended June 30, 2022, these amounts were injected into the economy in areas of agriculture, services, manufacturing, transportation and tourism.

In 2021, the Government of Dominica and the Caribbean Development Bank finalized a line of credit in the amount of US\$10.34 million which was channelled through the AID Bank to provide financial support to MSMEs. The Bank continues to move swiftly towards the disbursement of these funds to the targeted areas.

The Government of Dominica and the AID Bank executed an Agreement in 2021 which channelled an initial \$0.86 million under the Kalinago Development Fund earmarked for the development of the people of the Kalinago Territory. The funds are being on-lent at 2 per cent to finance residential and commercial development, cultural development, enterprise development, crop production and processing, education, off-shore fisheries, art and craft, tourism and climate resilience and renewable energy development. The Honourable Prime Minister remained true to his commitment and injected an additional amount into the fund. To date a total of \$1.36 million will be injected towards



the development of the Kalinago people under the Kalinago Development Fund.

### **European Investment Bank**

The European Investment Bank, AID Bank's dedicated financial partner continues to provide oversight, and financial and technical assistance to the Bank. EIB continued its intervention into this financial year through the provision of institutional strengthening assistance in the areas of strategic planning support, project appraisal, risk and liquidity management and debt recovery strategies. The result of the assistance produced a more efficient organisation with more effective utilisation of resources.

### **Caribbean Development Bank**

The Caribbean Development Bank, the AID Bank's largest funding agency continues to be a pillar of financial and technical support. CDB continues to provide consistent oversight and guidance in the execution of their lines of credit which is extremely beneficial to the AID Bank.

Through grant assistance from the CDB, the AID Bank has in place a Climate Change Policy and Procedures and Climate Risk Screening Tools. The Bank is aware of the impact of climate change and has embraced the opportunity provided by the Caribbean Development Bank towards formalizing its assessment and mitigation measures.

The AID Bank is also moving swiftly towards the development of an Environmental and Social Policy from grant assistance from the CDB. This is intended to integrate environmental and social considerations into the Bank's Investment Policies and Procedures.

CDB has also provided grant support to the AID Bank to develop a Gender Equality Policy where focus will be placed on addressing the differential needs of male and female clients in order to improve their entrepreneurial opportunities.

### **CARICOM Development Fund**

The CARICOM Development Fund has provided grant support to the AID Bank which has enabled the Bank to continue its Business Continuity Program.

This includes risk assessment, development of a Business Continuity Plan, testing, training and

implementation of the Plan.

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

## **HUMAN RESOURCE AND ADMINISTRATION**

During the year under review, the effective management of the Bank's human resources remained a priority, to ensure that its strategic goals and objectives were achieved. The Bank continued to build its human resource capacity through training and development, health and wellness and safety. Members of staff benefited from training in several areas to include Climate Risk Assessment, Financial Analysis, Financial Modeling and Budgeting, Performance Management and Risk Committee Certification.

As the impact of the COVID-19 pandemic dwindled towards the end of the financial year, members of staff were encouraged to continue to adhere to protocols and measures which were in place to curtail the spread of the virus. Staff members were provided with personal protective equipment such as masks as well as sanitizers.

The Bank continued to partner with the National Employment Program and engaged six (6) new interns during the financial year. Two (2) interns were also assigned for a short stint from the Dominica State College and one from the Youth Development Division.

At the end of the period, the Bank's staff complement totalled forty-seven (47) employees.







## MANAGEMENT INFORMATION SYSTEMS

The Management Information Systems Department remained focused on the utilization of modern technology which aids in not only customer relationship building but also internal platforms that facilitate quicker decision taking. These platforms enabled decisions to be made in an efficient and timely manner across the various departments whilst giving access to relevant information.

In the financial year under review, the Department expanded the number of virtual machines thereby offering a higher level of reliability and availability. The streamlining of resources via virtual machines also offers enhanced data throughput and enables more efficient backups.

The Department has been working towards the movement of its backup to cloud base. The process of cloud backup will be undertaken easier and this storage medium will be safer. There will also be the added benefit of recovery of lost or corrupted files and protection from potential data disaster.

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

The consultancy for the implementation of the Bank's Business Continuity Programme to include Information Technology, Disaster Recovery Policy and Procedures, is in train and should be completed within the next financial year.

The Bank has also completed its new and enhanced website which will provide updated information to the public and allow customers to digitally interact with the Bank.





## INDUSTRIAL ESTATES

A fundamental aspect of the business of the AID Bank, is the Industrial Estates operation which compliments the Bank's overall objectives of promoting and influencing economic development by providing affordable space to enterprises with the aim of increasing production, creating employment, promoting exports and generating foreign exchange. This is in keeping with the Government of Dominica's overall objective of sustainable economic growth and development.

The Industrial Estates operation has consistently proven to be a viable entity based on its contribution to GDP, its increasing investment property value and overall profitability.

By the end of the financial year, June 30, 2022, the registered workforce on the Estates totalled one thousand, two hundred and sixty five (1,265) persons, with a single employer within the ICT sector contributing 76.76 per cent or nine hundred and seventy one (971) persons to the total work force. When compared to the previous year ended June 30, 2021, there were nine hundred and ninety

three (993) persons employed at the estates, an increase of 27.39 per cent over a period of one year. The Industrial Estates operation can further boast that in 2018 a total of eight hundred and forty four (844) persons were employed at the estates which represents a 49.9 per cent increase in employment over the past five years, a direct contribution to GDP.

The Industrial Estates properties have registered an overall significant increase in value which has been extremely beneficial to the Bank's overall performance. By the end of the financial year, June 30, 2022, the Bank saw a year-on-year increase of \$1.8 million in the fair value of the properties to \$65.5 million. This incremental increase in value, in addition to operating income resulted in an overall net profit in the Industrial Estates operation of \$2.3 million as at June 30, 2022. The industrial estates operation is therefore considered to be a profitable and viable entity.





## **PART III**

### **OTHER ACTIVITIES**

#### **Financial Data Systems Limited**

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

For financial year 2021/2022, FDSL continued the update and development of the DPAC software, including creation and testing of reporting mechanism for AML compliance.

The company also continued its focus on providing user support for clients converting to the upgraded version of DPAC, and providing training for existing users. Plans for the new financial year include updating of the platforms in which the software operates.

## **PART IV**

### **AID BANK'S CORPORATE SOCIAL RESPONSIBILITY**

AID Bank's Corporate Social Responsibility Programme for the financial year ended June 30, 2022, continued to be a reflection of its commitment to the Dominican society.

Specifically, the Bank's financial contributions associated with activities, such as the 'Adopt-a-Road Project' located on the E.O. LeBlanc Highway in Pottersville, the President's Charities Foundation, Financial Information Month organised by the Eastern Caribbean Central Bank and various graduation ceremonies, have added to the Bank's visibility.



The beautification and maintenance of the E.O. LeBlanc Highway has meant that the area continues to be an attraction to the cruise ship passengers and an aesthetically pleasing site to locals.

The Bank is pleased to be associated with the President's Charities Foundation. Through our generous financial contributions, various charitable organizations islandwide received commendable support. The AID Bank's contribution to the Eastern Caribbean Central Bank's, Financial Information Month (FIM), not only supports the quest of the ECCB's commitment to improve the financial literacy of all the constituents within the Caribbean Union, including Dominica, but contributes to the work of the Dominica Cancer Society.

This financial year ended June 30, 2022, the AID Bank was delighted to contribute to the Trafalgar Primary School's graduation and prize-giving ceremony,

the 35<sup>th</sup> Commonwealth of Dominica Police Force (CDPF) recruit training graduation and celebratory dinner, and part-sponsorship of the National Youth Parliament.

Also noteworthy, is the pleasure that the Bank derives from inspiring entrepreneurs to develop their business acumen within the economic sectors that we serve. Providing guidance to other target groups such as students, to augment their intellectual and talented capacities, as well as potential homeowners, to make their vision of home ownership a reality, continues to be our priority.

As a consequence of the AID Bank's dedication as a corporate citizen, and in collaboration with our affiliates, we have the honour of improving the economic and social outlook and bring joy to the lives of our citizens.





## PART V

### FINANCIAL PERFORMANCE

#### Total Comprehensive Income

The AID Bank recorded total comprehensive income of \$1.72 million for the year under review which was 54.58 per cent less than the total comprehensive income of \$3.78 million recorded for the preceding financial year.

The key contributing factor to this performance was the year on year significant increase in the Bank's revalued Property, Plant and Equipment given that three (3) vacant lots were included as part of its portfolio of fixed assets in financial year 2022.

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

	2022 – EC\$	2021 – EC\$ Restated
Interest income	5,946,740	6,828,698
Other operating income	2,190,915	2,722,314
Total income	8,137,655	9,551,012
Interest Expense	(3,847,772)	(3,758,014)
Staff Costs	(2,575,969)	(3,009,947)
Administrative Expenses	(964,504)	(989,210)
Factory sheds expenses	(705,567)	(450,666)
Other operating expenses	(611,402)	(561,598)
Depreciation	(353,678)	(409,186)
Total expenses	(9,058,892)	(9,178,621)
Net income/(loss) from Operations before the following income/(charges):	(921,237)	372,391
(Decrease)/Increase in Fair Value of Investment Properties	1,823,453	10,139,475
Impairment Recovery/ (Losses) on Loans and Receivables	(3,169,671)	(7,045,192)
Net Profit/(Loss)	(2,267,455)	3,466,674
Revaluation excess on property, plant and equipment	3,982,595	309,809
Total Comprehensive Income	1,715,140	3,776,483

#### Income

Total income recorded for the financial year was \$8.14 million, which was 14.80 per cent lower than the \$9.55 million achieved in 2021.

Interest income decreased by 12.92 per cent while other operating income also decreased by 19.52 per cent from the previous financial year.

#### Expenses

Financial Expenses of \$3.85 million were 2.39 per cent higher than the previous year's \$3.76 million given that the Bank had secured additional drawdowns of funds from new and existing lines of credit to the tune of \$15.46 million during the financial year, for which interest was accrued.

Total staff expenses of \$2.58 million decreased by 14.42 per cent when compared to the previous financial year.

Administrative Expenses of \$0.97 million decreased by 2.50 per cent in comparison to the previous year.

Total operating expenses of \$9.06 million were 1.30 per cent lower than the \$9.18 million recorded for the period ended June 30, 2021.

#### Assets

At June 30, 2022, assets totalled \$242.67 million representing a 4.28 per cent increase from the previous year's \$232.71 million.

The major component of assets, net loans and advances valued at \$150.45 million registered a 0.36 per cent increase from the previous year's \$149.90 million and adequately offset total long-term liabilities of \$139.18 million.

Net loans and advances comprised of a gross loan balance of \$156.12 million - (2021: \$160.56 million) and interest receivable of \$7.18 million - (2021: \$7.75 million) less loan provision of \$12.85 million - (2021: \$18.41 million).

The long-term debt to equity ratio of 1.66:1 was within the suggested range for the industry of 4:1.

Cash in current and operating account, and short-term investments totalled \$8.04 million, which was 78.15 per cent higher than the previous year's \$4.51 million.

Other receivables of \$2.04 million were 3.83 per cent less than last year's \$2.12 million. Other receivables include the Industrial Estate tenants' rental arrears, insurance premiums, legal and other fees due from clients and a short-term loan to Financial Data Systems Limited (FDSL).

Net investments in Investment Properties, Treasury Bills, Government Debentures and shares in companies totalled \$66.14 million, of which \$65.53 million represents Investment Properties of the Industrial Estate Unit (IEU). Net Investments were 2.91 per cent more than last year's \$64.27 million.



Net total fixed assets of \$14.44 million were 34.03 per cent higher than last year's \$10.77 million since the Bank recognized three (3) vacant lots as part of its portfolio of fixed assets in financial year 2022.

### Liabilities

Total liabilities were \$158.98 million, which was 3.82 per cent more than last year's \$153.14 million.

Due to customers was \$6.36 million which was 4.98 per cent higher than the \$6.06 million in the previous financial year.

Borrowed funds of \$139.18 million registered a net increase of 5.95 per cent from last year's \$131.37 million.

### Shareholders' Equity

Shareholders' Equity of \$83.69 million increased by 5.16 per cent from the previous year's \$79.58 million.

Retained Earnings of \$4.94 million decreased by 27.45 per cent for the financial year ended June 30, 2022 when compared to \$6.81 million in 2021, as a result of operating losses incurred during the financial year.





## FINANCIAL STATEMENTS

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### **DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

Financial Statements  
For the Year Ended June 30, 2022  
(Expressed in Eastern Caribbean Dollars)



PKF St. Lucia

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Dominica Agricultural Industrial and Development Bank

Report on the Audit of the Financial Statements

### Opinion

We have audited the accompanying financial statements of **Dominica Agricultural Industrial and Development Bank** (the "Bank"), which comprise the statement of financial position as at June 30, 2022, and the statement of changes in equity, statement of comprehensive income, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at June 30, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

### Basis for Opinion

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

### Other information included in the Bank's 2022 Annual Report

Other information consists of the information included in the Bank's 2022 Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2022 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 2022 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 the Audit Committee for the Financial Statements**

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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



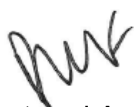
## **INDEPENDENT AUDITOR'S REPORT (CONT'D)**

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

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

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

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



Chartered Accountants  
Castries, Saint Lucia  
April 12, 2023

**DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

Statement of Financial Position

As at June 30, 2022

(Expressed in Eastern Caribbean Dollars)

	Notes	2022 \$	Restated 2021 \$
<b>Assets</b>			
Cash and balances with Central Bank	6	1,158,356	726,705
Treasury bills	7	410,000	410,000
Deposits with banks and other financial institutions	8	8,038,327	4,512,016
Financial assets measured at amortised cost	9	197,321	190,398
Loans and advances to customers	10	150,444,732	149,901,349
Financial assets measured at FVTPL	12	414,899	414,899
Investment properties	13	65,528,918	63,665,326
Property and equipment	14	14,435,795	10,770,713
Other assets	15	2,039,799	2,121,089
<b>Total assets</b>		<b>242,668,147</b>	<b>232,712,495</b>
<b>Liabilities</b>			
Bank overdraft	16	-	902,417
Due to customers	17	6,357,940	6,056,548
Borrowed funds	18	139,183,492	131,366,000
Provisions	19	316,342	118,557
Other liabilities	20	13,125,408	14,693,489
<b>Total liabilities</b>		<b>158,983,182</b>	<b>153,137,011</b>
<b>Equity</b>			
Share capital	22	47,970,205	47,970,205
Contributed capital	23	4,260,371	1,616,030
Revaluation surplus	24	8,351,646	4,450,783
Reserves	25	18,162,680	18,729,544
Retained earnings		4,940,063	6,808,922
<b>Total equity</b>		<b>83,684,965</b>	<b>79,575,484</b>
<b>Total liabilities and equity</b>		<b>242,668,147</b>	<b>232,712,495</b>

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

**APPROVED ON BEHALF OF THE BOARD OF DIRECTORS**


Director



Director



**DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

## Statement of Comprehensive Income

As at June 30, 2022

(Expressed in Eastern Caribbean Dollars)

	Notes	2022 \$	Restated 2021 \$
Interest income	26	5,946,740	6,828,698
Interest expense	26	(3,847,772)	(3,758,014)
Net interest income		2,098,968	3,070,684
Other operating income	27	2,190,915	2,722,314
Other operating expenses	28	(5,211,120)	(5,420,607)
Net interest and other operating (loss)/income		(921,237)	372,391
Increase in fair value of investment properties	13	1,823,453	10,139,475
Net impairment loss on financial assets	11	(3,169,671)	(7,045,192)
Net (loss)/profit for the year		(2,267,455)	3,466,674
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Revaluation of land and buildings	14, 24	3,982,595	309,809
Total comprehensive income for the year		1,715,140	3,776,483

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

# DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Statement of Changes in Equity

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

	Notes	Share Capital \$	Contributed Capital \$	Revaluation Surplus \$	Reserves \$	Retained Earnings \$	Total \$
<b>Balance at June 30, 2021 as previously reported</b>		47,970,205	1,616,030	4,450,783	18,729,544	8,455,143	81,221,705
Effect of prior period adjustment	35	-				(1,646,221)	(1,646,221)
<b>Balance as July 1, 2021 as restated</b>		47,970,205	1,616,030	4,450,783	18,729,544	6,808,922	79,575,484
<b>Net loss for the year</b>		-	-	-	-	(2,267,455)	(2,267,455)
Additions during the year	23	-	2,644,341	-	-	-	2,644,341
<b>Other comprehensive income</b>							
Revaluation of land and buildings	14, 24	-	-	3,982,595	-	-	3,982,595
<b>Balance at June 30, 2022</b>		-	2,644,341	3,982,595	-	(2,267,455)	4,359,481
<b>Dividends</b>	31	-	-	-	-	(250,000)	(250,000)
Transfer to statutory reserve	25	-	-	-	(566,864)	566,864	-
Amortisation of revaluation surplus	24	-	-	(81,732)	-	81,732	-
		-	-	(81,732)	(566,864)	398,596	(250,000)
<b>Balance at June 30, 2022</b>		47,970,205	4,260,371	8,351,646	18,162,680	4,940,063	83,684,965

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



# DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Statement of Changes in Equity (cont'd)

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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

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

# DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

## Statement of Cash Flows

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

		2022	Restated 2021
	Notes	\$	\$
<b>Cash flow from operating activities</b>			
Net (loss)/profit for the year		(2,267,455)	3,466,674
<b>Adjustments for:</b>			
Net impairment loss on loans and receivables	11	3,169,671	7,045,192
Increase in fair value of investment properties	13	(1,823,453)	(10,139,475)
Depreciation	14	353,677	409,186
Interest income on investments	26	(55,901)	(158,287)
Interest expense and similar charges	26	3,712,572	3,690,050
Foreign exchange loss	28	56,902	34,242
<b>Cash flows before changes in operating assets and liabilities</b>		<b>3,146,013</b>	<b>4,347,582</b>
Increase in loans and advances to customers		(4,285,459)	(6,873,924)
Decrease/(increase) in fixed deposits and investments		2,011,910	(59,108)
Decrease in other assets		81,290	109,737
Decrease in due to customers		301,392	178,195
Increase/(decrease) in provisions		197,785	(356,506)
Increase in other liabilities		501,878	1,899,714
<b>Cash generated from/(used in) operations</b>		<b>1,954,809</b>	<b>(754,310)</b>
Interest income received		628,305	3,916,168
Interest expenses paid		(3,138,189)	(3,484,956)
<b>Net cash used in operating activities</b>		<b>(555,075)</b>	<b>(323,098)</b>
<b>Cash flows from investing activities</b>			
Purchase of investment property	13	(40,139)	(29,730)
Purchase of property and equipment	14	(36,164)	(39,650)
<b>Net cash used in investing activities</b>		<b>(76,303)</b>	<b>(69,380)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowed funds		15,458,984	6,470,000
Repayment of borrowed funds		(7,698,394)	(7,155,329)
Dividends paid		(250,000)	(250,000)
<b>Net cash generated from/(used in) financing activities</b>		<b>7,510,590</b>	<b>(935,329)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>6,879,212</b>	<b>(1,327,807)</b>
<b>Cash and cash equivalents - beginning of the year</b>	6	<b>2,727,471</b>	<b>4,055,278</b>
<b>Cash and cash equivalents - end of the year</b>	6	<b>9,606,683</b>	<b>2,727,471</b>

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



## **DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

### **Index to Notes to the Financial Statements**

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<a href="#">Note 1</a>	Corporate Information
<a href="#">Note 2</a>	Summary of Significant Accounting Policies
<a href="#">Note 3</a>	Financial Risk Management
<a href="#">Note 4</a>	Segment Analysis
<a href="#">Note 5</a>	Critical Accounting Estimates and Judgements
<a href="#">Note 6</a>	Cash and Cash Equivalents
<a href="#">Note 7</a>	Treasury Bills
<a href="#">Note 8</a>	Deposits with Banks and Other Financial Institutions
<a href="#">Note 9</a>	Financial Assets Measured at Amortised Cost
<a href="#">Note 10</a>	Loans and Advances to Customers
<a href="#">Note 11</a>	Allowance for Impairment Loss on Loans and Advances
<a href="#">Note 12</a>	Financial Assets measured at FVTPL
<a href="#">Note 13</a>	Investment Properties
<a href="#">Note 14</a>	Property and Equipment
<a href="#">Note 15</a>	Other Assets
<a href="#">Note 16</a>	Bank Overdraft
<a href="#">Note 17</a>	Due to Customers
<a href="#">Note 18</a>	Borrowed Funds
<a href="#">Note 19</a>	Provisions for Loan Commitments
<a href="#">Note 20</a>	Other Liabilities
<a href="#">Note 21</a>	Fiduciary Activities
<a href="#">Note 22</a>	Share Capital
<a href="#">Note 23</a>	Contributed Capital
<a href="#">Note 24</a>	Revaluation Surplus

## **DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

### **Index to Notes to the Financial Statements**

---

<a href="#">Note 25</a>	Reserves
<a href="#">Note 26</a>	Net Interest Income
<a href="#">Note 27</a>	Other Operating Income
<a href="#">Note 28</a>	Other Operating Expenses
<a href="#">Note 29</a>	Staff Cost
<a href="#">Note 30</a>	General and Administrative Expenses
<a href="#">Note 31</a>	Dividends
<a href="#">Note 32</a>	Related Party Transactions
<a href="#">Note 33</a>	Contingent Liabilities and Commitments
<a href="#">Note 34</a>	Taxation
<a href="#">Note 35</a>	Prior Period Adjustments



# DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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## 1. Corporate Information

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

The Bank’s principal place of business and registered office is located at the corner of Charles Avenue and Rawles Lane, Goodwill, Commonwealth of Dominica.

The financial statements were approved by the Board of Directors and authorised for issue on April 12, 2023.

## 2. Summary of significant accounting policies

### (a) Overall policy

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

#### Statement of compliance

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

#### Basis of preparation

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

- Building
- Investment properties

#### Functional and presentation currency

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

## DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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

#### (a) Overall policy (cont'd)

##### Transactions and balances

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

#### (b) Uses of Estimate and judgments

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

#### (c) New standards, amendments to standards and interpretations

##### (i) *New standards, amendments to standards and interpretations effective in the 2022 financial year are as follows:*

##### **Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use**

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

##### **Amendments to IFRS 3 – Reference to the Conceptual Framework**

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

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

## DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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

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

- (i) *New standards, amendments to standards and interpretations effective in the 2022 financial year are as follows: (cont'd)*

##### **Amendments to IAS 37 - Onerous Contracts, Costs of Fulfilling a Contract**

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

These amendments had no impact on the Bank.

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

##### **Amendments to IAS 1 – Classification of Liabilities as Current and Non-Current**

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

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

The amendment is effective for annual periods beginning on or after January 1, 2023.



## DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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

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

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

##### **Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies**

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

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

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

The amendment is effective for annual periods beginning on or after January 1, 2023.

##### **Amendments to IAS 8 - Definition of Accounting Estimates**

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

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

- A change in accounting estimate that results from new information or new developments is not the correction of an error.
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- The amendment is effective for annual periods beginning on or after January 1, 2023.

## DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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

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

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

##### **Amendments to IAS 12- Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

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

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

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

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

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

The amendment is effective for annual periods beginning on or after January 1, 2023.

## **DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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

#### **(d) Cash and cash equivalents**

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

#### **(e) Financial instruments**

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

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

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

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

##### **Debt Instruments**

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

- Amortised cost;
- FVOCI; and
- FVTPL

Investments in debt instruments are measured at amortised cost if it meets both of the following conditions and is not designated as 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, 2022

(Expressed in Eastern Caribbean Dollars)

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

#### (e) Financial instruments (cont'd)

##### Business model assessment

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

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

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

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

##### Assessment of contractual cash flows

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

## **DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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

#### **(e) Financial instruments (cont'd)**

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

##### **Debt instruments measured at amortised cost**

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

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

##### **Debt instruments measured at fair value through other comprehensive income**

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

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

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

## **DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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

#### **(e) Financial instruments (cont'd)**

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

##### **Equity instruments**

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

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

##### **Financial liabilities**

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

##### **Impairment of financial assets**

###### **Scope**

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

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

No impairment loss is recognised on equity instruments.



## **DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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

#### **(e) Financial instruments (cont'd)**

##### **Impairment of financial assets (cont'd)**

##### **Expected credit loss impairment model**

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

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

##### 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).

##### 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 recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount. If the asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

## DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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

#### (e) Financial instruments (cont'd)

##### Impairment of financial assets (cont'd)

##### Measurement of ECL

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

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

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

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

##### Forward looking information

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

## **DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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

#### **(e) Financial instruments (cont'd)**

##### **Macroeconomic factors**

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

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

##### **Significant increase in credit risk**

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

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

##### **Expected life**

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

##### **Presentation of allowances for ECLs**

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

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



## **DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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

#### **(e) Financial instruments (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 derecognised in ECLs and measured as follows:

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

##### **Credit impaired financial assets**

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

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

- Significant financial difficulty of the borrower;
- A breach of contract such as default or past due events;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; 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.

## **DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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

#### **(e) Financial instruments (cont'd)**

##### **Credit impaired financial assets (cont'd)**

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

##### **Definition of default**

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

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

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

##### **Write-offs**

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

## **DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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

#### **(f) Renegotiated loans**

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

#### **(g) Offsetting financial instruments**

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

#### **(h) Property and equipment**

##### *(i) Initial measurement*

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



## DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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

#### (h) Property and equipment (cont'd)

##### (ii) *Subsequent measurement*

##### Land and building

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

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

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

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

Land is not depreciated.

##### Motor vehicle, furniture and equipment and computer equipment

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

## DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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

#### (h) Property and equipment (cont'd)

##### (iii) Depreciation

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

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

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

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

#### (i) Investment properties

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

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

## **DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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

#### **(j) Impairment of other non-financial assets**

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

#### **(k) Prepayments**

Prepayments represent expenses not yet incurred but are already paid. Prepayments are initially recorded as assets and measured at the amount paid. Subsequently, these are charged to the statement of profit or loss and other comprehensive income as they are consumed in the operations or expire with passage of time.

#### **(l) Borrowings**

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

#### **(m) Grants**

Grants are recognised at the fair value where there is a reasonable assurance that the grant will be received, and the Bank will comply with all attached conditions. Grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

#### **(n) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction from the proceeds.

#### **(o) Contributed capital**

Contributed capital is reported as part of shareholders' equity and represents:

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



## **DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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

#### **(p) Dividends on ordinary shares**

Dividends on ordinary shares are recognised in equity in the period in which they are declared. Dividends that are declared after the reporting date are disclosed as a subsequent event.

#### **(q) Retained earnings**

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

#### **(r) Interest income and expense**

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

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

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

#### **(s) Fees and other income**

Fees and other income are recognised to the extent that it is probable that future economic benefits will flow to the Bank and the income can be measured reliably. Income is generally recognised on an accrual basis when the service has been provided.

Loan commitment fees are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

#### **(t) Termination benefits**

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

## **DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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

#### **(u) Leases**

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

#### **(v) Financial liabilities**

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

#### **(w) Provisions**

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

#### **(x) Rental income**

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

#### **(y) Financial instruments**

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

#### **(z) Comparatives**

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

## DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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### 3. Financial risk management

#### (a) Financial risk factors

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

- Credit risk
- Market risk
- Liquidity risk

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

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

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

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

#### *Strategy in using financial instruments*

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

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



## DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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### 3. Financial risk management (cont'd)

#### (b) Credit risk

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

##### Cash and balances with Central Bank

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

##### Debt securities and other bills

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

##### Loans and advances to customers

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

## DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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### 3. Financial risk management (cont'd)

#### (b) Credit risk (cont'd)

##### Industrial Estate Unit ("IEU")

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

##### (i) *Credit risk measurement - Loans and advances*

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

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

##### (ii) *Risk limit control and mitigation policies*

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

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

## DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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### 3. Financial risk management (cont'd)

#### (b) Credit risk (cont'd)

##### (iii) Collateral

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

The principal collateral types for loans and advances are:

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

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

##### (iv) Credit-related commitments

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

##### (v) Impairment and provisioning policies

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

## DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

### 3. Financial risk management (cont'd)

#### (b) Credit risk (cont'd)

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

	2022		
	Loans and Advances (%)	Collective Impairment (%)	Individual Impairment (%)
<b>Bank's rating</b>			
1. Pass	62.43	-	5.50
2. Special mention	6.18	-	10.70
3. Sub-standard	0.10	-	0.64
4. Doubtful	0.56	-	3.64
5. Loss	30.73	-	79.52
	2021		
	Loans and Advances (%)	Collective Impairment (%)	Individual Impairment (%)
<b>Bank's rating</b>			
1. Pass	55.81	-	4.99
2. Special mention	9.34	-	4.87
3. Sub-standard	0.18	-	0.78
4. Doubtful	0.68	-	2.13
5. Loss	33.99	-	87.23

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.



**DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

**3. Financial risk management (cont'd)****(b) Credit risk (cont'd)**

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

Maximum exposure

	<b>Maximum credit risk exposure</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Treasury bills	<b>410,000</b>	410,000
Deposits with banks and other financial institutions	<b>8,038,327</b>	4,512,016
Financial assets measured at amortised cost	<b>197,321</b>	190,398
Loans and advances to customers:		
Demand loans	<b>117,809,793</b>	116,056,764
Mortgage loans	<b>32,634,939</b>	33,844,585
Other assets	<b>2,039,799</b>	2,086,098
	<b>161,130,179</b>	157,099,861
<b>Credit risk exposure relating to financial assets off the statement of financial position</b>		
Loan commitments	<b>3,688,888</b>	2,678,630
	<b>164,819,067</b>	159,778,491

The above table represents a worst-case scenario of credit risk exposure to the Bank at June 30, 2022 and 2021, without taking account of any collateral held or other credit enhancements attached. For financial assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position at the reporting date.

As shown above, 91.28% (2021 - 93.82%) 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, 2022

(Expressed in Eastern Caribbean Dollars)

### 3. Financial risk management (cont'd)

#### (b) Credit risk (cont'd)

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

- 68.61% (2021 - 65.15%) of the loans and advances portfolio is categorised in the top two grades of the internal rating system;
- 30.51% (2021 - 29.32%) 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:

	2022 \$	2021 \$
Neither past due nor impaired	49,828,340	49,343,745
Past due but not impaired	62,218,117	60,313,165
Impaired	51,248,070	58,654,577
	163,294,527	168,311,487
Less: Allowance for impairment losses	(12,849,795)	(18,410,138)
	150,444,732	149,901,349

The total impairment provision for loans and advances is \$12,849,795 (2021 - \$18,410,138) of which \$10,769,053 (2021 - \$16,594,381) represents the Stage 3 ECL and the remaining amount of \$2,080,742 (2021 - \$1,815,757) represents the Stages 1 and 2 ECLs. Further information on the allowance for impairment losses on loans and advances to customers is provided in Notes 10 and 11.

**DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

**3. Financial risk management (cont'd)****(b) Credit risk (cont'd)***(i) Loans and advances neither past due nor impaired*

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

	<b>Demand Loans</b>	<b>Mortgage Loans</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>June 30, 2022</b>			
<b>Grades</b>			
<b>1. Pass</b>	<b>34,872,755</b>	<b>14,955,585</b>	<b>49,828,340</b>
<b>June 30, 2021</b>			
<b>Grades</b>			
<b>1. Pass</b>	<b>33,677,514</b>	<b>15,666,231</b>	<b>49,343,745</b>

*(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:

	<b>Demand Loans</b>	<b>Mortgage Loans</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>June 30, 2022</b>			
<b>Past due up to 30 days</b>	<b>42,584,880</b>	<b>14,908,646</b>	<b>57,493,526</b>
<b>Past due 30-60 days</b>	<b>362,707</b>	<b>63,731</b>	<b>426,438</b>
<b>Past due 60-90 days</b>	<b>350,015</b>	<b>50,047</b>	<b>400,062</b>
<b>Past due over 90 days</b>	<b>3,549,111</b>	<b>348,980</b>	<b>3,898,091</b>
<b>Total</b>	<b>46,846,713</b>	<b>15,371,404</b>	<b>62,218,117</b>
<b>June 30, 2021</b>			
<b>Past due up to 30 days</b>	<b>40,769,884</b>	<b>14,731,728</b>	<b>55,501,612</b>
<b>Past due 30-60 days</b>	<b>323,691</b>	<b>65,634</b>	<b>389,325</b>
<b>Past due 60-90 days</b>	<b>369,271</b>	<b>44,592</b>	<b>413,863</b>
<b>Past due over 90 days</b>	<b>3,726,234</b>	<b>282,131</b>	<b>4,008,365</b>
<b>Total</b>	<b>45,189,080</b>	<b>15,124,085</b>	<b>60,313,165</b>

## DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

### 3. Financial risk management (cont'd)

#### (b) Credit risk (cont'd)

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

##### (iii) *Loans and advances individually impaired*

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

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

	<b>Demand Loans \$</b>	<b>Mortgage Loans \$</b>	<b>Total \$</b>
<b>June 30, 2022</b>			
<b>Stage - 3</b>			
<b>Individually impaired loans</b>	<b>46,859,967</b>	<b>4,388,103</b>	<b>51,248,070</b>
<b>June 30, 2021</b>			
<b>Stage - 3</b>			
<b>Individually impaired loans</b>	<b>53,603,811</b>	<b>5,050,766</b>	<b>58,654,577</b>

##### (iv) *Loans and advances renegotiated*

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a current status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of the Bank's management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans. Renegotiated loans that would otherwise be past due or impaired totaled \$23,839,685 as of June 30, 2022 (2021 - \$32,814,289).

##### (v) *Repossessed collateral*

At the end of 2022, the Bank had not repossessed any collateral (2021 - \$Nil).



## DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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### 3. Financial risk management (cont'd)

#### (b) Credit risk (cont'd)

##### (vi) *Geographical Sectors*

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

##### (vii) *Industry Sectors*

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

		2022		2021
	%	\$'000	%	\$'000
Industrial	31.37	51,220	32.30	54,355
Tourism	27.95	45,637	26.57	44,714
Mortgage	21.26	34,715	21.29	35,841
Education	15.09	24,644	15.29	25,739
Agricultural	2.70	4,410	3.08	5,190
Other consumers	1.63	2,669	1.47	2,472
<b>Total before deduction for allowance for losses on loans and advances</b>	<b>100.00</b>	<b>163,295</b>	<b>100.00</b>	<b>168,311</b>

## DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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### 3. Financial risk management (cont'd)

#### (c) Market risk

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

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

##### (i) Price risk

The Bank is exposed to price risk because of investments in FVTPL. To manage its price risk arising from investments in equity securities, the Bank diversifies its portfolio as particularised in Note 12.

At June 30, 2022, 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 (2021 - \$16,533) higher/lower as a result of the increase/decrease in fair value of available-for-sale equity securities.

##### (ii) Currency risk

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

##### (iii) Interest rate risk

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

## DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

### 3. Financial risk management (cont'd)

#### (c) Market risk (cont'd)

##### (iii) Interest rate risk (cont'd)

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

	1 year \$	2-5 years \$	Over 5 years \$	Non-interest bearing \$	Total \$
<b>As at June 30, 2022</b>					
Cash	-	-	-	1,158,356	1,158,356
Treasury bills	410,000	-	-	-	410,000
Deposits with the banks and other financial institutions	7,622,622	-	-	415,705	8,038,327
Financial assets measured at amortised cost	-	-	200,000	-	200,000
Loans and advances to customers	23,666,888	54,109,426	72,668,418	-	150,444,732
Financial assets measured at FVTPL	-	-	-	414,899	414,899
Other assets	-	-	-	2,039,799	2,039,799
<b>Total assets</b>	<b>31,699,510</b>	<b>54,109,426</b>	<b>72,868,418</b>	<b>4,028,759</b>	<b>162,706,113</b>
Bank overdraft	-	-	-	-	-
Due to customers	713,923	1,103,834	-	4,540,183	6,357,940
Borrowed funds	21,563,488	46,399,965	51,242,669	19,977,370	139,183,492
Other liabilities	-	-	-	13,441,750	13,441,750
<b>Total financial liabilities</b>	<b>22,277,411</b>	<b>47,503,799</b>	<b>51,242,669</b>	<b>37,959,303</b>	<b>158,983,182</b>
<b>Net interest repricing gap</b>	<b>9,422,099</b>	<b>6,605,627</b>	<b>21,625,749</b>	<b>(33,930,544)</b>	<b>3,722,931</b>

# DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

## 3. Financial risk management (cont'd)

### (c) Market risk (cont'd)

#### (iii) Interest rate risk (cont'd)

	1 year \$	2-5 years \$	Over 5 years \$	Non-interest bearing \$	Total \$
<b>As at June 30, 2021 (Restated)</b>					
Cash	-	-	-	726,705	726,705
Treasury bills	410,000	-	-	-	410,000
Deposits with the banks and other financial institutions	4,476,317	-	-	35,699	4,512,016
Financial assets measured at amortised cost	-	-	200,000	-	200,000
Loans and advances to customers	23,238,145	53,154,689	73,508,515	-	149,901,349
Financial assets measured at FVTPL	-	-	-	414,899	414,899
Other assets	-	-	-	2,086,098	2,086,098
<b>Total assets</b>	<b>28,124,462</b>	<b>53,154,689</b>	<b>73,708,515</b>	<b>3,263,401</b>	<b>158,251,067</b>
Bank overdraft	902,417	-	-	-	902,417
Due to customers	625,348	1,499,224	-	3,931,976	6,056,548
Borrowed funds	15,721,004	49,872,302	45,795,324	19,977,370	131,366,000
Other liabilities	-	-	-	14,812,046	14,812,046
<b>Total financial liabilities</b>	<b>17,248,769</b>	<b>51,371,526</b>	<b>45,795,324</b>	<b>38,721,392</b>	<b>153,137,011</b>
<b>Net interest repricing gap</b>	<b>10,875,693</b>	<b>1,783,163</b>	<b>27,913,191</b>	<b>(35,457,991)</b>	<b>5,114,056</b>



## DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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### 3. Financial risk management (cont'd)

#### (c) Market risk (cont'd)

##### (iii) Interest rate risk (cont'd)

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

	EC\$ %	US\$ %
<b>As at June 30, 2022</b>		
<b>Assets</b>		
Treasury bills	4.20	-
Deposits with banks and other financial institutions	0.60	-
Financial assets measurements at amortised cost	11.08	-
Loans and advances to customers	3.75	-
<b>Liabilities</b>		
Due to customers	1.59	-
Borrowed funds	2.35	2.13
<b>As at June 30, 2021</b>		
<b>Assets</b>		
Treasury bills	5.60	-
Deposits with banks and other financial institutions	2.58	-
Financial assets measurements at amortised cost	9.75	-
Loans and advances to customers	3.99	-
<b>Liabilities</b>		
Due to customers	1.48	-
Borrowed funds	2.10	2.44

##### (iv) Sensitivity analysis

Cash flow interest rate risks arise from borrowings at variable rates. At June 30, 2022 if variable interest rates had been 1% higher/lower with all other variables held constant, profit for the year would have been \$295,286 (2021 - \$248,223) higher/lower.

## DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

### 3. Financial risk management (cont'd)

#### (d) Liquidity risk

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

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

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

#### (i) Non-derivative cash flow

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

	1 year \$	2-5 years \$	Over 5 years \$
<b>As at June 30, 2022</b>			
<b>Financial liabilities</b>			
Borrowed funds	25,831,987	64,938,994	69,232,648
Due to customers	4,620,314	1,758,800	-
Other liabilities	3,182,120	4,581,157	5,678,473
<b>Total financial liabilities</b>	<b>33,634,421</b>	<b>71,278,951</b>	<b>74,911,121</b>
<b>As at June 30, 2021 (Restated)</b>			
<b>Financial liabilities</b>			
Borrowed funds	19,998,025	68,588,346	64,920,101
Other liabilities	5,604,375	4,085,378	5,122,294
Due to customers	4,067,989	2,017,429	-
Bank overdraft	902,417	-	-
<b>Total financial liabilities</b>	<b>30,572,806</b>	<b>74,691,153</b>	<b>70,042,395</b>

## DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

### 3. Financial risk management (cont'd)

#### (d) Liquidity risk (cont'd)

##### (ii) Loan commitments

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

	1 year \$	2-5 years \$	Total \$
<b>As at June 30, 2022</b>			
Loan commitments	5,000,000	5,188,726	10,188,726
<b>As at June 30, 2021</b>			
Loan commitments	5,000,000	4,135,723	9,135,723

#### (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.

## DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

### 3. Financial risk management (cont'd)

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

##### Investment securities

Assets classified as FVTPL are measured at fair value.

##### Borrowed funds

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

##### Due to other banks and customers, and other liabilities

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

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

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

	2022	Carry value	2022	Fair value
	\$	2021	\$	2021
		\$		\$
<b>Financial assets</b>				
Loans and advances to customers	150,444,732	149,901,349	184,934,063	186,652,333
<b>Financial liabilities</b>				
Borrowed funds	139,183,492	131,366,000	136,121,664	132,411,114

#### (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.



## DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

### 3. Financial risk management (cont'd)

#### (f) Fair value hierarchy (cont'd)

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

Assets measured at fair value:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>As at June 30, 2022</b>				
<b>Financial assets</b>				
Financial assets at FVTPL		82,000	332,899	414,899
<b>Non-Financial Assets</b>				
Investment properties	-	-	65,528,918	65,528,918
Land and building	-	-	14,194,990	14,194,990
	-	82,000	80,056,807	80,138,807
<b>As at June 30, 2021</b>				
<b>Financial assets</b>				
Financial assets at FVTPL		82,000	332,899	414,899
<b>Non-Financial Assets</b>				
Investment properties	-	-	63,665,326	63,665,326
Land and building	-	-	10,394,502	10,394,502
	-	82,000	74,392,727	74,474,727

The financial assets at FVTPL classified as Level 3 as at June 30, 2022 and 2021 relates to unquoted equity investments measured at cost.

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

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

# DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

## 3. Financial risk management (cont'd)

### (f) Fair value hierarchy (cont'd)

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

There were no transfers between levels in the fair value hierarchy in 2022 and 2021.

There were no gains or losses for the period included in the statement of comprehensive income for assets held at Level 3 as at June 30, 2022 and 2021.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>As at June 30, 2022</b>				
<b>Financial assets</b>				
Loans and advances to customers	-	-	184,934,063	184,934,063
<b>As at June 30, 2021</b>				
<b>Financial assets</b>				
Loans and advances to customers	-	-	186,652,333	186,652,333

Liabilities for which fair values are disclosed:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>As at June 30, 2022</b>				
<b>Financial liabilities</b>				
Borrowed funds	-	-	136,121,664	136,121,664
<b>As at June 30, 2021</b>				
<b>Financial liabilities</b>				
Borrowed funds	-	-	132,411,114	132,411,114

The valuation technique and unobservable quantitative input for receivables and liabilities classified as Level 3 as of June 30, 2022 and 2021 are summarised below:-

	Valuation Techniques	Unobservable Inputs	Range 2022 %	Range 2021 %
Loans and advances to customers	Discounted cash flows	Discount rates	0 to 13	0 to 13
Borrowed funds	Discounted cash flows	Discount rates	0 to 5	0 to 5

## **DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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### **3. Financial risk management (cont'd)**

#### **(g) Capital Management**

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

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

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

### **4. Segment analysis**

In the financial years 2022 and 2021, 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.

## DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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### 4. Segment analysis (cont'd)

Total assets and liabilities by segment are as follows:

	AID Bank \$	Industrial Estate \$	Total \$
<b>As at June 30, 2022</b>			
Total assets	201,397,275	41,270,872	242,668,147
Total liabilities	156,777,862	2,205,320	158,983,182
<b>As at June 30, 2021 (Restated)</b>			
Total assets	197,695,279	35,017,216	232,712,495
Total liabilities	150,868,621	2,268,390	153,137,011



**DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

**4. Segment analysis (cont'd)****2022 and 2021 Segment reporting:**

	<b>AID Bank</b>	<b>Industrial</b>	<b>Total</b>
	<b>\$</b>	<b>Estate</b>	<b>\$</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>For the year ended June 30, 2022</b>			
External revenue	426,705	1,764,210	2,190,915
Interest income	5,946,740	-	5,946,740
Interest expense	(3,818,582)	(29,190)	(3,847,772)
Net operating income	2,554,863	1,735,020	4,289,883
Deprecation	(329,366)	(24,313)	(353,679)
Impairment loss on loans and advances	(2,780,500)	(198,309)	(2,978,809)
Impairment loss on loan commitments	(197,785)	-	(197,785)
Impairment recovery on investments	6,923	-	6,923
Other operating expenses	(3,821,152)	(1,036,289)	(4,857,441)
Changes in fair value of investment property	-	1,823,453	1,823,453
Total operating (expenses)/income	(7,121,880)	564,542	(6,557,338)
<b>Net (loss)/income for the year</b>	<b>(4,567,017)</b>	<b>2,299,562</b>	<b>(2,267,455)</b>
<b>For the year ended June 30, 2021 - restated</b>			
External revenue	1,122,715	1,599,599	2,722,314
Interest income	6,828,698	-	6,828,698
Interest expenses	(3,734,203)	(23,811)	(3,758,014)
Net operating income	4,217,210	1,575,788	5,792,998
Deprecation	(390,608)	(18,578)	(409,186)
Impairment loss on loans and advances	(7,338,116)	(67,737)	(7,405,853)
Impairment loss on loan commitments	356,506	-	356,506
Impairment recovery on investments	4,155	-	4,155
Other operating expenses	(4,061,298)	(950,123)	(5,011,421)
Changes in fair value of investment property	-	10,139,475	10,139,475
Total operating (expenses)/income	(11,429,361)	9,103,037	(2,326,324)
<b>Net income/(loss) for the year</b>	<b>(7,212,151)</b>	<b>10,678,825</b>	<b>3,466,674</b>

## DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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### 5. Critical accounting estimates and judgements

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

(a) *Going concern*

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

(b) *Impairment losses on loans and advances*

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

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

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

(d) *Impairment of non-financial assets*

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

## DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

### 5. Critical accounting estimates and judgements (cont'd)

#### (e) *Revaluation of land and buildings and investment property*

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

### 6. Cash and balances with Central Bank

	2022 \$	2021 \$
Balances with Central Bank	1,156,971	725,320
Cash on hand	1,385	1,385
	<b>1,158,356</b>	<b>726,705</b>

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

	Notes	2022 \$	2021 \$
Cash and balances with Central Bank		1,158,356	726,705
Placement with banks	8	8,038,327	2,493,183
Treasury bills	7	410,000	410,000
Bank overdraft	16	-	(902,417)
		<b>9,606,683</b>	<b>2,727,471</b>

### 7. Treasury bills

	2022 \$	2021 \$
Treasury bills	410,000	410,000

Treasury bills are debt securities issued by the Government of the Commonwealth of Dominica for a term of three (3) months. The weighted average effective interest rate in 2022 is 4.20% (2021 – 5.60%).

**DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

**8. Deposits with banks and other financial institutions**

	<b>2022</b>	2021
	<b>\$</b>	\$
Placements with banks	<b>8,038,327</b>	2,493,183
Fixed deposits	-	2,018,833
	<b>8,038,327</b>	4,512,016

The weighted average effective interest rate in respect of interest-bearing deposits in 2022 is 0.60% (2021 – 2.58%).

There were no certificates of deposit included in placements with banks and other financial institutions. In 2021 this amount was \$1,999,851 and was used to secure certain borrowings of the Bank which are further particularised in Note 18 to the financial statements.

**9. Financial assets measured at amortised cost**

	<b>2022</b>	2021
	<b>\$</b>	\$
Financial assets measured at amortised cost:		
3.50% debenture expiring on June 1, 2034	<b>200,000</b>	200,000
Less: Allowance for ECL	<b>(2,679)</b>	(9,602)
	<b>197,321</b>	190,398

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

	<b>2022</b>	2021
	<b>\$</b>	\$
At the beginning of the year	<b>9,602</b>	13,757
Recovery during the year	<b>(6,923)</b>	(4,155)
<b>At end of the year</b>	<b>2,679</b>	9,602

Financial assets measured at amortised cost are debentures, debt and securities issued by the Government of the Commonwealth of Dominica for a term of five (5) to thirty (30) years. The weighted average effective interest rate in 2022 is 11.08% (2021 – 9.75%).



**DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

**10. Loans and advances to customers**

	<b>2022</b>	Restated 2021
	<b>\$</b>	<b>\$</b>
Demand loans	<b>128,579,435</b>	132,470,406
Mortgage loans	<b>34,715,092</b>	35,841,081
	<b>163,294,527</b>	168,311,487
Less: Allowance for impairment losses	<b>(12,849,795)</b>	(18,410,138)
	<b>150,444,732</b>	149,901,349
Current	<b>23,666,888</b>	23,238,145
Non-current	<b>126,777,844</b>	126,663,204
	<b>150,444,732</b>	149,901,349

The weighted average effective interest rate on productive loans at June 30, 2022 is 3.75% (2021 – 3.99%).

**DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

**11. Allowance for impairment losses on loans and advances**

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

	<b>Demand Loans \$</b>	<b>Mortgage Loans \$</b>	<b>Total \$</b>
<b>As at June 30, 2022</b>			
At beginning of the year	16,413,642	1,996,496	18,410,138
Provisions (recovered)/expensed for the year	(5,644,000)	83,657	(5,560,343)
<b>At end of the year</b>	<b>10,769,642</b>	<b>2,080,153</b>	<b>12,849,795</b>
<b>As at June 30, 2021</b>			
At beginning of the year	20,328,553	2,264,466	22,593,019
Provisions recovered for the year	(3,914,911)	(267,970)	(4,182,881)
<b>At end of the year</b>	<b>16,413,642</b>	<b>1,996,496</b>	<b>18,410,138</b>

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

	<b>Stage 1 &amp; 2 \$</b>	<b>Stage 3 \$</b>	<b>Total \$</b>
<b>As at June 30, 2022</b>			
At beginning of the year	1,815,757	16,594,381	18,410,138
Provisions expensed/(recovered) for the year	264,985	(5,825,328)	(5,560,343)
<b>At end of the year</b>	<b>2,080,742</b>	<b>10,769,053</b>	<b>12,849,795</b>
<b>As at June 30, 2021</b>			
At beginning of the year	1,009,833	21,583,186	22,593,019
Provisions expensed/(recovered) for the year	805,924	(4,988,805)	(4,182,881)
<b>At end of the year</b>	<b>1,815,757</b>	<b>16,594,381</b>	<b>18,410,138</b>

**DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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

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

	2022 \$	2021 \$
Recovery for the year	(5,560,343)	(4,182,881)
Increase in provision during the year	198,309	67,737
Provision expensed/(recovery) on loan commitments during the year	197,785	(356,506)
Recovery on investments during the year	(6,923)	(4,155)
Loans written-off during the year	8,340,843	11,520,997
	<u>3,169,671</u>	<u>7,045,192</u>

**12. Financial Assets measured at FVTPL**

	2022 \$	2021 \$
<b>Financial assets measured at FVTPL:</b>		
Equity securities at fair value		
- Listed	82,000	82,000
- Unlisted	332,899	332,899
	<u>414,899</u>	<u>414,899</u>

**DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

**13. Investment properties**

	<b>Land and Buildings \$</b>
<b>As at June 30, 2021</b>	<b>63,665,326</b>
Net additions during the year	<b>40,139</b>
Increase in fair value	<b>1,823,453</b>
<b>As at June 30, 2022</b>	<b>65,528,918</b>
<b>As at June 30, 2020</b>	53,496,121
Net additions during the year	29,730
Increase in fair value	10,139,475
<b>As at June 30, 2021</b>	<b>63,665,326</b>

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

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

Rental income from investment properties recognised in the statement of profit or loss and other comprehensive income was \$1,747,320 (2021 - \$1,578,399) and is further particularised in Note 27, while direct operating expenses arising from these investment properties during the year was \$705,567 (2021 - \$450,666) and is further particularised in Note 28. Rent is charged below market rates.



# DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to the Financial Statements  
For the Year Ended June 30, 2022  
(Expressed in Eastern Caribbean Dollars)

## 14. Property and Equipment

	Notes	Land \$	Building \$	Motor Vehicle \$	Furniture and Equipment \$	Computer Equipment \$	Total \$
<b>As at June 30, 2020</b>							
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)
<b>Net book value</b>		<b>2,448,697</b>	<b>7,811,909</b>	<b>36,299</b>	<b>404,901</b>	<b>128,634</b>	<b>10,830,440</b>
<b>Year Ended June 30, 2021</b>							
Opening net book value		2,448,697	7,811,909	36,299	404,901	128,634	10,830,440
Additions		-	-	-	26,923	12,727	39,650
Revaluations	24	-	309,809	-	-	-	309,809
Depreciation	28	-	(175,913)	(9,977)	(152,481)	(70,815)	(409,186)
<b>Closing net book value</b>		<b>2,448,697</b>	<b>7,945,805</b>	<b>26,322</b>	<b>279,343</b>	<b>70,546</b>	<b>10,770,713</b>
<b>As at June 30, 2021</b>							
Cost or valuation		2,448,697	9,105,439	215,747	1,976,253	1,274,392	15,020,528
Accumulated depreciation		-	(1,159,634)	(189,425)	(1,696,910)	(1,203,846)	(4,249,815)
<b>Net book value</b>		<b>2,448,697</b>	<b>7,945,805</b>	<b>26,322</b>	<b>279,343</b>	<b>70,546</b>	<b>10,770,713</b>
<b>Year Ended June 30, 2022</b>							
Opening net book value		2,448,697	7,945,805	26,322	279,343	70,546	10,770,713
Additions		-	-	-	10,757	25,407	36,164
Revaluations	24	3,910,000	72,595	-	-	-	3,982,595
Depreciation	28	-	(182,107)	(9,976)	(108,511)	(53,083)	(353,677)
<b>Closing net book value</b>		<b>6,358,697</b>	<b>7,836,293</b>	<b>16,346</b>	<b>181,589</b>	<b>42,870</b>	<b>14,435,795</b>
<b>As at June 30, 2022</b>							
Cost or valuation		6,358,697	9,178,034	215,747	1,987,009	1,299,799	19,039,286
Accumulated depreciation		-	(1,341,741)	(199,401)	(1,805,420)	(1,256,929)	(4,603,491)
<b>Net book value</b>		<b>6,358,697</b>	<b>7,836,293</b>	<b>16,346</b>	<b>181,589</b>	<b>42,870</b>	<b>14,435,795</b>

**DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

**14. Property and equipment (cont'd)**

An independent valuation of the Bank's land and buildings was performed by a professionally qualified property valuer in 2022 to determine the fair value. The valuation was carried out using a market value that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the property in question. The revaluation surplus was credited to other comprehensive income and is shown in 'revaluation surplus' in equity.

**15. Other assets**

	2022 \$	2021 \$
Rent receivable	1,269,434	1,111,566
Other receivable	1,839,627	1,807,727
	<b>3,109,061</b>	2,919,293
Less: Allowance for impairment losses	<b>(1,255,922)</b>	(1,099,855)
	<b>1,853,139</b>	1,819,438
Due from Financial Data Services Limited	<b>186,660</b>	266,660
Prepayments	-	34,991
	<b>2,039,799</b>	2,121,089

Allowance for impairment losses related to the following accounts:

	2022 \$	2021 \$
Rent receivable	1,255,922	1,094,916
Other receivable	-	4,939
	<b>1,255,922</b>	1,099,855

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

	2022 \$	2021 \$
At the beginning of year	1,099,855	1,124,195
Written-off rent receivable during the year	(37,303)	(92,077)
Provision during the year	193,370	67,737
	<b>1,255,922</b>	1,099,855

**DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

**16. Bank overdraft**

	<b>2022</b>	2021
	<b>\$</b>	<b>\$</b>
National Bank of Dominica	-	902,417

The prior year overdraft facility was guaranteed by the Government of Dominica in accordance with the provision of the Loans Act, Chapter 64:05 Section 3(1) of the 1990 Revised Laws of the Commonwealth of Dominica. Interest is charged on the facility at a rate of 5% (2021 – 7%) per annum.

**17. Due to customers**

	<b>2022</b>	2021
	<b>\$</b>	<b>\$</b>
Fixed deposits	<b>1,817,757</b>	2,124,572
Refundable deposits	<b>1,781,558</b>	1,754,819
Loan prepayments	<b>2,758,625</b>	2,177,157
	<b>6,357,940</b>	6,056,548
Current	<b>4,620,314</b>	4,067,989
Non-current	<b>1,737,626</b>	1,988,559
	<b>6,357,940</b>	6,056,548

All cash collateral carries fixed interest rates. The weighted average effective interest rate of cash collaterals at June 30, 2022 is 1.59% (2021 - 1.48%).

**DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

**18. Borrowed Funds**

	2022 \$	2021 \$
Caribbean Development Bank	<b>39,727,413</b>	31,799,002
European Investment Bank	<b>5,248,812</b>	6,913,379
BANDES - Economic and Social Development Bank of Venezuela	<b>18,812,542</b>	18,812,542
Dominica Social Security	<b>20,152,879</b>	21,400,220
PetroCaribe Fund	<b>7,521,059</b>	8,195,400
National Bank of Dominica	<b>10,016,802</b>	10,788,979
CARICOM Development Fund	<b>3,905,332</b>	5,032,626
Government of the Commonwealth of Dominica	<b>30,042,753</b>	24,977,370
Dominica National Petroleum Company Ltd.	<b>1,349,653</b>	1,496,758
Republic of China	<b>648,162</b>	766,022
	<b>137,425,407</b>	130,182,298
Interest payable	<b>1,758,085</b>	1,183,702
	<b>139,183,492</b>	131,366,000
Current	<b>21,563,488</b>	15,611,302
Non-current	<b>117,620,004</b>	115,754,698
	<b>139,183,492</b>	131,366,000

Interest on the above borrowings ranges from 0% to 5% (2021 – 0% to 5%) and are guaranteed by the Government of the Commonwealth of Dominica.

The National Bank of Dominica loan is secured by certificate of titles to land and building, stamped to cover \$32,200,910 along with and the assignment of insurance cover over the building.

**19. Provisions for loan commitments**

The Bank is required to allocate a provision for expected credit losses related to loan commitments issued as a result of the implementation of IFRS 9. As at the year end the provision was \$316,342 (2021 - \$118,557).

## DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

### 20. Other liabilities

	2022 \$	Restated 2021 \$
Agency liabilities	6,177,695	4,941,741
Others	3,266,235	6,134,883
Dividends payable	2,898,510	2,898,510
Grants	432,363	432,363
Deferred income	350,605	285,992
	<b>13,125,408</b>	<b>14,693,489</b>
Current	3,182,120	5,604,375
Non-current	9,943,288	9,089,114
	<b>13,125,408</b>	<b>14,693,489</b>

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

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

Others relates to accrued liabilities comprised as follows:

	2022 \$	2021 \$
Gratuity payable	1,793,737	1,990,124
Vacation leave and salaries payable	314,734	380,936
IEU tenant's security deposits	296,754	293,314
Other payable	861,010	3,470,509
	<b>3,266,235</b>	<b>6,134,883</b>

### 21. Fiduciary activities

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



**DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

**22. Share capital**

	<b>2022</b>	2021
	\$	\$
<b>Authorised</b>		
10,000,000 ordinary shares with a \$5 par value	<b>50,000,000</b>	50,000,000
<b>Issued and fully paid</b>		
9,595,041 (2021 - 9,594,041) ordinary shares	<b>47,970,205</b>	47,970,205

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

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

**23. Contributed capital**

	<b>2022</b>	2021
	\$	\$
Land vested by the Government of the Commonwealth of Dominica	<b>1,616,030</b>	1,616,030
Equity conversion of loan payable	<b>2,644,341</b>	-
	<b>4,260,371</b>	1,616,030

**24. Revaluation surplus**

	<b>2022</b>	2021
	\$	\$
At beginning of the year	<b>4,450,783</b>	4,224,374
Unrealised gain on revaluation of land and buildings	<b>3,982,595</b>	309,809
Amortisation for the year	<b>(81,732)</b>	(83,400)
At end of the year	<b>8,351,646</b>	4,450,783

**DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

**25. Reserves**

	2022 \$	2021 \$
General reserve	88,234	88,234
Statutory reserve	14,978,994	15,545,858
Loan loss reserve	2,654,330	2,654,330
Special reserve	441,122	441,122
	<b>18,162,680</b>	<b>18,729,544</b>

Movements in reserves were as follows:

	2022 \$	2021 \$
<b>General reserve</b>		
At beginning and end of the year	<b>88,234</b>	88,234

Prior to July 1, 1978, the Government of the Commonwealth of Dominica paid certain administrative expenses of the Bank. The Government decided to waive the amount of \$88,234 due to it and instructed the Bank to create a general reserve for this amount.

	2022 \$	2021 \$
<b>Statutory reserve</b>		
At beginning of the year	15,545,858	14,658,532
Transfer from retained earnings	(566,864)	887,326
At end of the year	<b>14,978,994</b>	15,545,858

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.

	2022 \$	2021 \$
<b>Loan loss reserve</b>		
At beginning and end of the year	<b>2,654,330</b>	2,654,330

**DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

**25. Reserves (cont'd)**

The loan loss reserve was set up in compliance with the provision of the European Investment Bank ("EIB") loan agreement, which requires the Bank to set aside provision to cover potential loan losses, which shall not be less than 40% (2021 – 40%) of the Portfolio at Risk as at June 30, 2022 (2021 - 40%).

	<b>2022</b>	2021
	\$	\$
<b>Special reserves</b>		
Caribbean Development Consolidated Entity Provision		
At beginning and end of the year	<b>441,122</b>	441,122

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

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

**26. Net interest income**

	<b>2022</b>	Restated 2021
	\$	\$
<b>Interest income</b>		
Loans and advances	<b>5,890,839</b>	6,670,411
Investments	<b>55,901</b>	158,287
	<b>5,946,740</b>	6,828,698
<b>Interest expense</b>		
Borrowings	<b>(3,712,572)</b>	(3,690,050)
Interest on deposits	<b>(43,105)</b>	(21,914)
Bank charges	<b>(92,095)</b>	(46,050)
	<b>(3,847,772)</b>	(3,758,014)
<b>Net interest income</b>	<b>2,098,968</b>	3,070,684

**DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

**27. Other operating income**

	<b>Note</b>	<b>2022</b> \$	<b>2021</b> \$
Rental income from IEU operations	<b>13</b>	<b>1,747,320</b>	1,578,399
Commitment fees		<b>156,436</b>	136,239
Agency fees		<b>21,225</b>	20,104
Recovery on written-off loans		<b>158,436</b>	682,857
Other		<b>107,498</b>	304,715
		<b>2,190,915</b>	2,722,314

**28. Other operating expenses**

	<b>Notes</b>	<b>2022</b> \$	<b>2021</b> \$
Staff costs	<b>29</b>	<b>2,575,969</b>	3,009,947
General and administrative expenses	<b>30</b>	<b>964,504</b>	989,210
Depreciation	<b>14</b>	<b>353,678</b>	409,186
Factory sheds expenses	<b>13</b>	<b>705,567</b>	450,666
Building occupancy expenses		<b>554,500</b>	527,356
Foreign exchange loss		<b>56,902</b>	34,242
		<b>5,211,120</b>	5,420,607

**29. Staff costs**

	<b>Note</b>	<b>2022</b> \$	<b>2021</b> \$
Salaries and wages		<b>2,137,304</b>	2,429,871
Social security costs		<b>135,330</b>	147,802
Group insurance		<b>42,538</b>	43,943
Other staff costs		<b>260,797</b>	388,331
	<b>28</b>	<b>2,575,969</b>	3,009,947

During the year, the number of employees at the Bank was 35 (2021 - 38).

**DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK**

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

**30. General and administrative expenses**

	<b>Note</b>	<b>2022</b> \$	2021 \$
Legal and professional fees		<b>267,516</b>	330,928
Directors' emoluments and expenses		<b>150,035</b>	139,647
Telephone, postage and fax		<b>125,062</b>	129,710
Bad debt expenses		<b>113,576</b>	1,460
Printing, stationery, and office supplies		<b>92,496</b>	89,594
Subscriptions and donations		<b>48,844</b>	53,779
Insurance		<b>40,225</b>	40,225
Advertising		<b>39,447</b>	54,765
Motor vehicle expenses		<b>33,057</b>	24,143
Annual report expenses		<b>24,968</b>	24,893
Repair and maintenance of furniture and equipment		<b>20,504</b>	83,454
Miscellaneous expenses		<b>8,774</b>	16,612
	<b>28</b>	<b>964,504</b>	989,210

**31. Dividends**

On July 8, 2022, the Shareholders of the Bank declared a 5% dividend amounting to \$250,000 with respect to the ordinary shares held by the Dominica Social Security for each of the years ended June 2020 and June 2021. The amount of dividends declared in 2021 was \$250,000 for the Dominica Social Security.

**32. Related party transactions**

A party is related to the Bank, if:

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



## DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

### 32. Related party transactions (cont'd)

Loans and advances outstanding from related parties are as follows:

	2022 \$	2021 \$
Financial Data Services Limited	<u>844,019</u>	<u>924,019</u>

At year-end, directors of the Bank and companies in which they have an interest had no fixed deposits with the Bank (2021 - \$Nil) and had loans and guaranteed loans with outstanding balances of \$71,527 (2021 - \$74,617).

In 2022, the total remuneration paid to directors and key management personnel was \$1,129,169 (2021 - \$1,218,889).

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

	Note	2022 \$	2021 \$
Dominica Social Security	18	20,152,879	21,400,220
Government of the Commonwealth of Dominica	18	<u>30,042,753</u>	<u>24,977,370</u>
		50,195,632	46,377,590
Interest payable		<u>4,892</u>	<u>5,237</u>
		<u>50,200,524</u>	<u>46,382,827</u>

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

### 33. Contingent liabilities and commitments

As at year-end, loans and advances approved by the Bank but not yet disbursed, amounted to approximately \$10,188,726 (2021 - \$9,135,723).

### 34. Taxation

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

## DOMINICA AGRICULTURAL INDUSTRIAL AND DEVELOPMENT BANK

Notes to the Financial Statements

For the Year Ended June 30, 2022

(Expressed in Eastern Caribbean Dollars)

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### 35. Prior period adjustments

In the prior year the Bank restated the value of its other liabilities for the year ended June 2021 to reflect the impact of the reclassification of one of its loans contracted from the Caribbean Development Bank. The CDB/SMP-62/SFR-DMI line of credit for a Special Mortgage Program for underprivileged housing was initially recognised as an Agency Loan but upon further review of the loan agreement and nature of the loans granted by the Bank under this line of credit, management agreed that the loan should be reclassified as an AID Bank loan. However, interest expense on the loan for the income years 2002 to 2021 was omitted from the financial statements.

The prior year financial statements were adjusted to reflect the impact of the recognition of the interest expense on the line of credit for the years ended June 30, 2002 to June 30, 2021.

The effect of the prior period adjustments for the year ended June 30, 2021 is summarised below:

		As previously reported	Adjustments	As restated
	Note	\$	\$	\$
<b>Year ended June 30, 2021</b>				
<b>Statement of Financial Position</b>				
<b>Liabilities</b>				
Other Liabilities	20	13,047,268	1,646,221	14,693,489
<b>Retained earnings</b>		8,455,143	(1,646,221)	6,808,922
<b>Statement of Comprehensive Income</b>				
Interest expense	26	3,675,384	82,630	3,758,014

