REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF TRINIDAD AND TOBAGO ON THE FINANCIAL STATEMENTS OF THE AGRICULTURAL DEVELOPMENT BANK OF TRINIDAD AND TOBAGO FOR THE YEAR ENDED 30TH SEPTEMBER 2020

OPINION

The Financial Statements of the Agricultural Development Bank of Trinidad and Tobago (the Bank) for the year ended 30th September 2020 have been audited. The statements as set out on pages 1 to 37 comprise a Statement of Financial Position as at 30th September 2020, and the Statement of Income, a Statement of Comprehensive Income, a Statement of Changes in Equity and a Statement of Cash Flows for the year then ended, and Notes to the Financial Statements numbered 1 to 24, including a summary of significant accounting policies.

2. In my opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of the Agricultural Development Bank of Trinidad and Tobago as at 30th September 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

BASIS FOR OPINION

3. The audit was conducted in accordance with the principles and concepts of International Standards of Supreme Audit Institutions (ISSAIs). The Auditor General's responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. The Auditor General is independent of the Bank in accordance with the ethical requirements that are relevant to the audit of the Financial Statements and other ethical responsibilities have been fulfilled in accordance with these requirements. It is my view that the audit evidence obtained is sufficient and appropriate to provide a basis for the above audit opinion.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

4. Management of the Bank is responsible for the preparation and fair presentation of these Financial Statements in accordance with International Financial Reporting Standards 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.

5. In preparing the Financial Statements, management is responsible for assessing the ability of the Bank 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.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

7. The Auditor General's responsibility is to express an opinion on these Financial Statements based on the audit and to report thereon in accordance with section 116 of the Constitution of the Republic of Trinidad and Tobago and section 8 (1) (a) of the Agricultural Development Bank Act, Chapter 79:07.

8. The Auditor General's 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 audit report that includes her opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards 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.

9. As part of an audit conducted in accordance with the principles and concepts of ISSAIs, the Auditor General exercises professional judgment and maintains professional skepticism throughout the audit. The Auditor General also:

- Identifies and assesses the risks of material misstatement of the Financial Statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for an 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.

- Obtains 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 internal control of the Bank.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concludes 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 ability of the Bank to continue as a going concern. If the Auditor General concludes that a material uncertainty exists, the Auditor General is required to draw attention in her audit report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify her opinion. The Auditor General's conclusions are based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluates 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.

10. The Auditor General communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that were identified during the audit.

Report On Other Legal And Regulatory Requirements

Pension Plan

11. A Pension Scheme has not been established by the Bank as required by section 25 of the Agricultural Development Bank Act, Chapter 79:07 which states:

> ***"The Bank shall, within a period of three years from the date of its establishment with the approval of the Minister, provide for the establishment and maintenance of a compulsory Pension Scheme for the benefit of the officers and servants of the Bank, and in every such Scheme different provisions may be made for different classes of officers and servants."***

Submission Of Report

12. This Report is being submitted to the Speaker of the House of Representatives, the President of the Senate and the Minister of Finance in accordance with the requirements of sections 116 and 119 of the Constitution of the Republic of Trinidad and Tobago.

2ND APRIL, 2025
PORT OF SPAIN

JAIWANTIE RAMDASS
AUDITOR GENERAL

Agricultural Development Bank

Financial Statements

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Agricultural Development Bank of Trinidad and Tobago

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Agricultural Development Bank of Trinidad and Tobago

Statement of Financial Position as at 30th September 2020

	Notes	30th September 2020 $'000	30th September 2019 $'000
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	4	40,230	41,638
Intangible Assets	5	225	307
Investments	6	85,320	84,604
Right of use Assets	7	4,550	0
Loans to customers	8	221,121	250,728
Other Assets	9	2,019	2,014
		353,465	**379,291**
Current Assets			
Investments	6	159,323	167,597
Loans to customers	8	130,553	99,248
Other Assets	9	11,231	10,847
Cash on hand and at Bank		7,666	3,699
		308,773	**281,391**
TOTAL ASSETS		**662,238**	**660,682**
EQUITY AND LIABILITIES			
Capital and Reserves			
Share Capital	10	258,375	258,375
Shareholder Funding	11	554,330	554,330
Revaluation Reserve	12	24,158	24,729
Accumulated Losses		(375,418)	(366,795)
		461,445	**470,639**
Non-Current Liabilities			
Redeemable Preference Shares	13	127,486	127,486
Customer Deposits	14	24,531	23,112
Lease Liabilities	15	2,795	0
		154,812	**150,598**
Current Liabilities			
Customer Deposits	14	34,752	27,965
Accounts Payable	16	9,604	11,480
Lease Liabilities	15	1,625	0
		45,981	**39,445**
TOTAL EQUITY AND LIABILITIES		**662,238**	**660,682**

The notes on pages 8 to 37 form an integral part of these financial statements.

Dillon Teeluksingh

Chairman

Director

Agricultural Development Bank of Trinidad and Tobago

Statement of Income for the year ended 30th September 2020

	Notes	30th September 2020 $'000	2019 $'000
Income			
Interest income	17	22,471	24,116
Interest expense	18	(152)	(149)
Net Interest Income		22,319	23,967
Investment income		4,308	8,907
Decrease in loan loss provisioning		-	73
Fees and Commissions Income	19	1,294	1,548
Other income	20	567	563
Total Net Income		28,488	35,058
Credit impairment losses on loans		-	-
Interest on Leased Liabilities	18	(88)	-
Operating expenses	23	(37,593)	(38,862)
Total Expenses		(37,681)	(38,862)
Net Loss for the year		(9,193)	(3,804)

The notes on pages 8 to 37 form an integral part of these financial statements.

Agricultural Development Bank of Trinidad and Tobago

Statement of Comprehensive Income for the year ended 30th September 2020

	Notes	30th September 2020 $'000	2019 $'000
Net Loss for the year		(9,193)	(3,804))
Other Comprehensive Income			
Items that may be reclassified to profit and loss			
Foreign exchange gain/ (loss)		-	-
Net gain / (loss) on Investments at FVPL		-	-
		-	-
Total Comprehensive (Loss)/Income for the year		(9,193)	(3,804)

The notes on pages 8 to 37 form an integral part of these financial statements.

Agricultural Development Bank of Trinidad and Tobago

Statement of Changes in Equity for the year ended 30th September 2020

	Note	Shareholder Funding $'000	Share Capital $'000	Other Reserves $'000	Accumulated Losses $'000	Total Equity $'000
Year Ended 30th September 2020						
Balance at 1st October 2019		554,330	258,375	24,729	(366,795)	470,639
Total Comprehensive Loss for year		--	--	--	(9,193)	(9,193)
Prior period adjustments					--	--
Additional Shareholder Funding		--	--	--	--	--
Transfer from other reserves	12	--	--	(571)	571	--
Balance at 30th September 2020		554,330	258,375	24,158	(375,418)	461,446
Year Ended 30th September 2019						
Balance at 1st October 2018		529,330	258,375	25,299	(333,438)	479,566
Impact of adopting IFRS 9					(27,999)	(27,999)
Restated Opening Balance under IFRS 9 as at 01 October 2018		529,330	258,375	25,299	(361,437)	451,567
Total Comprehensive Loss for year		--	--	--	(3,804)	(3,804)
Prior Period Adjustments		--	--	--	(2,125)	(2,125)
Additional Shareholder Funding		25,000				25,000
Transfer from other reserves	12	--	--	(570)	570	--
Balance at 30th September 2019		554,330	258,375	24,729	(366,795)	470,639

The notes on pages 8 to 37 form an integral part of these financial statements.

Agricultural Development Bank of Trinidad and Tobago

Statement of Cash Flows for the year ended 30th September 2020

	Year Ended 30th September 2020 $'000	Year Ended 30th September 2019 $'000
Operating Activities		
Net Loss for the year	(9,193)	(3,804)
Adjustments for:		
Depreciation & Amortization	1,730	2,053
Depreciation on right-of-use asset	947	-
Interest portion of lease payment	88	-
Gain/(Loss) on disposal of fixed assets	(11)	1
	(6,439)	(1,750)
Decrease/ (Increase) in loans to customers	(1,697)	(13,783)
Decrease/ (Increase) in other assets	(390)	408
Increase/ (Decrease) in accounts payable	(1,876)	172
Increase/ (Decrease) in customer deposits	8,206	2,299
Net Cash Used In Operating Activities	(2,196)	(12,654)
Cash Flows from Investing Activities		
Decrease / (Increase) in Investments	7,558	(20,349)
Purchase of property, plant and equipment	(241)	(408)
Proceeds from sale of property, plant and equipment	11	15
Net Cash from Investing Activities	7,328	(20,742)
Cash Flows From Financing Activities		
Proceeds from Government	-	25,000
Repayment of leased liabilities - Principal	(1,165)	-
Net Cash from Financing Activities	(1,165)	25,000
Net Increase/ (Decrease) In Cash and Cash Equivalents	3,967	(8,396)
Cash and Cash Equivalents at Beginning of Year	3,699	12,095
Cash and Cash Equivalents at End of Year	7,666	3,699
Represented By:		
Cash on hand and at bank	7,666	3,699
	7,666	3,699

The notes on pages 8 to 37 form an integral part of these financial statements.

1 Incorporation and Nature of Activity

The Agricultural Development Bank of Trinidad and Tobago (the Bank) was established on 25 January 1968 by Act No. 3 of 1968 under the Laws of Trinidad and Tobago, Chapter 79:07.

Its principal activity is the granting of loans, in keeping with its objectives of encouraging and fostering the development of agriculture and commercial fishing and industries connected therewith and the mobilisation of funds for the purpose of such development.

2 Summary of Significant Accounting Policies

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

Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies.

(i) Standards, amendments and interpretations to published standards effective inthe current year

- IFRS 16 Leases (effective 1 October 2019). This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard aims to provide greater transparency and comparability in Financial Statements regarding lease obligations. The standard requires lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying assets has a low value. The ADB has entered into various lease agreements for properties and equipment. Upon the adoption of IFRS 16, changes have been made to the Financial Statements to recognize Right of Use Assets (ROUA) and Lease Liabilities. Lessors continue to classify leases as operating or finance.

  Assets and Liabilities arising from an operating lease are assessed to establish if it was a right-of-use asset (RoUA) and are initially measured on a present value basis. The lease payments of the ADB was discounted using an incremental borrowing rate of 7.6% (2019 9.3% - Source: Central Bank of Trinidad and Tobago). Lease payments were apportioned between principal and interest costs. The interest costs were charged to the statement of comprehensive income. Right-of-use assets are usually depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

2 **Summary of Significant Accounting Policies** (Continued)

Basis of Preparation (Continued)

The adoption of IFRS 16 has provided the ADB with enhanced visibility into its leasing activities, reflecting a more accurate picture of its financial commitments and resource usage. The Bank will annually monitor its lease portfolio to ensure compliance and effective management of all leased assets.

- IFRS 9, 'Financial instruments part 1: Classification and measurement' (effective 1 January 2018). IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relates to the classification and measurement of financial instruments. The completed standard was issued in July 2014, with an effective date of 1 January 2018.

  IFRS 9 requires financial assets to be classified into three measurement categories: those measured as at fair value, those measured at amortised cost and those held for trading. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

  For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The additional amendments in July 2014 introduced a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. This amendment completes the IASB's financial instruments project and the Standard.

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank

The following standards, amendments and interpretations to existing standards are not yet effective for accounting periods beginning on or after 1 January 2019 and have not been early adopted by the Bank because they are not relevant to the operations of the Bank:

• IFRIC 23 – Uncertainty over Income Tax Treatments (Effective 1 January 2019). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

• IFRS 9 Amendment - Prepayment Features with Negative Compensation (Effective 1 January 2019). This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model,

2. Summary of Significant Accounting Policies (Continued)

Basis of Preparation (Continued)

at fair value through other comprehensive income) even in the case of negative compensation payments.

• IAS 28 Amendments - Long-term Interests in Associates and Joint Ventures (Effective 1 January 2019). This amendment clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

• Amendments to IAS 1 and IAS 8 - Definition of Material (Effective 1 January 2020). The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

• IAS 19 Amendments - Plan Amendment, Curtailment or Settlement (effective 1 January 2019). The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement.
- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

• Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform (Effective 1 January 2020). The amendments in Interest Rate Benchmark Reform (Amendments to IFRS9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

Property, Plant and Equipment

Freehold land and buildings are shown at fair value based on assessments performed by independent valuators, less subsequent depreciation for buildings. Subject to management's assessment, valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. As at 30th September 2020, freehold land and building are stated at revalued cost less depreciation. The Head Office land and building and Duke Street properties are stated at revaluation based on an independent professional valuation carried out in July 2016 while the Scarborough property had a revaluation carried out in February 2017.
Increases in the carrying amount on revaluation were credited to revaluation reserve. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Decreases that affect previous increases of the same assets are charged against the revaluation reserve directly in equity; all other decreases are charged to the Statement of Comprehensive Income.

2 Summary of Significant Accounting Policies (Continued)

Property, Plant and Equipment (Continued)

All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Depreciation and amortisation are computed on all assets except land. Depreciation is computed on the straight-line basis to write off the cost of each asset, or the revalued amounts, to their residual values over the estimated useful lives of the related assets based on the following rates per annum:

Freehold buildings, 50 years	-	2%
Leasehold improvements, 3 years	-	33⅓%
Equipment, 3-5 years	-	20% - 33⅓%
Furniture and fittings, 5-10 years	-	10% - 20%
Motor vehicles, 4 years	-	25%

The assets' residual and useful lives are reviewed and adjusted if appropriate at each reporting date. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are recognised within the Statement of Comprehensive Income. When revalued assets are sold, the amounts included in fair value reserves are transferred to retained earnings.
It is the Bank's practice to make a transfer to realised profits in respect of excess depreciation on revalued assets. The difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings on an annual basis.

Intangible Assets

Intangible assets comprise separately identifiable items arising from computer software licenses and other intangible assets. Intangible assets are recognised at cost. Intangible assets with a definite useful life are amortised using the straight line method over an estimated useful life of 10 years. This balance is measured at cost less any accumulated amortisation and any accumulated impairment losses in accordance with IAS 38.

Intangible assets with an indefinite useful life are not amortised.

Computer Software

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. However, expenditure that enhances or extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software.

2 Summary of Significant Accounting Policies (Continued)

Intangible Assets (Continued)

Computer software development costs are recognised as assets when the following criteria are met:-

- It is technically feasible to complete the software and use it
- Management intends to complete the software and use it
- There is an ability to use the software
- There are adequate technical, financial and other resources to complete the development and to use it
- The expenditure attributable to the software during its development can be reliably measured.

The software development costs are amortised using the straight-line method over an estimated useful life of 10 years.

Foreign Currencies

a) Functional and Presentation Currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates (the 'functional' currency). These financial statements are presented in Trinidad and Tobago dollars, which is the Bank's presentation currency. The exchange rate between the TT dollar and the US dollar as at the date of these statements was TT$6.7003 = US$1.00 (2019 - TT$6.6806 = US$1.00), which represents the mid-rate.

b) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities at year-end exchange rates are recognised in the Statement of Comprehensive Income under 'Foreign Exchange Gain/Loss'.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents comprise of cash balances on hand, deposits with other banks and short-term highly liquid investments.

Investments

The Bank's investment portfolio consists of Mutual Funds and Repurchase Agreements which are relatively simple investment vehicles when compared to commercial banks and /or investment firms which trade exotic financial assets on a daily basis for income and also for hedging. The Bank's underlying objective determines its business model, and incidentally impacts on the type of financial assets held.

Relative to its investment portfolio, the Bank does not engage in the risky active trading of equity and debt instruments. In this regard, the adoption of the 'held for trading' or 'held to collect and sell' business model implicated by IFRS 9 does not apply to the Bank.

2. Summary of Significant Accounting Policies (Continued)

Approximately 69% of the Bank's investments are Fixed NAV. Because the NAV or units of these mutual funds are fixed and does not rise or fall in value, the Bank's sole reason to hold these assets/units would be to collect the returns/proceeds from same at the end of the contractual period of each mutual fund investment. Therefore, the business model adopted by the bank is 'held to collect'. This model is also applicable to the Floating NAV and the Repurchase Agreements.

Consequently, all investments held by the Bank as at 30th of September 2020 are classed in the 'Held to Collect' category and are measured at FVPL.

Loans to customers

Loans are recognised when funds are disbursed to borrowers. Loans are stated net of unearned interest and net of provision for loan losses. General provisions are made for potential losses based on management's evaluation of the loan portfolio. Specific provisions are made for loans, recovery of which is considered doubtful.

Share capital

Ordinary shares are classified as equity. Mandatorily redeemable Preference Shares are classified as liabilities.

Provisions

A provision shall be recognized when: (a) the entity has a present obligation (legal or constructive) as a result of past events; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation.

Revenue recognition

Revenue is recognised as follows:

(i) Loan interest income

Interest income and interest expense are recognised in the income statement for all loans issued by the Bank on an accrual basis using the effective interest method based on the initial carrying amount. Interest income does not include interest earned from the Bank's investment portfolio. Interest earned from the Bank's investment portfolio is classed separately as 'Investment Income' in the Statement of Comprehensive Income.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance). The calculation does not consider expected credit losses.

(ii) Investment income

Income from investments is recognised on an accrual basis for all short term investment accounts. Included in Investment Income is the dividend income derived from the CLICO Investment Fund. The total dividend Income derived from the CLICO Investment Fund for the Period 2020 was $445,860.00 - 495,400 units held @ $0.90 per share.

2. Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

(iii) Loan Fee Income

Income from loan fees is recognised on a cash basis, when the service has been provided on the loan. The different types of fees encapsulated within this category of income are loan commitment fees, loan processing fees, legal fees, release fees and loan application fees.

3 Financial Risk Management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

Risk Management Framework

The Chief Executive Officer has overall responsibility for the management of the Bank, but day-to-day management of the various departments, including risk management, is the responsibility of the Department Heads. Together with the Board of Directors, the Chief Executive Office is responsible for setting the risk appetite and determining the strategic approach to risk, establishing the structure for risk management, understanding the most significant risks and managing the organization in a crisis opportunity.

The Risk and Compliance Department provides awareness, coordinates and advises on the risk management process to assist Branches and Departments to manage their risk environment in a manner that is consistent across the Bank. The Department does not, however, conduct risk management on behalf of Branches and Departments or assumes ownership of, or responsibility for those risks. The Corporate Manager – Risk and Compliance reports directly to the Chief Executive Officer.

Bank management in each Branch and Department remains responsible for the management of risks, including associate controls and on-going monitoring processes. Risks identified by one Branch/Department, which may have implications for other area of the Bank must be reported immediately to the Risk and Compliance Department and the relevant Branch/Departments.

The Internal Audit Department undertakes a risk-based audit program to provide assurance that risks are identified and key controls to mitigate these risks are well-designed and working effectively. This includes reviewing the Bank's risk management framework and department's risk documentation and testing controls on a sample.

3 Financial Risk Management *(Continued)*

Risk Management Framework (continued)

basis. The Audit Department reports independently to the Board's Audit Committee on the effectiveness of controls and any recommendations that are made for improvement. Copies of these reports are made available to the Chief Executive Officer.

Finally, all employees are responsible for adhering to processes and procedures which are designed to manage risks associated with the work they perform.

The most significant important types of risk are credit risk, market risk, liquidity risk, and operational risk. Market risk includes currency risk, interest rate risk and other price risks.

3.1 Credit risk

Credit risk is the risk of suffering financial loss should any of the Bank's customers fail to fulfil their contractual obligations to the Bank. Credit risk arises mainly from loans and advances and lending activities.

Credit risk is the single largest risk for the Bank and therefore management carefully manages its exposure to this type of risk.

The Bank manages its credit risks through the establishment of a comprehensive organizational structure which supports the lending philosophy of the Bank. This structure comprises the Board of Directors, a Credit Committee, Finance Committee, Procurement Committee, Policies Committee, Senior Management Team which heads key departments within the Bank (Credit, Finance, Business Development, Corporate Communications and Risk and Compliance), and the Internal Audit Department. The Board of Directors maintains general oversight to ensure that policies and procedures are consistent with the strategic direction and credit philosophy of the Bank that they serve to bring the required level of protection over assets that are exposed to credit risks. To facilitate day to day decision making and timely implementation of decisions, the Board has delegated authority for specific areas to specific committees and / or Officers with an appropriate reporting system to the Board.

The Credit Department focuses through its Corporate Manager primarily on credit risk appetite and in so doing recommends amendments to the credit policies, delegation of lending authority at the Branch level from the Board of Directors through the Chief Executive Officer. The Corporate Manager Credit monitors the efficacy of credit policies and procedures, monitors compliance with them and on a continuous basis, assesses their relevance to the ever changing business environment and formulates and recommends changes to the different committees and the Board through the Chief Executive Officer.

Establishment of IFRS 9

At the end of the financial year 2018, the Bank would have undertaken the task of moving from an incurred loss model under IAS 39 to an expected loss model under IFRS 9.

3.1 Credit Risk *(Continued)*

In undertaking this task, the Bank was able to identify key elements in the following areas:

- Governance and controls
- Sophistication and proportionality of the approaches and methodologies used to determine ECL and
- The importance of addressing key transition issues

The requirements of IFRS 9 involved a review of the Bank's significant financial instruments as follows:

- Loans and Advances (the Bank's debt instruments)
- Investments and securities
- Cash at Bank
- Accounts Receivables (the Bank's debt instruments)
- Redeemable Preference Shares
- Accounts Payables

In the initial assessment, it was determined that the Bank's loans to customers and receivable passed the SPPI (Solely Payment of Principal and Interest) Test and therefore could be classified as amortized cost thus could be subject to the provisioning assessment under IFRS 9.

Further, in accordance with IFRS 9, the Bank was now required to segment its portfolio based on characteristics in credit risk.

In the management of its credit risk, a key element of IFRS 9 is a good governance structure via an annual review (at minimum) and updates of policies and procedures. The Bank has met this requirement.

Thus under the general approach, IFRS 9 is a three stage impairment model for Expected Credit Loss (ECL) and under this standard, the measurement and recognition of expected credit loss on the financial statements is intended to reflect the pattern of credit deterioration or improvement over the life of the instrument through the designation of a stage.

Under the general approach, the ECL calculations are based on four major components:

- Probability of default (PD) which is the estimated likelihood of default over a 12 month probabilities for each loan for the remaining life of the facility.
- Exposure at default (EAD) which is the estimate of exposure at a future default date taking into account expected changes in exposure after the reporting date.
- Loss given default (LGD) which is the estimate of loss arising on default and is based on the

3.1 Credit Risk *(Continued)*

difference between the cash flows due and those that are received (including from collateral).

- Discount Rate which is used to discount the effective loss back to the reporting date and is the effective interest rate at the initial recognition.

The three stage model for ECL starts at Stage 1. Stage 1 are financial instruments that have their ECL measured at an amount equal to the portion of life time expected credit losses within the next 12 month. Financial instruments that are not credit-impaired on initial recognition are classified in Stage 1 and will have their credit risk continuously monitored by the Bank.

If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed credit-impaired.

If the financial instrument is credit-impaired, it is then moved to Stage 3.

Where the formula used to identify staging for stage 1 or 3 is not met, the loan is categorised as stage 2.

The definition of default is all loans with days delinquent greater than or equal to 180 days and a credit risk rating of 4, 5 or 6 thus all loans which fit this category are classified as such.

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

Current State - Credit Risk Grading

The Bank uses internal credit risk grading or ratings which reflect its assessment of credit risk. This risk rating system is a qualitative assessment of the key borrower information. Credit Risk Ratings are assigned to each borrower based on analysis completed in assessing the risk profile. The risk profile involves assessment of the borrower's industry/project, previous history of debt servicing, management/credit worthiness, financial performance and collateral used. Other factors such as credit bureau scoring information are also used. Finally, expert judgment may also be applied where there are other relevant factors which may not be captured as part of the pre- defined data inputs into the system. Once the analysis is completed, the borrower is assigned a credit rating which would equate to assessment of the PD ranging from an extremely low risk (Credit Risk Rating 1) to a Very High Risk (Credit Risk Rating 4 or 5).

Additionally, whilst only loans with a credit risk rating of 1 to 3 are recommended for loan approval. Continuous assessment in risk rating is completed throughout the life of the loan to properly evaluate the existing credits in the portfolio.

The table below provides a comparative view of the rating models used by the Bank:

3.1 Credit Risk (Continued)

Rating	Classification	Description of Risk
1	Superior	Minimum Risk
2	Desirable	Lower than Average Risk
3	Acceptable	Average Risk
4	Potentially Weak / Special Mention	Higher than Average Risk
5	Sub-Standard	Unacceptable Risk

Future State - Risk Segmentation

Risk Segmentation is an important aspect of IFRS 9. Consequently, the risk segmentation used in the model is Sectors and this was segmented into four main categories as follows:

- Agricultural Services
- Food Crop
- Livestock
- Other

The determination of the segments factored the inputs that drove the credit risk modelling and measurement.

Expected Credit Loss Measurement

The following diagram surmises impairment requirements under IFRS 9:

Change in Credit Quality since Initial Recognition

Stage 1	Stage 2	Stage 3
(Initial Recognition)	**(Significant increases in credit risk)**	**(Credit-impaired assets)**
12 month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

Staging Criteria:

Stage 1:
These are all loans with days delinquent less than 90 days and with a credit risk rating of 1, 2 or 3.

Stage 2:
All loans with days delinquent greater than or equal to 90 days but less than 180 days delinquent and with a credit risk rating of 1, 2 or 3.

Stage 3:
All loans with day's delinquent greater than or equal to 180 days and a credit risk rating of 4, 5 or 6.

The criteria above have been applied to all financial instruments held by the ADB and are consistent with the definition of default used for internal credit risk management purposes. The

3.1 Credit Risk (Continued)

default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), throughout the Bank's Expected Loss Calculations (ECL).

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a twelve (12) month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next twelve (12) months (12M PD), or over the remaining lifetime (Lifetime PD) of the facility.

- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next twelve (12) months (12M EAD) or over the remaining lifetime (Lifetime EAD). The EAD is calculated as the outstanding balance less the discounted collateral value. Collateral values are discounted by first making adjustments to account for the cost of disposal and the expected time it would take to sell the collateral. This present value of this reduced collateral value is then calculated by discounting it by the effective interest rate of the facility.

- LGD is expressed as the percentage of loss expected to be incurred if the default occurs over the remaining expected lifetime of the loan and represents management's expectation of the extent of loss on a defaulted exposure.

PD's

Loans' PDs are derived from the historical experience of the Bank, calculated using a vintage analysis methodology wherein data was used from 2014 to present. Financial instruments were segmented into cohorts (sectors) and tracked through time to observe default rates based on management's definition of default.

EAD

For amortising products, EAD is based on the contractual repayments owed by the borrower over a twelve (12) month or lifetime basis.

LGD

The twelve (12) month and lifetime LGDs are determined based on historical recovery rates and vary by product type and sector are influenced by the collection strategies of the Bank.

Management also made the following key assumptions in its assessment: -

Recovery rates

Recovery rates used on loans represent the Bank's actual historical experience since inception of recovery on charged-off accounts by product type. These accounts have no attached collateral however a robust system is in place for tracking collections on these loans.

3.1 Credit Risk (Continued)

Forward-looking information incorporated in the ECL models
The calculation of ECL incorporates forward-looking information. The Bank has performed a historical analysis and identified the key variables impacting credit risk and expected credit losses for the portfolio.

The following is a snapshot of the assumptions used in the model.

Assumptions
There are assumptions built into the model and these are the drivers which are used in the ECL calculation.

- **Data Gaps:**

The assumptions start with the Data Gaps. A tenor period of 5 years was used. To assess potential data quality issues, a review and analysis of the Loan data for the past five financial years was performed. The assessment was performed on a yearly basis to identify potential data gaps and data quality issues that should be addressed before the implementation of the IFRS 9 model. This was done to ensure the reliability of the information produced by the model after management assumptions are considered. Management feedback was received, and any data gaps were addressed.

- **Staging Assumptions:**
  The Staging Assumptions combined management's definitions i.e. the days late, risk rating factors and a backstop switch. The backstop switch includes all loans with day's delinquent greater than or equal to 180 days and a credit risk rating of 4, 5 and 6.

- **Macro-Economic Factors:**
  There are Macro Factors built into the model which may be used in the application of a Forward-Looking Indicator (FLI)Adjustment. The weights (must sum up to 100%) relate to the portion of the FLI adjustment that would account for by each Macro-Economic Factor.

- **Macro-Economic Scenarios:**
  The scenarios represent the likelihood of a particular scenario occurring and must sum up to 100%.

- **Macro-Economic Impact States:**
  The impact states indicate what the net effect would be for a positive, stable or negative economic outlook on the ECL results. The multiplier included for a stable outlook would ideally

3.1 Credit Risk (Continued)

be 100% thus implying that the calculated PD's remain the same reflecting that the PD's derived is representative of a stable position or outlook.

However, in the ECL calculations, no Macro Economic FLI Inputs were used for the 2018 or 2019 periods.

The PD assumptions utilized a portfolio segmentation with a calculated assumption. This option is used as the basis for basic exponentiation to extrapolate future probabilities in the ECL calculation.

The EAD calculation method for all loans other than Revolving Loan Accounts used an EAD factor based on Amortizing Exposure. The EAD factor for RLA's was calculated by dividing the remaining principal over the original loan size.

The LGD Assumptions were calculated using a discount factor based on the loan interest rates and the Sector (Cohort Group) with a market rate factor of 100%.

Loans to customers

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognized.

As at September 30, 2020:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Installment Loans	1,153,763	139,719	68,243,793	69,537,275

As at September 30, 2019:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Installment Loans	400,000	658,996	67,445,929	68,504,925

3.1 Credit Risk (Continued)

Loss Allowance:

The loss allowance recognized in the period is impacted by a variety of factors, as described below:

- Transfers between stage 1 and stage 2 due to financial instruments experiencing significant decreases (or increases) of credit risk or becoming credit impaired in the period and the consequent step up (or step down) between 12 month and Lifetime ECL.
- Additional allowances for new financial instruments recognized during the period as well as financial instruments de-recognized in the period.

Reporting Date: September 30, 2020		**Reporting Date: September 30, 2019**	
Stage	**Total ECL**	**Total ECL**	**Movement**
1	1,153,762.27	400,000.26	753,762.01
2	139,719.25	658,995.80	(519,276.55)
3	68,243,793.10	67,445,929.21	797,863.89
Grand Total	**69,537,274.62**	**68,504,925.27**	**1,032,349.35**

Loans written off during the year	(89,478.50)
Net Movement with P&L Impact	1,121,827.83
Total ECL movement	**1,032,349.33**

3 Financial Risk Management (Continued)

3.2 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 factors. Market risks arise from open positions in interest rate, currency, commodity 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, commodity prices and equity prices. For the bank, market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

(i) Currency risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. It is the policy of the Bank not to engage in speculative foreign exchange activities, as its core focus is to supply local currency loans intended to boost the agricultural sector and the commercial fishing and industries connected therewith. At current, the Bank does not engage in any hedging activities to mitigate currency risk.

Foreign currency exposure for financial assets is as follows:

	TT$ $'000	US$ $'000	Total $'000
As at 30 September 2020			
Financial assets			
Cash on hand and on bank	6,954	712	7,666
As at 30 September 2019			
Financial assets			
Cash on hand and on bank	3,135	564	3,699

The Bank holds two US dollar savings accounts and two US dollar investment fund accounts. The Savings accounts are held with Republic Bank Limited and Scotia Bank Limited and the foreign investments are the FCB Paria Fund and the JMMB US Income Fund. Approximately 9% of the Bank's financial assets in cash on hand and on bank are held in a US dollar denominated currency. Because the ratio is so marginal, any increase or decrease in the US$ currency would not significantly impact the Bank's net loss position. In comparison to 2019, there was a minor change in the US$ foreign exchange rate for 2020. The rate is stable at TT$6.7003 to US$1.00 (2019 TT$6.6806).

(ii) Interest rate risk

Interest rate risk management focuses on potential changes in net interest income resulting from changes in interest rates, product spreads and mismatches in the re-pricing between interest rate sensitive assets and liabilities. The Bank's exposure to interest rate risk on cash held on deposits is not significant.

3 **Financial Risk Management** (Continued)

3.2 **Market Risk** (Continued)

(ii) Other price risk

Other price risk arises due to the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Bank is affected by the changing market prices on some of its investments classified as held to collect. Management has determined that the impact of the price risk on such investments is immaterial at the end of both periods reported.

3.3 Liquidity risk

Liquidity risk is the risk that the Bank will be unable to generate or obtain sufficient cash or its equivalent in a timely and cost-effective manner to meet its commitments when they fall due under normal and stress circumstances and arises from fluctuations in cash flows. The Bank is exposed to periodic and sometimes daily drawdowns on its available cash resources for the settlement of operational and capital expenditure, withdrawals from clients' savings accounts, maturing term deposits and loan disbursements. The Bank maintains a cash buffer total of $6,000,000.00 from its current accounts to satisfy its basic operational needs and Management has assessed over the last two years that this is reliably sufficient.

Liquidity risk management process

The Bank's liquidity management framework is designed to ensure that there are adequate reserves of cash and other liquid securities to satisfy both current and prospective commitments arising from its liabilities. The Bank relies on a set range of funding sources, including government funding, and applies prudent limits to avoid undue concentration. These include:

(i) Daily monitoring of current and projected cash flows,
(ii) Maintenance of a liquid pool of marketable investments, primarily in repurchase order agreements, dedicated to mitigating liquidity risk as a contingency measure, and the
(iii) Management of secondary sources of liquidity in the form of highly liquid instruments in the Bank's investment portfolios.

Compliance with liquidity policies and risk limits is tracked by both the Finance and Treasury Management of the Bank.

Maturity analysis of assets and liabilities

The table below analyses the discounted assets and liabilities of the Bank based on the remaining period at September 30, to the contractual maturity date. Balances

Agricultural Development Bank of Trinidad and Tobago

Notes to the Financial Statements
30th September 2020

3 Financial Risk Management (Continued)

3.3 Liquidity Risk (Continued)

due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Within one year $'000	After one year $'000	Total $'000
As at 30 September 2020			
ASSETS			
Cash on hand and on bank	7,666	-	7,666
Investments – Held to collect	159,323	85,320	244,643
Loans to customers	130,553	221,121	351,674
Other assets	11,231	2,019	13,250
Property, Plant and Equipment	-	40,230	40,230
Intangible Assets	-	225	225
Right of use Assets	-	4,550	4,550
	308,773	353,465	662,238
LIABILITIES			
Customers' savings /deposit accts	34,752	24,531	59,283
Accounts Payables	9,604	-	9,604
Lease Liabilities	1,625	2,795	4,420
Redeemable preference shares	-	127,486	127,486
	45,981	154,812	200,793

	Within one year $'000	After one year $'000	Total $'000
As at 30 September 2019			
ASSETS			
Cash on hand and on bank	3,699	-	3,699
Investments – Held to collect	167,597	84,604	252,201
Loans to customers	99,248	250,728	349,976
Other assets	10,847	2,014	12,861
Property, Plant and Equipment		41,638	41,638
Intangible Assets		307	307
	281,391	379,291	660,682
LIABILITIES			
Customers' savings /deposit accts	27,965	23,112	51,077
Accounts Payables	11,480	-	11,480
Redeemable preference shares	-	127,486	127,486
	39,445	150,598	190,043

3 Financial Risk Management (Continued)

3.4 Operational Risk

Operational risk is the risk of direct or indirect loss arising from system failure, human error, fraud and external events. The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and innovation. The Bank manages this risk by developing standards and guidelines in the following areas:-

- Appropriate segregation of duties and access
- Reconciling and monitoring of transactions
- Documentation of controls and procedures
- Training and development of staff
- Reporting of operational losses and proposed remedial actions
- Development of contingency plans
- Information security
- Assessments of the processes
- Business continuity planning

3.5 Capital management

The Bank's objectives when managing capital are:-

- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide benefits to its stakeholders;
- To ensure that the Bank can remain solvent during periods of adverse earnings or economic decline; and
- To ensure that the Bank is adequately capitalised to cushion depositors and other creditors against losses.

The Bank is not required to follow the guidelines developed by the Basel Committee on Banking Regulations and Supervisory practices, as implemented by the Central Bank of Trinidad and Tobago (CBTT) for supervisory purposes. In the third schedule of the Financial Institutions Act, the Bank is deemed as an exempt financial institution, operating within the guidelines of its own established Act, the Agricultural Development Bank Chapter 79:07.

The ADB is referred to as a Systematically Important Financial Institution (SIFI) by the CBTT. A SIFI is a bank, insurance or other financial institutions that the CBTT has determined would pose a serious risk to the economy if it were to collapse. It has brought more scrutiny and extra regulations.

4 Property, Plant and Equipment

	Properties $'000	Equipment $'000	Furniture and Fittings $'000	Motor Vehicles $'000	Total $'000
Year Ended 30th September 2020					
Opening net book value	40,360	517	449	312	41,638
Additions	-	198	43	-	241
Disposals	(64)	(612)	(254)	-	(930)
Depreciation charge	(954)	(345)	(231)	(119)	(1,649)
Depreciation disposal	64	612	254	-	930
Closing net book value	39,406	370	261	193	40,230
At 30th September 2020					
Cost/valuation	44,898	12,944	3,899	1,804	63,545
Accumulated depreciation	(5,492)	(12,574)	(3,638)	(1,611)	(23,315)
Net book value	39,406	370	261	193	40,230
Year Ended 30th September 2019					
Opening net book value	41,315	671	669	431	43,086
Additions	-	360	48	-	408
Disposals	-	(19)	-	-	(19)
Depreciation charge	(955)	(498)	(268)	(119)	(1,840)
Depreciation disposal	-	3	-	-	3
Closing net book value	40,360	517	449	312	41,638
At 30th September 2019					
Cost/valuation	44,962	13,358	4,111	1,804	64,235
Accumulated depreciation	(4,602)	(12,841)	(3,662)	(1,492)	(22,597)
Net book value	40,360	517	449	312	41,638

5 Intangible Assets (Software and Licenses)

	2020 $'000	2019 $'000
Opening Net Book Value	307	520
Asset Additions	-	-
Disposals	-	-
Prior Period Adjustment	-	-
Depreciation Charge	(82)	(213)
Closing Net Book Value	225	307
Cost/valuation	6,836	6,836
Accumulated depreciation	(6,611)	(6,529)
Net book value	225	307

6. Investments – Held to collect

	Notes	2020 $'000	2019 $'000
TTUTC – TT Dollar Income Fund	6.1	24,965	24,597
TTUTC – Growth and Income Fund– *Non-current*	6.3	72,861	72,665
Roytrin TTD Income Fund	6.1	2,965	2,792
Roytrin Money Market Fund Class A TT	6.1	39,620	47,096
RBL-INVESTMENTS	6.1	3,939	14,774
JMMB-USD Investment A	6.1	243	252
Guardian Group Trust Limited	6.1	15,820	15,573
JMMB Investments (REPO)	6.2	9,966	9,696
Bourse Securities Savinvest Structured Fund	6.1	18,731	20,375
Bourse Securities (REPO)	6.2	30,395	29,445
CLICO Investment Fund – *Non-current*	6.4	12,459	11,939
FIRST CITIZEN BANK -ABERCROMBY FUND	6.1	4,606	2,997
First Citizens Investment Services Ltd	6.2	8,073	-
		244,643	252,201
Current Portion		159,323	167,597
Non-current Portion		85,320	84,604
		244,643	252,201
Balance at start of year		252,201	236,828
Additions		22,000	51,314
Disposals		(33,433)	(44,279)
Interest Earned		3,414	4,248
Gain/(Loss) from changes in fair value		472	4,007
Gain/(Loss) on sale of investment		(11)	83
Balance at end of year		244,643	252,201

6.1 These investments in Trinidad and Tobago Unit Trust Corporation (TTUTC), Roytrin TTD Income Fund, Roytrin Money Market Fund, Republic Bank Investments, JMMB Investments, Bourse Securities, Savinvest Structured Fund, FCB Abercromby Fund and Guardian Asset Management are money market funds which can be readily converted into cash.

6.2 The investments in **Jamaica Money Market Brokers** Ltd (**JMMB**), **Bourse Securities and FCB Investments Ltd.** are in the form of repurchase agreements for a period of ninety (90) days with the option of rollover at maturity. The average effective interest rate on the short term investments held was 2.86% (2019: 3.0%);

6.3 The Growth and Income Fund relates to a floating unit account held with the Trinidad and Tobago Unit Trust Corporation which earns dividends semi-annually and was quoted at $18.10 per unit at year-end 2020. (2019 - $18.14).

6.4 During the financial year ending 30th September 2017, the Agricultural Development Bank converted the total of twelve million, three hundred- and eighty-five-thousand-dollar value worth ($12,385,000.00) of its Zero Coupon Bonds to the Clico Investment Fund, an equity mutual fund domiciled in Trinidad and Tobago that takes the form of RBL Shares and Government Securities. The Clico Investment Fund earns dividends semi-annually and was quoted at $25.15 per unit at year-end 2020. (2019 - $24.10)

7 Right-of-use Assets

Year Ended 30 September 2020	Building TT$'000	Equipments TT$'000	Total TT$'000
Cost			
Balance as at 01 October 2019	-	-	-
IFRS 16 Adjustment	5,186	311	5,497
Balance as at 30 September 2020	5,186	311	5,497
Accumulated Depreciation			
Balance as at 01 October 2019	-	-	-
Depreciation charge	(869)	(78)	(947)
Balance as at 30 September 2020	(869)	(78)	(947)
Net Book Value			
Balance as at 30 September 2020	4,317	233	4,550

8 Loans to Customers

	2020 $'000	2019 $'000
Performing Loans	279,760	290,388
Non-performing Loans	120,585	117,098
Total Loan Portfolio	**400,345**	**407,486**
Sundry Deposits	18,807	8,343
Accrued Interest Receivable	2,059	2,652
Allowance for loan losses	(69,537)	(68,505)
	351,674	**349,976**

Loans analyzed by type

New Reality Loan	73,760	73,510
Vehicle Package Loan	90,049	81,248
RLA Property	20,549	22,774
Regular Loan Property	171,708	181,663
Regular Loan Vehicle	23,166	30,864
SNC Loan	5,519	6,461
Sea to Shore	6,817	2,889
Employee Loans	1,718	1,956
Other	7,059	6,121
	400,345	407,486

Allowance for Loan Losses

Allowance at beginning of the year	68,505	41,137
IFRS 9 Adjustment effective Oct 01, 2018	-	27,999
Revised Opening Balance	68,505	69,136
Loans written off during the year	(90)	(558)
Charge for the year	1,122	(73)
Allowance at end of the year	69,537	68,505

8 Loans to Customers

	2020 $'000	2019 $'000
Current	130,553	99,248
Non-Current	221,121	250,728
Total Loan Portfolio	**351,674**	**349,976**

9 OTHER ASSETS	Notes	Current Portion $'000	Non-Current Portion $'000	2020 $'000	2019 $'000
Due from Government of T & T	9.1	-	257	257	257
Due from Ministry of Finance	9.2	-	1,253	1,253	1,217
Accounts Receivable		-	273	273	290
Accrued Interest Receivable on Investments		-	236	236	250
Prepayments		127		127	124
Stock	9.3	74		74	65
Works In Progress	9.4	11,030		11,030	10,658
		11,231	**2,019**	**13,250**	**12,861**

9.1 The balance represents an amount outstanding on an Inter-American Development Bank (IDB) loan drawdown.

9.2 The balance due from the Ministry of Finance represents amounts paid in advance for services to be rendered and amounts to be collected from the Ministry of Finance (Corporate Sole) with regards to the repurchase of the Bank's shares.

9.3 The balance held in stock does not represent trading items held for sale. It is a reflection of the dollar value of items held at the Bank's Head Office at the end of the financial year in lieu of stationery and office supplies, refreshments and electrical supplies.

9.4 The Works in Progress account considers all projects undertaken by the Bank that are not yet completed. When all phases of the project are deemed final, the amounts debited to the account are reversed, and are either expensed or capitalized in accordance. The following projects have been brought forward from prior years and are under current Management review for a decisive action – the Islamic Banking Initiative and the project implementation works geared towards the outfitting of the Bank's new Head Office building.

10 Share Capital

	2020 $'000	2019 $'000
Authorized		
35,000,000 Ordinary Shares of $10 each	350,000	350,000
Issued and fully paid		
The Government of the Republic of Trinidad and Tobago is the majority shareholder.		
25,837,500 Ordinary Shares of $10 each	258,375	258,375

11 Shareholder's Funding

	2020 $'000	2019 $'000
The Government of the Republic of Trinidad and Tobago	554,330	554,330

This balance relates to funding received from the Government of the Republic of Trinidad and Tobago to facilitate loans to customers. This balance carries no fixed terms of repayment. No funding was received for the financial year ending 30th September 2020.

12 Revaluation Reserves

	2020 $'000	2019 $'000
Revaluation reserves brought forward	24,729	25,299
Revaluation Increase	-	-
Transfer to retained earnings	(571)	(570)
	24,158	24,729

13 Redeemable Preference Shares

	2020 $'000	2019 $'000
Authorised		
15,000,000 Preference Shares of $10 each	150,000	150,000
Issued and fully paid		
12,748,613 8% Non-cumulative redeemable Preference Shares of $10 each	127,486	127,486

The Government of Trinidad and Tobago holds 12,748,613 8% non-cumulative redeemable Preference Shares valued at $127,486,130 which were issued on 10 September 1997. These shares are redeemable semi-annually over ten years commencing on 29 May 2001.

As at 30th September 2020 shares redeemable in May and November 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010 and 2011 totaling $127,486,130 have not been redeemed as a result of the Bank's accumulated losses position.

14 Customer Deposits	Note	2020 $'000	2019 $'000
Non-current portion – Deposits Held as security	14.1		
Analysed by type as:			
Certificate of Security		4,371	3,565
Fixed Deposits		19,157	18,554
Agro Fixed Deposits		1,003	993
		24,531	23,112
Current portion – Customer Savings accounts	14.2		
Analysed by type as:			
Regular Savings Accounts		34,183	27,394
LNRS Savings Accounts		569	571
		34,752	27,965
Total Customer Deposits		59,283	51,077

14.1 Deposits held as security represent cash and fixed deposits pledged as collateral against loans held at the Bank.

14.2 Customer savings accounts represent regular savings accounts invested by customers in the retail banking portfolio offered by the Bank. Customers are paid interest at a rate of 0.25% per annum on their regular saving account balances at the end of the financial year. At the end of the financial year 2020, the total interest paid out to customers was $69k.

15 Lease Liabilities

Year Ended 30 September 2020	Building TT$'000	Equipments TT$'000	Total TT$'000
Balance as at 01 October 2019	-	-	-
IFRS 16 Adjustment	5,185	312	5,497
Add: Interest charge for the period	82	6	88
Less: Payments	(1,073)	(92)	(1,165)
Balance as at 30 September 2020	4,194	226	4,420
Maturity Analysis			
Current Portion	1,520	105	1,625
Non-Current Portion	2,674	121	2,795
Balance as at 30 September 2020	4,194	226	4,420

16 Accounts Payables

	2020 $'000	2019 $'000
Accrued Expenses	1,315	1,260
Statutory Obligations (NIS, PAYE, HS)	372	432
State Lands Settlement Allowance	967	955
Stale dated Cheques	503	477
Trust funds	2,926	4,602
Other liabilities and accruals	3,521	3,754
	9,604	11,480

17 Interest Income

	2020 $'000	2019 $'000
Loans to customers	22,471	24,116
	22,471	24,116

18 Interest Expense

	2020 $'000	2019 $'000
Rollover of term deposits	83	83
Savings Account (annual)	69	66
	152	149
Interest on Lease Liabilities (Note 15)	88	-
	240	149

19 Fees and Commissions Income

	2020 $'000	2019 $'000
Application Fees	71	83
Processing Fees	300	327
Legal Fees	225	291
Commitment Fees	690	840
Release Fees	8	7
	1,294	1,548

20 Other Income

	2020 $'000	2019 $'000
Bad debts recovered/(expense)	1	5
Miscellaneous income	158	150
Rental income	408	408
	567	563

21 Financial Instruments by Category

The accounting policies for financial instruments have been applied to the line items below:

Assets as per Statement of Financial Position	2020 $'000	2019 $'000
Cash and cash equivalents	7,666	3,699
Loans to customers	351,674	349,976
Other assets	13,250	12,861
Investments	244,643	252,201
	617,233	618,737

Liabilities as per Statement of Financial Position	2020 $'000	2019 $'000
Accounts Payables	9,604	11,480
Customer deposits	59,283	51,077
	68,887	62,557

22 Contingent Liabilities

22.1 Pension obligations

Under Section 25 of the Agricultural Development Bank Act Chapter 79:07, the Bank is required to establish and maintain a compulsory pension scheme for the benefit of all permanent employees.

As at 30th September 2020 the pension scheme was not established. The employees of the Bank are, however, covered under the Pensions Extension Act. No provision has been made in these financial statements for any contingent liability.

23 Operating Expenses

	2020 $'000	2019 $'000
Salaries and other employee benefits	23,387	24,312
Back-pay and allowances	-	1
Promotion and advertising	720	567
Depreciation/amortization	1,730	2,053
Depreciation on ROUA	947	-
Gain/Loss on Disposal of Fixed Assets	-	1
Communication	858	822
Professional and consultancy fees	844	628
General administrative expenses	477	425
Security services	1,480	1,670
Legal fees	287	680
Lease rental	994	2,579
Utilities	510	482
Repairs and property maintenance	1,294	1,302
Computer software – license fees	1,924	1,874

23 **Operating Expenses** *(Continued)*

	2020 $'000	2019 $'000
Directors' fees and expenses	497	739
Printing, stationery and supplies	313	320
Insurance	152	142
Motor vehicle expenses	77	78
Other	1,102	187
	37,593	38,862

24 **Key Management Compensation**

Salaries and other short term employee benefits	2,596	2,609

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank. These include the Chief Executive Officer, Executive Management and the Board of Directors.