SAINT LUCIA DEVELOPMENT BANK

Separate Financial Statements
For the Year Ended March 31, 2021
(Expressed in Eastern Caribbean Dollars)

SAINT LUCIA DEVELOPMENT BANK
Index to the Separate Financial Statements
For the Year Ended March 31, 2021
(Expressed in Eastern Caribbean Dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Saint Lucia Development Bank

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of **Saint Lucia Development Bank** (the "Bank"), which comprise the separate statement of financial position as at March 31, 2021, and the separate statement of profit or loss, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Bank as at March 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate 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 separate financial statements in St. Lucia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 2(b) to the separate financial statements with respect to the going concern matters raised. Our opinion is not modified in respect of this matter.

Responsibilities of Management and the Audit Committee for the Separate Financial Statements

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

In preparing the separate 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.

The Audit Committee is responsible for overseeing the Bank's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT (CONT'D)

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate 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.

The engagement partner on the audit resulting in this independent auditor's report is Richard Surage.

Chartered Accountants
Castries, Saint Lucia
December 30, 2021

SAINT LUCIA DEVELOPMENT BANK

Separate Statement of Financial Position
As at March 31, 2021
(Expressed in Eastern Caribbean Dollars)

	Notes	2021 $	2020 $
Assets			
Cash and cash equivalents	6	**21,347,256**	18,453,115
Loans and advances to customers	7	**85,166,365**	87,004,386
Other assets and receivables	9	**422,122**	259,184
Due from subsidiary	10	**16,909**	136,324
Investment in subsidiary	11	**4,525,562**	4,547,969
Property and equipment	12	**199,816**	231,946
Intangible assets	13	**-**	1,631
Total assets		**111,678,030**	110,634,555
Liabilities and equity			
Liabilities			
Payables and accruals	14	**569,885**	462,634
Provisions	15	**15,469**	30,090
Borrowings	16	**60,001,080**	61,612,445
Deposits from customers	17	**33,482,407**	30,360,928
Other liabilities	18	**407,526**	420,391
Agency funds	19	**1,757,044**	1,690,695
Total liabilities		**96,233,411**	94,577,183
Equity			
Share capital	20	**28,500,000**	28,500,000
Statutory reserve	27	**420,572**	420,572
Accumulated deficit		**(13,475,953)**	(12,863,200)
Total equity		**15,444,619**	16,057,372
Total liabilities and equity		**111,678,030**	110,634,555

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

Approved for issue by the Board of Directors and signed on its behalf by:

Rudy Gurley
Chairman

Daryl Raymond
Deputy Chairman

SAINT LUCIA DEVELOPMENT BANK
Separate Statement of Profit or Loss
For the Year Ended March 31, 2021
(Expressed in Eastern Caribbean Dollars)

	Notes	**2021** $	2020 $
Income			
Interest income		**4,969,589**	5,073,492
Interest expense		**(2,875,653)**	(2,732,452)
Net interest income		**2,093,936**	2,341,040
Other income	**22**	**1,033,775**	1,612,142
Net interest and other operating income		**3,127,711**	3,953,182
Personnel expenses	**23**	**(1,840,385)**	(1,872,144)
Depreciation and amortization	**12, 13**	**(93,931)**	(91,065)
Other operating expenses	**24**	**(1,378,740)**	(1,495,941)
Impairment loss on financial assets	**25**	**(405,001)**	(588,010)
Impairment loss on investment in subsidiary	**11**	**(22,407)**	(83,117)
Net loss for the year		**(612,753)**	(177,095)

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

SAINT LUCIA DEVELOPMENT BANK
Separate Statement of Cash Flows
For the Year Ended March 31, 2021
(Expressed in Eastern Caribbean Dollars)

	Share Capital $	Statutory Reserve $	Accumulated Deficit $	Total $
Balance at April 1, 2019	28,500,000	420,572	(12,686,105)	16,234,467
Net loss for the year	-	-	(177,095)	(177,095)
				-
Balance at March 31, 2020	28,500,000	420,572	(12,863,200)	16,057,372
Balance at April 1, 2020	28,500,000	420,572	(12,863,200)	16,057,372
Net loss for the year	-	-	(612,753)	(612,753)
Balance at March 31, 2021	**28,500,000**	**420,572**	**(13,475,953)**	**15,444,619**

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

SAINT LUCIA DEVELOPMENT BANK
Separate Statement of Cash Flows
For the Year Ended March 31, 2021
(Expressed in Eastern Caribbean Dollars)

	Notes	2021 $	2020 $
Cash flows from operating activities			
Net loss for the year		**(612,753)**	(177,095)
Adjustments for:			
Depreciation and amortization	**12, 13**	**93,931**	91,065
Impairment recovery on financial assets	**25**	**405,001**	588,010
Impairment recovery on investment in subsidiary	**11**	**22,406**	83,117
Interest expense		**2,875,653**	2,732,452
Interest income		**(4,969,589)**	(5,073,492)
Interest on savings	**22**	**(245,909)**	(240,742)
Cash flows before changes in operating assets and liabilities		**(2,431,260)**	(1,996,685)
Decrease/(increase) in loans and advances to customers		**1,467,510**	(12,681,523)
Increase in other assets and receivables		**(162,938)**	(82,659)
Decrease in due from subsidiary		**119,415**	7,525
Increase/(decrease) in payables and accruals		**107,251**	(27,033)
Increase in deposits from customers		**3,150,393**	2,634,205
(Decrease)/increase in other liabilities		**(27,486)**	119,726
Increase/(decrease) in agency funds		**66,349**	(913,440)
Net cash generated from/(used in) operations		**2,289,234**	(12,939,884)
Interest income received		**5,181,009**	5,168,353
Interest expense paid		**(2,904,567)**	(3,138,224)
Net cash generated from/(used in) operating activities		**4,565,676**	(10,909,755)
Cash flows from investing activity			
Acquisition of property and equipment	**12**	**(60,170)**	(57,927)
Cash flows from financing activities			
Proceeds from borrowings	**16**	**3,595,000**	15,287,978
Repayment of borrowings		**(5,206,365)**	(4,252,846)
Net cash (used in)/generated from financing activities		**(1,611,365)**	11,035,132
Net increase in cash and cash equivalents		**2,894,141**	67,450
Cash and cash equivalents - beginning of year	**6**	**18,453,115**	18,385,665
Cash and cash equivalents - end of year	**6**	**21,347,256**	18,453,115

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

1. Reporting entity

The **Saint Lucia Development Bank** (the "Bank") was established and is governed by the Saint Lucia Development Bank Act No. 12 of 2008 and subsequent amendments (the "Act"). The Bank commenced operations on October 1, 2008.

The Bank's principle activities are the promotion and facilitation of the expansion and strengthening of the economic development of Saint Lucia and fostering the development of the money and capital markets within Saint Lucia and other members states of the Organization of Eastern Caribbean States ("OECS").

The Bank's registered office and principal place of business is situated on Bridge Street, Castries, St. Lucia.

On February 23, 2010, the Bank established The Youth Enterprise Equity Fund Inc., as a wholly-owned subsidiary, with funding provided by the Government of Saint Lucia. The subsidiary's principal activity is the provision of equity funding to young entrepreneurs in Saint Lucia.

The separate financial statements were approved by the Board of Directors and authorised for issue on December 30, 2021.

2. Summary of significant accounting policies

(a) Overall policy

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

Basis of preparation

The separate financial statements of the **St. Lucia Development Bank** have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and under the historical cost convention.

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions that are transactions denominated, or that requires settlement in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in currencies other than EC$ are translated to EC$ at rates of exchange prevailing at the reporting date. Non-monetary assets and liabilities denominated in currencies other than EC$ are translated to EC$ at rates of exchange prevailing at the date of the transaction. Revenue and expenses are translated using the average foreign exchange rate for the year.

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

(a) Overall policy (cont'd)

Foreign currency translation (cont'd)

Transactions and balances (cont'd)

Foreign exchange gains and losses resulting from the settlement of such translations at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

Income and expenses will not be offset in the separate statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

(b) Going concern

The separate financial statements have been prepared on a going concern basis which assumes that the Bank will continue in operational existence for the foreseeable future. They do not purport to give effect to adjustments, if any, that may be necessary should the Bank be unable to realise its assets and discharge its liabilities in other than the ordinary course of business. The Bank incurred a net loss for the year of $612,753 (2020 - $177,095) and has an accumulated deficit of $13,475,953 (2020 - $12,863,200). Notwithstanding the foregoing, the Bank has a positive working capital of $15,444,619 (2020 - $16,057,372).

Management is satisfied that the Bank will be adequately supported by its shareholder to enable it to continue operations for the foreseeable future and will be able to realise its assets and discharge its liabilities during the normal course of operations.

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

(c) Uses of estimates and judgments

In preparing these separate financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Judgments and estimates made in applying accounting policies that have the most significant effect on the amounts recognised in the separate financial statements are:

(i) *Impact of COVID-19*

COVID-19, a respiratory illness, was declared a world-wide pandemic by the World Health Organisation in March 2020. COVID-19, as well as measures to slow its spread, have since had a significant impact on global economies and equity, debt and commodity markets. The Bank has considered the impact of COVID-19 and market volatility in preparing these separate financial statements. While the specific areas of judgement did not change, the impact of COVID-19 resulted in the application of further management overlays within those areas. Given the dynamic and evolving nature of COVID-19, the short duration between the declaration of the pandemic and the end of the financial reporting period, there might be differences between the estimated impact and actual outcome.

The impact of events that arise after the reporting period will be accounted for in future reporting periods.

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

(c) Uses of estimates and judgments (cont'd)

(i) Impact of COVID - 19 *(cont'd)*

Impact of COVID-19 on the macro-economic outlook

Scenarios of the possible impact of COVID -19 were included in the Bank's forward-looking assumptions in the calculation of Expected Credit Loss ("ECL"). These scenarios represent reasonable and supportable forward-looking views as at the reporting date.

Other factors applied by management

As a result of COVID-19, and in preparing these separate financial statements, management:

- Re-evaluated whether there were any additional areas of judgement or estimation uncertainty beyond what has been disclosed in the previous reporting period;
- Updated its economic outlook;
- Reviewed external market communications to identify other COVID-19 related impacts;
- Reviewed public forecasts and experience from previous downturns;
- Conducted several internal processes to ensure consistency in the application of the expected impact of COVID-19 across all asset classes;
- Assessed the carrying values of its assets and liabilities and determined the impact thereon as a result of market inputs and variables impacted by COVID-19;
- Ran multiple stress testing scenarios, which are an integral component of the Bank's risk management framework and a key input to the capital adequacy assessment process to assess the potential impacts of the COVID-19 pandemic on its portfolio to assist in the Bank's prudent risk management, and
- Considered the impact of COVID-19 on the Bank's financial statement disclosures.

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

(c) Uses of estimates and judgments (cont'd)

(ii) Measurement of the Expected Credit Loss allowance ("ECL")

The measurement of the ECL on financial assets is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criterias for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groupings of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgments made by the Bank in the above areas is set out in Note 2 (d) (ii) - *Impairment of financial assets*.

(iii) Classification of financial assets

Assignment of the business model within which financial assets are held is an area of judgement. Detailed information about the judgments made by the Bank are particularized in Note 2(d) (i) - *Classification and subsequent measurement.*

(d) New standards, amendments to standards and interpretations

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

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

IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, changes in Accounting Estimates and Errors

The amendments to the above standards clarify the definition of "material" and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective for annual periods beginning on or after January 1, 2020.

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

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

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

IFRS 3, Business Combination

The amendment;

(a) Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
(b) Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
(c) Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
(d) Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
(e) add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

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

Amendments to References to the Conceptual Framework in IFRS Standards

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

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

(ii) New standards, amendments to standards and interpretations that are issued but not effective and have not been early adopted:

A number of new standards, amendments to standards and interpretations were issued and early adoption is permitted, however, the Bank has not early adopted these new standards, amendments to standards and interpretations in the preparation of these separate financial statements. None of these are expected to have a significant impact on the Bank's separate financial statements.

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

(e) Financial assets and liabilities

Recognition, initial measurement and derecognition

The Bank initially recognizes loans and advances, deposits and debt securities on the date they are originated. All other financial assets and financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue. The Bank derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. Any interest in such derecognized financial assets that is created or retained by the Bank is recognized as a separate asset or liability. Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as "Assets pledged as collateral", if the transferee has the right to sell or re-pledge them. On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognized in the separate statement of profit or loss.

The Bank derecognizes a financial liability when its contractual obligations are discharged, or cancelled, or when they expire.

2. Summary of significant accounting policies

(e) Financial assets and liabilities (cont'd)

Financial assets

(i) Classification and subsequent measurement

In determining the classification and subsequent measurement of financial assets, the Bank assesses the business model in which these assets are held and the contractual cash flows of the assets as outlined below:

Business model assessment

The business model reflects how the Bank manages these assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of these assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at fair value through profit or loss ("FVPL").

Factors considered by the Bank in determining the business model within which the assets are held include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Contractual cash flows are solely payment of principal and interest:- SPPI assessment

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI test"). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial assets are classified and measured at FVPL.

After performing the above assessments, the Bank then determines if a financial asset is held at amortized cost, fair value through profit and loss ("FVPL") or fair value through other comprehensive income ("FVOCI").

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these financial assets is adjusted by any expected credit loss allowance recognised. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

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

(e) Financial assets and liabilities (cont'd)

Financial assets (cont'd)

(i) Classification and subsequent measurement (cont'd)

Amortised cost (cont'd)

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. The calculation does not consider ECL and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

Per assessment, all of the Bank's financial assets have cash flows which represent solely payment of principal and interest, hence are measured at amortised cost.

Fair value through profit or loss ("FVPL")

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

The Bank does not have any financial assets that are measured at FVPL.

Fair value through other comprehensive income ("FVOCI")

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at FVOCI. Movements in the carrying amounts are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When these financial assets are derecognised, the cumulative gains or losses previously recognised in OCI is reclassified from equity to profit or loss and recognised in income. Interest income from these financial assets are included in 'Interest income' using the effective interest rate method.

The Bank does not have any financial assets that are measured at FVOCI.

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

(e) Financial assets and liabilities (cont'd)

Financial assets (cont'd)

(ii) Impairment of financial assets

Measurement of expected credit losses ("ECL")

ECL are a probability-weighted estimate 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 the 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*: as the present value of the difference between the 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.

Credit impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost are credit-impaired. 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 or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- 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.

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

(e) Financial assets and liabilities (cont'd)

Financial assets (cont'd)

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

Calculation of ECL

The Bank uses the probability of default method when calculating expected credit losses. The ECL is based on credit losses that are expected to arise over the life of the asset, referred to as the lifetime ECL, unless there has not been a significant increase in credit risk since origination, in which case a 12-month expected credit loss (12-month ECL) is measured.

The lifetime ECL is the expected credit losses that result from all possible default events over the expected life of a financial instrument. Lifetime expected credit losses are calculated based on a weighted average of the expected losses with the weightings being based on the respective probabilities of default ("PD") and loss given default ("LGD"). PD and LGD are therefore calculated over the life of the instrument.

The 12-month ECL represents a financial assets' expected losses that are expected to arise from default events that are possible within the 12-month period following origination of the instrument or from each reporting date for those assets in stage 1. It is calculated by multiplying the probability of default occurring in the next 12 months by the lifetime ECLs that would result from that default, regardless of when those losses occur.

The ECL is calculated on an individual account basis but for purposes of determining PD and exposure at default ("EAD"), financial assets are grouped according to common characteristics.

Impairment is assessed at each reporting period. IFRS 9 establishes a three-stage impairment model based on whether there has been a significant increase in credit risk of a financial asset since its initial recognition. The three stages then determine the amount of impairment to be recognized as ECL at each reporting date as well as the amount of interest revenue to be recorded.

The Bank makes a determination as to whether there has been a significant increase in credit risk since initial recognition by considering the deterioration in internal ratings and payment delinquencies. For purposes of calculating ECL the Bank classifies its financial assets into stages. The stages for loans and advances almost align with the Bank's internal ratings system. Facilities with an internal rating of 1-4 are usually aligned to Stage 1. Facilities with an internal rating of 5-6 are usually classified as Stage 2 and facilities with an internal rating of 7-8 are usually classified as Stage 3.

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

(e) Financial assets and liabilities (cont'd)

Financial assets (cont'd)

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

Assessment of significant increase in credit risk and credit - impaired financial assets

The transition from recognizing 12-month expected credit losses (i.e. Stage 1) to lifetime expected credit losses (i.e. Stage 2) is based on the notion of a significant increase in credit risk over the remaining life of the instrument in comparison with the credit risk on initial recognition. The focus is on the changes in the credit risk and not the changes in the amount of the ECL.

The determination of whether there has been a significant increase in credit risk is therefore critical to the staging process. Factors to consider include:

- Changes in market or general economic conditions;
- Expectation of potential breaches;
- Expected delays in payment;
- Deterioration in credit ratings; or
- Significant changes in operating results or financial position of the borrower.

In making the determination of whether there has been a significant increase in credit risk, the Bank considers deterioration in its internal ratings as well as payment delinquencies. A significant increase in credit risk will exist when repayments are 30 days in arrears and/or when there has been a deterioration in the internal rating assigned.

Credit-impaired financial assets are those for which one or more detrimental effects on the estimated future cash flows have already occurred. This is similar to the point at which an incurred loss would have been recognized under IAS 39.

Definition of default

The definition of default is integral to the ECL model. The Bank's definition of default is consistent with its internal risk management process and includes a qualitative creditworthiness criterion as well as a quantitative past due criterion. For loans and advances, default occurs when the borrower is more than 90 days past due on any obligation with the Bank and/or if the Bank considers that the borrower is unlikely to make their repayment in full without the Bank foreclosing on the loan facility. The Bank also uses its internal rating system to determine default. All loans and advances with a rating of 7-8 are considered to be in default. The definition of default is applied consistently from one year to another and to all loans and advances unless it can be demonstrated that circumstances have changed such that a new definition is appropriate.

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

(e) Financial assets and liabilities (cont'd)

Financial assets (cont'd)

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

ECL calculation methodology

For loans and advances, the Bank calculates ECL in a manner that reflects an unbiased and probability-weighted amount that is determined by evaluation of a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The Bank applies a discounted probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant time horizon. The cash shortfall is the difference between the cash flows that are due according to the terms of the agreement and the cash flows it expects to collect over the relevant time period.

The Bank calculates the probability-weighted average of ECL over different scenarios. Each scenario specifies forecasts of different economic conditions and these economic conditions are used to adjust default probabilities to incorporate this forward-looking information.

The forward-looking information is incorporated through the use of regression formulae that translate the input economic information and uses this information to forecast default rates and non-performing loan ratios.

The macroeconomic factors used by the Bank are:

- Gross Domestic Product (local GDP);
- Inflation;
- Local employment statistics; and
- COVID-19 adjustment factors.

Three (3) variables are integral to the calculation of the ECL - the probability of default ("PD"), the exposure at default ("EAD") and the loss given default ("LGD"). The product of these variables is adjusted for forward-looking information and discounted at the instrument's original interest rate to arrive at the calculation of the ECL.

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

(e) Financial assets and liabilities (cont'd)

Financial assets (cont'd)

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

ECL calculation methodology (cont'd)

Probability of default – measures likelihood of default over a given period of time. In arriving at the probability of default the Bank first categorizes facilities according to common characteristics and uses migration analysis to measure the percentage of loans as they move across the relevant stages. From this analysis marginal PDs for successive years are generated using a multiplication matrix.

Loss given default - this is an estimate of the cash shortfall the Bank expects when a facility defaults at a point in time. For secured facilities the Bank considers the amount that may be realized from the sale of the collateral net of costs to sell. In the case of investment securities, the Bank utilized information from credit loss tables that are generated by reputable external agencies.

Exposure at default - this is an estimate of the exposure at a default date that takes place in the future, taking into consideration repayments of principal or interest and interest charged. In arriving at EAD estimates, the Bank employs cash flow analyses.

(iii) Loan commitments

Loan commitments arise when an entity enters into a contract to provide a loan facility to another party. For loan commitments, credit loss estimates consider the portion of the commitment that is expected to be drawn over the relevant time period.

At the end of each reporting period, 12-month expected credit losses are initially provided for such commitments. Where there has been a significant increase in credit risk of a default occurring on the loan to which the commitment relates, lifetime expected credit losses are recognized. For loan commitments, ECL is calculated as the difference between:

- The contractual cash flows for amounts that are repayable if the holder of the loan commitment draws on the loan; and
- The cash flows that the Bank expects to receive if the loan is drawn down.

The discount rate used is the effective interest rate for the primary facility. In instances where there have been no draw downs on the loan facility, the loss allowance is recognized and presented as a provision.

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

(e) Financial assets and liabilities (cont'd)

Financial assets (cont'd)

(iv) Modification or restructuring of loans and advances

The Bank sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criterias which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review.

The gross carrying amount of loans and advances to customers with restructured terms at March 31, 2021 was $11,811,581.95 (2020 - $4,999,317).

Financial liabilities

Classification and subsequent measurement

In both the current and prior periods, financial liabilities are classified and subsequently measured at amortised cost.

(f) Revenue recognition

Revenue arising from the ordinary operating activities of the Bank is recognised when earned and measured at the fair value of the consideration received as follows:

(i) Interest income

Interest on loans and advances to customers is recognized in interest income using the effective interest method. The estimated future cash flows used in this calculation include those determined by the contractual term of the asset and all fees that are considered to be integral to the effective interest rate. Fees that are an integral part of the effective interest rate are treated as an adjustment to the effective interest rate.

(ii) Fees and finance charges

Fees and finance charges on loans and advances provided by the Bank are recognised when the corresponding service is provided. Finance charges are levied only on bridging finance loans which normally have a three to six-months term.

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

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with banks, which have original maturities of not more than three (3) months from the date of acquisition, are subject to an insignificant risk of changes in their fair value, are readily convertible to known amounts and are used by the Bank in the management of its short-term commitments.

(h) Investment in subsidiary

A subsidiary is an enterprise controlled by the Bank. Control exists when the Bank is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The investment in subsidiary is accounted for at cost less any impairment loss.

(i) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property and equipment and are recognised in the separate statement of profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied with the part will flow to the Bank and cost can be reliably measured. The cost of the day-to-day servicing of property and equipment are recognised in the separate statement profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated using the straight-line method over the asset's estimated useful lives and is recognised in the separate statement of profit or loss.

Items of property and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date the assets are completed and ready for use.

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

(i) Property and equipment (cont'd)

(iii) Depreciation (cont'd)

The estimated useful lives of the items of property and equipment are as follows:

- Disaster recovery site 3 years
- Computer equipment 3 years
- Office equipment 5 years
- Motor vehicles 5 years
- Furniture and fittings 8 years
- Leasehold improvements 5 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

(j) Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Bank and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(iii) Amortisation

Software and website development costs are amortized on the straight-line basis and the amortization expense is recognised in the separate statement of profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives are as follows:

- Computer software 3 years
- Website development 5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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

(k) Other assets and receivables

Other assets and receivables, being short term, are carried at cost less allowance for impairment losses.

(l) Payables and accruals

Payables and accruals are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received.

(m) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists for any asset, then that asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash-generating unit").

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs to sell. Value-in-use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in the separate statement of profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognized.

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are consequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the separate statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Bank has an unconditional right to defer settlement of the liability for at least twelve (12) months after the reporting date.

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

(o) Share capital

Ordinary shares are classified as equity. Dividend distribution to the Bank's shareholder is recognized as a liability in the Bank's separate financial statements in the period in which the dividends are approved.

(p) Related party

(f) A person or a close member of that person's family is related to the Bank if that person:

i) Has control or joint control over the Bank;
ii) Has significant influence over the Bank; or
iii) Is a member of the key management personnel of the Bank or of the parent of the Bank.

(g) An entity is related to the Bank if any of the following conditions applies:

i) The entity and the Bank are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
iii) Both entities are joint ventures of the same third party.
iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
v) The entity is a post-employment benefit plan for the benefit of employees of either the Bank or an entity related to the Bank.
vi) The entity is controlled, or jointly controlled by a person identified in (a).
vii) A person identified in (a) (i) has significant influence over the Bank or is a member of the key management personnel of the Bank (or of the parent of the Bank).
viii) The entity, or any member of a group of which it is part, provides key management personnel services to the Bank or its parent.

(q) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

(r) Contingencies

Contingent liabilities represent possible obligations and are disclosed in the separate financial statements unless the possibility of the outflow of resources embodying the economic benefit is remote. A contingent asset is not recognised in the separate financial statements but disclosed when an inflow of economic benefits is probable.

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

(s) Subsequent events

Post year-end events that provide additional information about the Bank's position at the reporting date (adjusting events) are reflected in the Bank's separate financial statements. Material post year-end events which are not adjusting events are disclosed.

(t) Comparatives

Where necessary, comparatives have been adjusted to conform with changes in the presentation in the current year.

3. Financial risk management

Strategy in using financial instruments

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 the 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. The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products, and emerging best practice. Risk management is carried out by the Risk Management Department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk. 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 is exposed to the following risks:

- Credit risk;
- Liquidity risk;
- Market risk (price risk, currency risk, and interest rate risk); and
- Operational risk.

3. Financial risk management (cont'd)

Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's cash and cash equivalents, loans and advances to customers, other receivables and due from subsidiary.

(i) *Management of credit risk*

The Bank places its cash resources with a reputable financial institution. Given the insignificant amount of other assets and receivables and due from subsidiary, management does not believe that significant credit risk exists on these balances as at March 31, 2021.

With regards to loans and advances to customers, the Bank has an integrated framework of credit policies, guidelines and processes in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers. The Board of Directors has delegated responsibility for the management of credit risk to the Risk Management Department and the Managing Director.

The Service Delivery Department is required to implement the Bank's credit policies and procedures, and to ensure that all loans approved are within the delegated authority approved by the Board. The Service Delivery and Risk Department managers' report on all credit related matters to the Board. The departments are responsible for the quality and performance of the credit portfolio and for monitoring and controlling all credit risks in its portfolios.

(ii) *Maximum exposure to credit risk before collateral held or other credit enhancements*

	2021	2020
	$	$
Cash and cash equivalents	**21,347,256**	18,453,115
Loans and advances to customers	**85,256,982**	87,004,386
Other assets and receivables	**273,107**	187,940
Due from subsidiary	**16,909**	136,324
	106,894,254	105,781,765

The exposures set out above are based on net carrying amounts as reported in the separate statement of financial position.

3. Financial risk management (cont'd)

Credit risk (cont'd)

(iii) Loans and advances to customers

	Note	2021 $	2020 $
Loans and advances	7	**87,274,483**	88,620,809
Less: Interest receivable	7	**(1,535,355)**	(1,500,868)
Gross loans	7	**85,739,128**	87,119,941
• **Past due and impaired**		**1,515,609**	2,443,655
• **Past due but not impaired**			
31-60 days		18,273,182	14,184,483
61-90 days		2,517,127	13,337
91-120 days		617,659	271,941
Over 120 days		15,452,311	11,997,881
• **Neither past due nor impaired**		**47,363,240**	58,208,644
Gross loans		**85,739,128**	87,119,941

Loans past due and impaired

The Bank regards a loan or an advance as impaired in the following circumstances.

- There is objective evidence that a loss event has occurred since initial recognition and the loss event has an adverse impact on future estimated cash flows from the asset; and
- A loan or advance is overdue for ninety (90) days or more.

3. Financial risk management (cont'd)

Credit risk (cont'd)

(iii) Loans and advances to customers (cont'd)

Loans past due and impaired (cont'd)

The Bank uses an Internal Rating Model ("IRM") eight (8) sliding scale from superior to loss for credit approval, portfolio monitoring and provisioning.

Internal Risk Rating	Stage	Summary description
Ratings ranging from 1-4	Stage 1 - Performing	Grade 1 - Superior - low risk- excellent repayment capacity/high quality collateral/other IRM Factors. Grade 2 - Good- satisfactory risk - strong repayment capacity/high quality collateral. Grade 3 - Acceptable - fair risk/ acceptable collateral. Grade 4 - Marginal-still acceptable risk requires hand holding and technical supervision/acceptable collateral.
Ratings ranging from 5-6	Stage 2 - Under performing	Loan will migrate to this bucket if it is classed as follows: Grade 5 - Special mention loans have potential weaknesses that deserve management's close attention or where there is a sustained deterioration in financial condition. Grade 6 - Sub-standard financial condition is weak and capacity or inclination to repay is in doubt.
Ratings ranging from 7-8	Stage 3 - Non-performing	Loan will migrate to this bucket if it is classed as follows: Grade 7 - Possibility of a loss but some factors exist which could improve the situation. Grade 8 - Loans are considered uncollectable.

3. Financial risk management (cont'd)

Credit risk (cont'd)

(iii) Loans and advances to customers (cont'd)

Performing financial assets

Ratings 1 - 4: For instruments within the range of 1 - 4, credit risk has not increased significantly since initial recognition. A 12-month ECL is recognized and interest income is recognized on the gross carrying amount of the financial instrument. Financial assets in this stage are operating in accordance with the contractual terms and conditions since initial recognition. These assets align with Stage 1 financial assets in the ECL calculation.

Underperforming financial assets

Ratings 5 - 6: For instruments within the range of 5 - 6, credit risk has increased significantly since initial recognition. Lifetime ECL is recognized and interest income is recognized on the gross carrying amount of the financial instrument. This stage also includes financial assets reclassified from Stage 3 whose credit risk has improved. These assets align with Stage 2 financial assets in the ECL calculation.

Non-performing financial assets

Ratings 7 - 8: Instruments within the range of 7 - 8 are considered to be credit impaired and a loss allowance is recognized equal to credit losses expected over the remaining lifetime of the asset. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount. These assets align with Stage 3 financial assets in the ECL calculation.

3. Financial risk management (cont'd)

Credit risk (cont'd)

(iii) Loans and advances to customers (cont'd)

Credit risk exposure of loans and advances

The following table contains an analysis of the credit risk exposure of loans and advances to customers for which an ECL allowance has been recognised:

	2021 Expected Credit Loss Staging Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grades				
1- SUPERIOR	6,255,464	-	-	6,255,464
2- GOOD	5,411,813	-	-	5,411,813
3- ACCEPTABLE	33,591,220	-	-	33,591,220
4- MARGINAL	7,493,715	-	-	7,493,715
5- SPECIAL MENTION	-	18,006,550	-	18,006,550
6- SUB-STANDARD	-	2,465,723	-	2,465,723
7- DOUBTFUL/BAD	-	-	11,899,127	11,899,127
8- LOSS	-	-	35,667	35,667
	52,752,212	20,472,273	11,934,794	85,159,279
Express payment service advances	-	-	579,849	579,849
Gross carrying amount	52,752,212	20,472,273	12,514,643	85,739,128
Less: Allowance for impairment losses	(19,271)	(1,192,215)	(806,015)	(2,017,501)
Carrying amount	52,732,941	19,280,058	11,708,628	83,721,627

3. Financial risk management (cont'd)

Credit risk (cont'd)

(iii) Loans and advances to customers (cont'd)

Credit risk exposure of loans and advances

	2020 Expected Credit Loss Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Credit grades				
1- SUPERIOR	8,010,715	-	-	8,010,715
2- GOOD	3,969,653	-	-	3,969,653
3- ACCEPTABLE	37,979,087	-	-	37,979,087
4- MARGINAL	9,012,157	140,689	-	9,152,846
5- SPECIAL MENTION	-	13,161,692	38,509	13,200,201
6- SUB-STANDARD	-	132,466	243,256	375,722
7- DOUBTFUL/BAD	-	-	13,852,208	13,852,208
8- LOSS	-	-	42,732	42,732
	58,971,612	13,434,847	14,176,705	86,583,164
Express payment service advances	-	-	536,777	536,777
Gross carrying amount	58,971,612	13,434,847	14,713,482	87,119,941
Less: Allowance for impairment losses	(13,195)	(674,251)	(928,977)	(1,616,423)
Carrying amount	58,958,417	12,760,596	13,784,505	85,503,518

3. Financial risk management (cont'd)

Credit risk (cont'd)

(iii) Loans and advances to customers (cont'd)

Credit concentration risk

The Bank monitors concentrations of credit risk by sector. An analysis of credit risk concentrations by economic sector of outstanding loans and advances to customers is presented in the table below:

	2021	**2021**	2020	2020
	$	**%**	$	%
Housing	**39,000,057**	**45.80**	34,809,055	40.20
Industry	**18,843,657**	**22.13**	24,078,779	27.81
Services	**8,896,020**	**10.45**	10,599,553	12.24
Education	**6,089,495**	**7.15**	6,550,216	7.57
Bridging finance	**6,780,556**	**7.96**	5,009,991	5.79
Tourism	**2,361,719**	**2.77**	2,377,048	2.74
Agriculture	**2,601,587**	**3.05**	2,269,493	2.62
Other	**484,314**	**0.57**	414,027	0.48
Fishing	**9,744**	**0.01**	264,434	0.31
Staff loans	**92,130**	**0.11**	210,568	0.24
	85,159,279	**100.00**	86,583,164	100.00
Express payment service advances	**579,849**		536,777	
	85,739,128		87,119,941	

Write-off policy

The Bank writes off a loan balance (and any related allowances for impairment losses) when the Risk Management Department determines that the loan is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security or collateral 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 the loans and advances are:

- Mortgage over residential properties
- Charges over business assets such as premises, inventory and accounts receivable, and
- Charges over financial instruments such as debt securities and equities.

3. Financial risk management (cont'd)

Credit risk (cont'd)

(iii) Loans and advances to customers (cont'd)

Collateral and other security enhancements

The Bank's credit risk management policies include requirements relating to collateral valuation and management, including verification requirements and legal certainty. Valuations are updated periodically depending upon the nature of the collateral. Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement during its periodic review of loan accounts in arrears. Policies are in place to monitor the existence of undesirable concentrations in the collateral supporting the Bank's credit exposure.

Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting its obligations associated with financial liabilities that are to be settled by delivering cash or other financial assets.

Management of liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

The Board of Directors assesses information regarding the liquidity profile of the Bank's financial assets and liabilities and details of other projected cash flows arising from projected future business. It then maintains a portfolio of short-term liquid assets to ensure that sufficient liquidity is maintained by the Bank.

The key elements of the liquidity management process are as follows:

- Daily and weekly monitoring to ensure that requirements are met. This includes the replenishment of funds as they mature or as borrowed by customers. The Bank ensures that sufficient funds are held in the one to thirty-day maturity bucket to satisfy liquidity requirements.
- Weekly monitoring of the statement of financial position liquidity ratios against internal and regulatory requirements.
- Managing the concentration and profile of debt maturities.
- Reviewing sources of liquidity regularly to maintain a wide diversification by, provider, product and term.

3. Financial risk management (cont'd)

Liquidity risk (cont'd)

Maturity analysis of financial assets and liabilities

Non-derivative cash flows

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

	Contractual cash flows $	Less than 1 Year $	1-5 Years $	More than 5 Years $
March 31, 2021				
Financial assets				
Cash and cash equivalents	21,347,256	21,347,256	-	-
Loans and advances to customers	145,015,873	30,344,912	50,942,151	63,728,810
Due from subsidiary	16,909	16,909	-	-
Other receivables	302,532	302,532	-	-
	166,682,570	52,011,609	50,942,151	63,728,810
Financial liabilities				
Payables and accruals	(569,885)	(569,885)	-	-
Deposits from customers	(38,414,734)	(19,846,782)	(16,974,139)	(1,593,813)
Agency funds	(1,757,044)	(1,757,044)	-	-
Borrowings	(72,930,485)	(6,895,490)	(26,567,142)	(39,467,853)
Other liabilities	(407,526)	(407,526)	-	-
	(114,079,674)	(29,476,727)	(43,541,281)	(41,061,666)
Net liquidity gap	52,602,896	22,534,882	7,400,870	22,667,144

3. Financial risk management (cont'd)

Liquidity risk (cont'd)

Maturity analysis of financial assets and liabilities (cont'd)

	Contractual cash flows $	Less than 1 Year $	1-5 Years $	More than 5 Years $
March 31, 2020				
Financial assets				
Cash and cash equivalents	18,453,115	18,453,115	-	-
Loans and advances to customers	145,608,169	31,819,714	54,980,297	58,808,158
Due from subsidiary	136,324	136,324	-	-
Other receivables	214,326	214,326	-	-
	164,411,934	50,623,479	54,980,297	58,808,158
Financial liabilities				
Payables and accruals	(462,634)	(462,634)	-	-
Deposits from customers	(33,286,749)	(14,717,813)	(16,975,123)	(1,593,813)
Agency funds	(1,690,695)	(1,690,695)	-	-
Borrowings	(77,666,727)	(7,229,413)	(27,896,168)	(42,541,146)
Other liabilities	(420,391)	(420,391)	-	-
	(113,527,196)	(24,520,946)	(44,871,291)	(44,134,959)
Net liquidity gap	50,884,738	26,102,533	10,109,006	14,673,199

3. Financial risk management (cont'd)

Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads will affect the Bank's income or the value of its holdings of financial instruments.

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the reporting date and the periods in which they are re-priced.

(i) *Price risk*

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security of its issuer or factors affecting all securities traded in the market.

The Bank does not hold any financial assets which trade publicly, hence there is no exposure to price risk.

(ii) *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk arises in respect of transactions denominated in foreign currencies. However, while loans from the CARICOM Development Fund and the Caribbean Development Bank are denominated in United States dollars, the Bank faces no currency risk as the US dollar is fixed in relation to the EC dollar at the rate US$1 to EC$2.7169. All other assets and liabilities are denominated in Eastern Caribbean dollars.

(iii) *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the Bank's interest rate gap position is outlined below:

3. Financial risk management (cont'd)

Market risk (cont'd)

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

The table below summarizes the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts categorized by their maturity dates.

	Average Effective Interest Rate	12 months or less $	1-5 years $	More than 5 years $	Total $
March 31, 2021					
Cash and cash equivalents	2.00%	**16,139,853**	**-**	**-**	**16,139,853**
Loans and advances to customers	6.50%	**11,229,771**	**30,648,914**	**45,305,181**	**87,183,866**
Borrowings	3.54%	**(5,232,192)**	**(21,596,239)**	**(33,172,649)**	**(60,001,080)**
Deposits from customers	3.81%	**(18,870,361)**	**(13,087,046)**	**(1,525,000)**	**(33,482,407)**
Interest sensitivity gap		**3,267,071**	**(4,034,371)**	**10,607,532**	**9,840,232**
March 31, 2020					
Cash and cash equivalents	2.00%	12,293,992	-	-	12,293,992
Loans and advances to customers	6.80%	13,964,148	33,015,545	41,641,116	88,620,809
Borrowings	3.60%	(5,395,930)	(21,504,554)	(34,711,961)	(61,612,445)
Deposits from customers	3.33%	(13,835,928)	(15,000,000)	(1,525,000)	(30,360,928)
Interest sensitivity gap		7,026,282	(3,489,009)	5,404,155	8,941,428

3. Financial risk management (cont'd)

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market, and liquidity risks - e.g. those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations.

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. In all cases, Bank policy requires compliance with all applicable legal and regulatory requirements.

The Board of Directors has oversight of the operational risk management strategy and processes of the Bank, delegated to the credit risk committee and the managing director. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transaction;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and development; and
- Ethical and business standards.

4. Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or, in its absence, the most advantageous market to which the Bank has access at that date. The following methods and assumptions were used to estimate the fair values of financial instruments presented above.

(i) Loans and advances to customers

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 flow expected to be received. Expected cash flows are discounted at current market rate to determine fair value. Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models such as discounted cash flow techniques.

(ii) Deposits from customers

The fair value of deposits with no stated maturity is the amount repayable on demand. Deposits payable on a fixed date are at rates which reflect market conditions and the fair value approximates carrying value.

(iii) Borrowings

The fair value of borrowing reflects the market value of interest rates used to discount the future cash flows. The fair values of cash resources, other assets and liabilities are assumed to approximate their carrying values due to their short-term nature.

The Bank measures fair values using the following fair value hierarchy which reflects the significance of the inputs used in making the measurements.

- *Level 1:* Inputs that are quoted market price (unadjusted) in active markets for identical instruments.
- *Level 2:* Inputs other than quoted prices included in level 1 that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- *Level 3:* Inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument’s valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

4. Fair value estimation (cont'd)

The table below sets out the carrying amounts of the Bank's financial assets and liabilities and their fair values:

	Carrying values $	Fair values $
March 31, 2021		
Financial assets at amortised cost		
Cash and cash equivalents	**21,347,256**	**21,347,256**
Loans and advances to customers	**85,166,365**	**85,166,365**
Other receivables	**276,146**	**276,146**
Due from subsidiary	**16,909**	**16,909**
Total financial assets	**106,806,676**	**106,806,676**
Financial liabilities at amortised cost		
Payable and accruals	**569,885**	**569,885**
Other liabilities	**1,757,044**	**1,757,044**
Agency funds	**(33,482,407)**	**(33,482,407)**
Deposits from customers	**60,001,080**	**60,001,080**
Total financial liabilities	**28,845,602**	**28,845,602**
March 31, 2020		
Financial assets at amortised cost		
Cash and cash equivalents	18,453,115	18,453,115
Loans and advances to customers	87,004,386	100,937,253
Other receivables	187,940	187,940
Due from subsidiary	136,324	136,324
Total financial assets	105,781,765	119,714,632
Financial liabilities at amortised cost		
Payable and accruals	462,634	462,634
Other liabilities	420,391	420,391
Agency funds	1,690,695	1,690,695
Deposits from customers	30,360,928	32,342,118
Borrowings	61,612,445	58,768,093
Total financial liabilities	94,547,093	93,683,931

5. Capital management

The Bank defines all components of equity as issued share capital plus reserves (or less accumulated deficit). The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence to sustain future development of the business.

6. Cash and cash equivalents

	Note	2021 $	2020 $
Cash at bank			
- Unrestricted		**19,590,212**	16,762,420
- Restricted	**19**	**1,757,044**	1,690,695
		21,347,256	18,453,115

The restricted cash balance relates to the undisbursed balance of agency funds which was provided by the Government of Saint Lucia for on-lending to students undergoing specified training for the cruise ship sector and participants of the Youth in Agri-Entrepreneurship Project ("YAEP"). These funds are therefore not available for the Bank's day-to-day operations.

Cash at bank include amounts totaling $16,139,853 (2020 - $12,293,992) held in savings accounts earning interest at a rate of 2% (2020 - 2%) per annum.

7. Loans and advances to customers

	Note	2020 $	2020 $
Loans and advances to customers		**85,159,279**	86,583,164
Express payment service advances		**579,849**	536,777
		85,739,128	87,119,941
Interest receivable		**1,444,738**	1,500,868
Gross		**87,183,866**	88,620,809
Less: Allowance for impairment losses	**8**	**(2,017,501)**	(1,616,423)
Net		**85,166,365**	87,004,386

7. Loans and advances to customers (cont'd)

The maturity analysis of the gross loans and advances to customers is as follows:

	2021	2020
	$	$
Within 1 year	**11,229,771**	13,964,148
1 to 5 years	**28,292,421**	33,015,545
After 5 years	**47,661,674**	41,641,116
	87,183,866	88,620,809

The weighted average interest rate on loans and advances to customers was 6.50% (2019 - 6.8%) per annum.

8. Allowance for impairment losses on loans and advances to customers

The movement in the allowance for impairment losses on loans and advances to customers for the year is as follows:

	Stage 1 12-month Expected Credit Loss $	Stage 2 Lifetime Expected Credit Loss $	Stage 3 Lifetime Expected Credit Loss $	Total $
March 31, 2021				
At beginning of the year	**13,195**	**674,251**	**928,977**	**1,616,423**
Loans and advances to customers	**6,076**	**517,965**	**(122,963)**	**401,078**
Express payment service advances	**-**	**-**	**-**	**-**
At end of the year	**19,271**	**1,192,216**	**806,014**	**2,017,501**
March 31, 2020				
At beginning of the year	129,564	105,587	807,078	1,042,229
Loans and advances to customers	(116,369)	568,664	61,684	513,979
Express payment service advances	-	-	60,215	60,215
At end of the year	13,195	674,251	928,977	1,616,423

9. Other assets and receivables

	2021 $	2020 $
Other receivables	**282,312**	194,106
Prepayments	**131,138**	49,158
Security deposits	**20,220**	20,220
Inventory	**14,838**	22,086
	448,508	285,570
Less: Allowance for impairment losses	**(26,386)**	(26,386)
	422,122	259,184

The movement in the allowance for impairment losses on other assets and receivables for the year is as follows:

	2021 $	2020 $
At beginning of the year	**26,386**	26,336
Increase in allowance for impairment losses	**-**	50
At end of the year	**26,386**	26,386

10. Due from subsidiary

	2021 $	2020 $
The Youth Enterprises Equiry Fund Inc.	**16,909**	136,324

The amount due from the subsidiary is non-interest bearing, unsecured and have no stated terms of repayment.

11. Investment in subsidiary

	Shareholding %	Carrying value 2021 $	Carrying value 2020 $
The Youth Enterprises Equity Fund Inc.	**100**	**5,000,000**	5,000,000
Less: Provision for impairment losses		**(474,438)**	(452,031)
		4,525,562	4,547,969

The movement in the provision for impairment losses was as follows:

	2021 $	2020 $
At beginning of the year	**452,031**	368,914
Provision for impairment loss	**22,407**	83,117
At end of the year	**474,438**	452,031

Investment in subsidiary is measured at cost less impairment losses.

12. Property and equipment

	Disaster Recovery Site $	Computer Equipment $	Office Equipment $	Motor Vehicles $	Furniture and Fittings $	Leasehold Improvements $	Total $
Cost							
As at April 1, 2019	44,826	356,849	111,886	87,558	496,799	2,026,746	3,124,664
Additions	-	46,094	9,163	-	-	2,670	57,927
As at March 31, 2020	44,826	402,943	121,049	87,558	496,799	2,029,416	3,182,591
As at April 1, 2020	44,826	402,943	121,049	87,558	496,799	2,029,416	3,182,591
Additions		39,960	1,234	-	14,756	4,220	60,170
As at March 31, 2021	**44,826**	**442,903**	**122,283**	**87,558**	**511,555**	**2,033,636**	**3,242,761**
Accumulated Depreciation							
As at April 1, 2019	8,640	310,136	111,886	29,186	388,700	2,013,424	2,861,972
Charge for the year	14,973	34,044	1,099	17,512	15,883	5,162	88,673
As at March 31, 2020	23,613	344,180	112,985	46,698	404,583	2,018,586	2,950,645
As at April 1, 2020	23,613	344,180	112,985	46,698	404,583	2,018,586	2,950,645
Charge for the year	14,974	30,676	7,768	17,511	16,172	5,199	92,299
As at March 31, 2021	**38,587**	**374,856**	**120,753**	**64,209**	**420,755**	**2,023,785**	**3,042,944**
Carrying Amount							
As at March 31, 2019	36,186	46,713	-	58,372	108,099	13,322	262,692
As at March 31, 2020	21,213	58,763	8,064	40,860	92,216	10,830	231,946
As at March 31, 2021	**6,239**	**68,047**	**1,530**	**23,349**	**90,801**	**9,851**	199,816

13. Intangible assets

	Computer Software $	Website Development $	Total $
Cost			
As at April 1, 2019	163,077	20,006	183,083
As at March 31, 2020	163,077	20,006	183,083
As at April 1, 2020	163,077	20,006	183,083
As at March 31, 2021	**163,077**	**20,006**	**183,083**
Accumulated Amortization			
As at April 1, 2019	162,110	16,950	179,060
Charge for the year	725	1,667	2,392
As at March 31, 2020	162,835	18,617	181,452
As at April 1, 2020	162,835	18,617	181,452
Charge for the year	242	1,389	1,631
As at March 31, 2021	**163,077**	**20,006**	**183,083**
Carrying Amount			
As at March 31, 2019	967	3,056	4,023
As at March 31, 2020	242	1,389	1,631
As at March 31, 2021	**-**	**-**	**-**

14. Payables and accruals

	2021	2020
	$	$
Interest payable	**181,561**	210,476
Other payables	**257,598**	130,433
Accrued expenses	**130,726**	121,725
	569,885	462,634

15. Provisions

IFRS 9 requires the Bank to make an allowance for impairment losses on undrawn loan commitments.

	2021	2020
	$	$
At beginning of the year	**30,090**	16,324
Movement during the year	**(14,621)**	13,766
At end of the year	**15,469**	30,090

16. Borrowings

	2021	2020
	$	$
Caribbean Development Bank ("CDB")		
The loan is repayable in quarterly principal installments of $186,348 from December 2016 to October 2031 and bears interest at a rate of 4.55% (2020 - 4.80%) per annum. Interest is payable on the date of principal payment.	**8,012,663**	8,758,064
The loan is repayable in quarterly principal installments of $46,524 from December 2016 to October 2031 and bears interest at a rate of 2.50% (2020 - 2.50%) per annum. Interest is payable on the date of principal payment.	**2,000,610**	2,186,714
National Insurance Corporation ("NIC")		
The loan is repayable in blended quarterly installments of $117,041 from June 2014 to March 2028 and bears interest at a rate of 4% (2020 - 4%) per annum.	**2,839,573**	3,191,666
The loan is repayable in blended quarterly installments of $69,303 from September 2011 to March 2026 and bears interest at a rate of 4.50% (2020 - 4.50%) per annum.	**1,230,735**	1,450,559
The loan is repayable in blended quarterly installments of $419,316 from December 2013 to September 2025 and bears interest at a rate of 5% (2020 - 5%) per annum.	**6,690,338**	8,021,752
The loan is repayable in blended quarterly installments of $190,232 from September 2018 to June 2035 and bears interest at a rate of 4.50% (2020 - 4.50%) per annum.	**8,711,716**	9,095,188
The loan is repayable in quarterly blended installments of $185,252 from December 2019 to December 2044 and bears interest at a rate of 3% (2020 - 3%) per annum.	**14,553,434**	12,921,260
The loan is repayable in quarterly installments of $83,340 from December 2019 to December 2039 and bears interest at a rate of 3% (2020 - 3%) per annum.	**4,767,482**	4,954,310
Caribbean Development Fund ("CDF")		
The loan is repayable in blended quarterly installments of $263,145 from June 2015 to September 2025 and bears interest at a rate of 3% (2020 - 3%) per annum.	**4,415,347**	5,318,477
World Bank Climate Adaptation Financing Facility ("CAFF")		
The loan is repayable in semi-annual installments of $140,202 from May 2020 to November 2039 and bears interest at a rate of 0.25% (2020 - 0.25%) per annum.	**6,779,182**	5,466,869
The loan is repayable in blended quarterly installments of $63,843 from June 2011 to March 2021 and bears interest at a rate of 5% (2020- 5%) per annum.	**-**	247,586
	60,001,080	61,612,445
Current portion	**(5,232,192)**	(5,395,930)
Long-term portion	**54,768,888**	56,216,515

16. Borrowings (cont'd)

The foregoing loans are all secured by guarantees from the Government of Saint Lucia.

During the financial year, there were no defaults or breaches of the repayment terms.

During the financial year, the Bank made additional drawdowns totaling $3,595,000 (2020 - $15,287,978) on loans from the NIC, CDB and CAFF. The Bank also has undrawn borrowings totaling $8,117,630 (2020 - $10,117,631) relating to loans from the NIC and CAFF.

The repayment schedule for the long-term portion of the loans is as follows:

	2021 **$**	2020 $
1-2 years	**5,448,030**	5,068,904
2-3 years	**5,616,658**	5,267,939
3-4 years	**5,790,965**	5,475,560
4-5 years	**4,642,437**	5,692,151
Over 5 years	**33,270,798**	34,711,961
	54,768,888	56,216,515

17. Deposits from customers

	2021 **$**	2020 $
Customer deposits	**28,052,606**	20,940,560
Security deposits	**2,623,503**	6,455,769
Other deposits	**2,571,079**	2,796,450
Customer contributions	**235,219**	168,149
	33,482,407	30,360,928
Current	**18,870,361**	13,835,928
Non-current	**14,612,046**	16,525,000
	33,482,407	30,360,928

Included in customers and security deposits are amounts totaling $23,552,606 (2020 - $21,907,809) on which the weighted average effective interest rate was 3.81% (2020 - 3.33%) per annum.

18. Other liabilities

	2021 $	2020 $
Guarantee fund	**404,899**	409,685
Special guarantee fund	**2,627**	10,706
	407,526	420,391

Guarantee fund

Guarantee fund are funds provided by the Government of Saint Lucia to the Bank for the purpose of security against non-performing education loans.

Special guarantee fund

Special guarantee fund are funds provided by the Government of Saint Lucia for the purpose of guaranteeing education loans not exceeding $10,000 where the lender does not have the capacity to provide the required security.

19. Agency funds

	Note	2021 $	2020 $
Government of Saint Lucia -Cruise ship training		**1,517,025**	1,484,543
Youth in Agri-Entrepreneurship Project		**240,019**	206,152
	6	**1,757,044**	1,690,695

In keeping with the overall objective of the National Initiative to Create Employment ("NICE"), the Government of Saint Lucia provided funding of $3,400,000 for disbursement by the Bank under an agency function, to students undergoing specified training for the cruise ship sector. At the end of the year, the fund balance was $1,517,025 (2020 - $1,484,543).

The Bank entered into an agency disbursement agreement with the Youth in Agri-Entrepreneurship Project ("YAEP"), a project of the Ministry of Agriculture, Fisheries, Physical Planning, Natural Resources and Cooperatives, whereby funding in the amount of $537,640 was provided for disbursements by the Bank to approved YAEP participants in accordance with the Agreement (net of agency fees). At the end of the year, the fund balance was $240,019 (2020 - $206,152).

20. Share capital

	2021	2020
	$	$
Authorized		
6,400,000 voting shares at $5.00 each	**32,000,000**	32,000,000
Issued and fully paid		
5,700,000 (2020 - 5,700,000) voting shares at $5.00 each	**28,500,000**	28,500,000

21. Related party balances and transactions

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

The related party transactions, outstanding balances at the year-end and related expenses and income for the year are as follows:

Related parties	Description	2021 $	2020 $
Balances:			
Government of Saint Lucia	Express payment services	**506,107**	982,668
The Youth Enterprises Equity Fund Inc.	Due from subsidiary	**16,909**	136,324
Key management	Loans and advances	**611,924**	911,354
Directors	Loans and advances	**43,196**	76,941
The Youth Enterprises Equity Fund Inc.	Fixed deposit	**1,500,000**	1,500,000
The Youth Enterprises Equity Fund Inc.	Interest due	**25,750**	25,750
Transactions:			
Government of Saint Lucia	Agency fees	**60,181**	81,212
The Youth Enterprises Equity Fund Inc.	Relationship specialist salaries	**47,767**	58,270
The Youth Enterprises Equity Fund Inc.	Management fees income received	**140,872**	100,000
The Youth Enterprises Equity Fund Inc.	Management fee income	**91,128**	92,622
Key management	New loans granted	**78,000**	824,310
Key management	Loan repayments	**54,833**	80,407
Key management	Interest income received	**26,661**	45,540
Key management	Short-term employee benefits	**884,789**	889,703
Directors	Director fees	**37,000**	40,250
Directors	Loan repayments	**33,745**	31,421
Directors	Interest income received	**4,047**	15,934
The Youth Enterprises Equity Fund Inc.	Interest expense	**118,866**	45,000
The Youth Enterprises Equity Fund Inc.	Interest expense paid	**134,266**	45,000

22. Other income

	2021 $	2020 $
Fees and finance charges	**563,000**	1,149,212
Interest on savings	**245,909**	240,742
Other income	**224,866**	222,188
	1,033,775	1,612,142

23. Personnel expenses

	2021 $	2020 $
Salaries and wages	**1,785,242**	1,782,407
Other staff costs	**47,086**	72,913
Staff training costs	**8,057**	16,824
	1,840,385	1,872,144

The number of permanent employees of the Bank at March 31, 2021 was 27 (2020 - 26). Included in salaries and wages is accrued outstanding leave cost of $19,901 (2020 - $31,097).

Key management compensation

Key management personnel are those persons that have authority and responsibility for directly or indirectly planning, directing and controlling the activities of the Bank.

	2021 $	2020 $
Short-term employee benefits	**884,789**	889,783

24. Other operating expenses

	2021	2020
	$	$
Rent	**618,663**	619,063
Utilities and other expenses	**416,401**	431,994
Professional services	**155,889**	167,690
Advertising	**31,956**	90,295
Repairs and maintenance	**48,639**	64,810
Board and committee expenses	**43,210**	52,866
Insurance expense	**34,497**	31,815
Project monitoring	**16,172**	20,475
Motor vehicle expenses	**8,113**	11,188
Donations	**5,200**	3,478
Printing and publication	**-**	2,267
	1,378,740	1,495,941

25. Impairment loss on financial assets

	Notes	**2021**	2020
		$	$
Impairment loss on loans and advances to customers	**8**	**405,001**	513,979
Impairment loss on advance payment service	**8**	**-**	60,215
Impairment loss on undrawn loan commitments	**15**	**-**	13,766
Impairment loss on other assets and receivables	**9**	**-**	50
		405,001	588,010

26. Commitments, guarantees and other financial liabilities

At the end of the year, the Bank had contractual off-balance sheet financial instruments in respect of commitments to extend credit to customers, performance bonds and other guarantees as follows:

	2021	2020
	$	$
Undrawn loan commitments	**4,983,531**	3,100,423
Performance bonds and other guarantees	**1,765,050**	4,849,237
	6,748,581	7,949,660

27. Statutory reserve

	2021	2020
	$	$
At beginning and end of the year	**420,572**	420,572

The Bank established a reserve fund in accordance with Section 29 of the Saint Lucia Development Bank Act No. 12 of 2008, to which there is an allocation at the end of each financial year of the Bank, of not less than twenty-five percent of the net income of the Bank for the financial year whenever the total amount standing to the credit of such reserve fund is less than the paid-up capital of the Bank.

There were no profits available to be transferred to the statutory reserve for the year ended March 31, 2021 (2020 - Nil).

28. Adequacy ratios

The following adequacy ratios have been provided by the Financial Services Regulatory Authority ("FRSA") as per Section 4B of the Saint Lucia Development Bank Act No.12 of 2008.

(i) *Equity/total assets should be a minimum of 8%*

	As at March 31, 2021	As at March 31, 2020
Equity	**15,444,619**	16,057,372
Total assets	**111,678,030**	110,634,555
Equity/total assets	**13.83%**	14.51%

(ii) *Total loans/total assets should not exceed 90% at any one given time.*

	2021	2020
	$	$
Total loans	**85,739,128**	87,119,941
Total assets	**111,678,030**	110,634,555
Total loans/total assets	**76.77%**	78.75%

28. Adequacy ratios (cont'd)

(iii) Aggregate liabilities

The aggregate of the liabilities of the Bank outstanding at any one-time including bonds and debentures issued by the Bank, shall not at any time exceed seven times the amount of its paid share capital free reserves.

	2021	2020
	$	$
Aggregate liabilities	**96,233,411**	94,577,183
Paid up capital and free reserves	**28,920,572**	28,920,572
Aggregate liabilities/paid up capital fees reserves	**3.3 times**	3.3 times

The Bank is therefore compliant with all adequacy ratios as required by the FSRA.

29. Income tax

Under Section 44 of the Saint Lucia Development Bank Act No. 12 of 2008, the Bank is exempted from stamp duty, income tax, import and other local tax or duty.

30. Subsequent events

The COVID-19 pandemic has caused significant economic and financial confusion around the world. The St. Lucian economy which is highly dependent on the Tourism sector has seen a direct negative impact and by extension the GDP of St. Lucia.

Management of the Bank is certain that the pandemic will continue to have a significant impact on the Bank, results of operations, financial condition, and liquidity. The extent of these impacts will depend on future developments which cannot be accurately predicted at this time, as new information and data is emerging each day.

SAINT LUCIA DEVELOPMENT BANK
Additional Information
For the Year Ended March 31, 2021
(Expressed in Eastern Caribbean Dollars)

SAINT LUCIA DEVELOPMENT BANK
Index to the Additional Information
For the Year Ended March 31, 2021
(Expressed in Eastern Caribbean Dollars)

PKF St. Lucia

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ADDITIONAL COMMENTS OF THE AUDITOR

To the Shareholder of Saint Lucia Development Bank

The accompanying page 2 is presented as supplementary information only. In this respect, they do not form part of the audited financial statements of **Saint Lucia Development Bank** (the "Bank") for the year ended March 31, 2021 and hence is excluded from the opinion expressed in our report dated December 30, 2021 to the shareholder on such financial statements.

Chartered Accountants
Castries, Saint Lucia
December 30, 2021

PKF Professional Services Inc., P.O. Box Choc 8245, Meridian Place, Choc Estate, Castries, Lco2 801, St. Lucia
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SAINT LUCIA DEVELOPMENT BANK
Collateral and Other Security Enhancements
For the Year Ended March 31, 2021
(Expressed in Eastern Caribbean Dollars)

An estimate of the fair value of collateral held against the Banks receivables is set out in the table below:

	Against impaired $	Against past due but not impaired $	Against neither past due nor impaired $	Total $
Collateral				
March 31, 2021				
Property	**1,619,781**	**77,562,582**	**103,611,120**	**182,793,483**
Cash	**-**	**8,587,613**	**2,202,022**	**10,789,635**
Bill of Sale	**22,370**	**902,290**	**2,974,738**	**3,899,398**
Other	**605,865**	**1,598,468**	**4,024,190**	**6,228,523**
	2,248,015	**88,650,953**	**112,812,070**	**203,711,039**
Collateral				
March 31, 2020				
Property	2,104,379	35,669,740	115,794,762	153,568,881
Cash	-	8,729,133	1,770,130	10,499,263
Bill of Sale	8,224	402,005	6,106,761	6,516,990
Other	496,791	1,516,682	4,323,475	6,336,948
	2,609,394	46,317,560	127,995,128	176,922,082