B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2024

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2024

I N D E X

BDO

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INDEPENDENT AUDITORS' REPORT

To: The Registrar of Co-operatives and Friendly Societies
Re: B.J . Staff Co-operative Credit Union Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of B.J. Staff Co-operative Credit Union Limi ted ("The Co-operative") set out on pages 4 to 71, which comprise the statement of financial position as at 31 December 2024, and the statements of surplus or deficit and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opini on, the accompanying financial statements give a true and fair view of the financial position of the Co-operative as at 31 December 2024, and of its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and the requirements of the Co-operatives Societies Act.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Co-operative in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparat ion of financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the requirements of the Co-operative Societies Act , and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstat ement, whether due to fraud or error.

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

Those charged with governance are responsi ble for overseeing the Co-operati ve' s financial reporting process.

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INDEPENDENT AUDITORS' REPORT (CONT'D)

To: The Registrar of Co-operative and Friendly Societies
Re: B.J. Staff Co-operative Credit Union Limited

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, desigr, 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 Co-operative'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 Co-operative's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Co-operative to cease to continue as a going concern.

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

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To: The Registrar of Co-operatives and Friendly Societies
Re: B. J. Staff Co-operative Credit Union Limited

Report on additional matters as required by the Co-operative Societies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Co-operative Societies Act, in the manner required.

Chartered Accountants

19 May 2025

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2024

	Notes	2024 T	2023 T
ASSETS:			
EARNING ASSETS:			
Loans to members	5	796,985,535	691,783,959
Liquid assets	6	158,873,965	171,305,579
Financial investments	7	160,682,376	165,429,176
		1,116,541,876	1,028,518,714
NON-EARNING ASSETS:			
Other assets	8	2,113,746	1,980,528
Property, plant and equipment	9	2,502,519	3,745,781
		4,616,265	5,726,309
TOTAL ASSETS		1.121.158.141	1.034.245.023
LIABILITIES AND EQUITY:			
INTEREST-BEARING LIABILITIES:			
Members' share deposits	11	363,327,987	339,917,060
Savings deposits	12	**570,764,701**	513,112,437
Retirement benefit liability	10	7,399,000	267,000
		941,491,688	**853,296,497**
NON-INTEREST-BEARING LIABLITY:			
Payables	13	19,160,397	16,555.383
TOTAL **LIABILITIES**		**960,652,085**	**869,851,880**
EQUITY:			
Non-institutional capital		**38,207,264**	**34,032,378**
Institutional capital	14(a)	**120,028,284**	**110,576,321**
Milestone reserve	14(b)		**10,14 3,850**
Permanent shares	15(a)	**3,212,000**	**3,104,000**
Redemption reserve fund	15(b)	**284,000**	272,000
General loan loss reserve	**16**	**9,183 , 508**	**6,531,594**
Employees benefit reserve	**17**	**7,399,000)**	**267,000)**
Fair value reserve	**18**	**3,010,000)**	
TOTAL EQUITY		**160,506,056**	**164,393,143**
TOTAL LIABILITIES AND EQUITY		1 121.158.141	1.034.245.023

The financial statements on pages 4 to 71 were approved for issue by the Board of Directors on 15 May 2025 d signed on its behalf by:

Glenroy Williams - President

Suzette Whyte - Treasurer

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2024

	Notes	2024 $	2023 $
INTEREST INCOME:			
Loans to members		86,368,424	79,698,996
Investments and deposits		20,843,079	17,913,295
		107,211,503	97,612,291
INTEREST EXPENSE:			
Savings deposits		(18,005,525)	(16,441,123)
Members' share deposits		(2,518,121)	(2,442,228)
		(20,523,646)	(18,883,351)
NET INTEREST INCOME		86,687,857	78,728,940
Impairment write back/(allowances) on financial assets	19	2,333,534	(2,073,035)
NET INTEREST INCOME AFTER IMPAIRMENT ALLOWANCES ON FINANCIAL ASSETS		89,021,391	76,655,905
Non-interest income	20	1,424,256	1,395,101
		90,445,647	78,051,006
Operating expenses	21	(83,203,834)	(58,988,419)
NET SURPLUS BEFORE HONORARIUM AND DONATIONS		7,241,813	19,062,587
Honoraria		(1,000,000)	(700,000)
Donations		(586,500)	(392,000)
NET SURPLUS FOR THE YEAR		5,655,313	17,970,587
OTHER COMPREHENSIVE INCOME:			
Items that will never be reclassified to surplus or deficit:			
Re-measurement of retirement benefit asset	10(f)	(6,656,000)	(6,247,000)
Valuation loss on fair value of equity investment at FVOCI	18	(3,010,000)	-
		(9,666,000)	(6,247,000)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(4,010,687)	11,723,587

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2024

	Non-institutional Capital $	Institutional Capital $	Milestone Reserve $	Permanent Shares $	Redemption Reserve Fund $	General Loan Loss Reserve $	Employees Benefit Reserve $	Fair Value Reserve $	Total $
Balance at 1 January 2023	27,690,013	101,978,904	7,143,850	3,066,000	254,000	7,336,489	5,141,000	-	152,610,256
Total comprehensive income for the year:									
Net surplus	17,970,587	-	-	-	-	-	-	-	17,970,587
Other comprehensive income:									
Re-measurement of retirement benefit asset	-	-	-	-	-	-	(6,247,000)	-	(6,247,000)
	17,970,587	-	-	-	-	-	(6,247,000)	-	11,723,587
Transactions with members:									
Entrance fees	-	3,300	-	-	-	-	-	-	3,300
Permanent share subscription	-	-	-	38,000	-	-	-	-	38,000
Movement in reserves:									
Transfer from employees benefit reserve	(839,000)	-	-	-	-	-	839,000	-	-
Transfer to milestone reserve	(3,000,000)	-	3,000,000	-	-	-	-	-	-
Transfer to statutory and legal reserve	(6,594,117)	6,594,117	-	-	-	-	-	-	-
Transfer to education reserve	(1,000,000)	1,000,000	-	-	-	-	-	-	-
Transfer to general reserve	(1,000,000)	1,000,000	-	-	-	-	-	-	-
Transfer from loan loss reserve	(1,000,000)		-	-		1,000,000	-	-	-
Transfer to general loan loss reserve	1,804,895	-	-	-	-	(1,804,895)	-	-	-
Net increase in reserve	-	-	-	-	18,000	-	-	-	18,000
	(11,628,222)	8,597,417	3,000,000	38,000	18,000	(804,895)	839,000	-	59,300
Balance at 31 December 2023	34,032,378	110,576,321	10,143,850	3,104,000	272,000	6,531,594	(267,000)	-	164,393,143
Total comprehensive income for the year:									
Net surplus	5,655,313	-	-	-	-	-	-	-	5,655,313
Other comprehensive income:									
Re-measurement of retirement benefits	-	-	-	-	-	-	(6,656,000)	-	6,656,000
Change in fair value of equity investment at FVOCI	-	-	-	-	-	-	-	(3,010,000)	(3,010,000)
	5,655,313	-	-	-	-	-	(6,656,000)	(3,010,000)	(4,010,687)
Transactions with members:									
Entrance fees	-	3,600	-	-	-	-	-	-	3,600
Permanent share subscription	-	-	-	108,000	-	-	-	-	108,000
Movement in reserves:									
Transfer from employees benefit reserve	476,000	-	-	-	-	-	(476,000)	-	-
Transfer to milestone reserve	(3,000,000)		3,000,000						
Transfer from milestone reserve	13,143,850	-	(13,143,850)	-	-	-	-	-	-
Transfer to statutory and legal reserve	(7,448,363)	7,448,363	-	-	-	-	-	-	-
Transfer to education reserve	(1,000,000)	1,000,000	-	-	-	-	-	-	-
Transfer to general reserve	(1,000,000)	1,000,000	-	-	-	-	-	-	-
Transfer to general loan loss reserve	(2,651,914)	-	-	-	-	2,651,914	-	-	-
Net increase in reserve	-	-	-	-	12,000	-	-	-	12,000
	(1,480,427)	9,451,963	(10,143,850)	108,000	12,000	2,651,914	(476,000)	-	123,600
Balance at 31 December 2024	38,207,264	120,028,284	-	3,212,000	284,000	9,183,508	(7,399,000)	(3,010,000)	160,506,056

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2024

	Note	2024 $	2023 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net surplus for the year		5,655,313	17,970,587
Adjustments for:			
Depreciation	21	1,300,458	1,014,809
Retirement benefit expense	10(d)	2,125,000	336,000
Impairment (write back)/allowances on financial assets	19	(2,333,534)	2,073,035
Interest income		(107,211,503)	(97,612,291)
Interest expense		20,523,646	18,883,351
		(79,940,620)	(57,334,509)
Changes in operating assets and liabilities			
Loans to members, net		(103,391,481)	(59,592,448)
Other assets		(133,218)	464,290
Payables		2,606,014	884,653
Savings deposits		57,471,158	4,788,016
Members' share deposits		23,410,927	28,573,314
Retirement benefit contributions paid	10(c)	(1,650,000)	(1,175,000)
		(101,627,220)	(83,391,684)
Interest received		86,210,243	78,476,458
Interest paid		(20,342,540)	(18,831,058)
Cash used in operating activities		(35,759,517)	(23,746,284)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	9	(57,196)	(2,551,298)
Encashment/(addition) to financial investments		2,076,379	(5,128,861)
Interest received		19,397,866	18,876,906
Cash provided by investing activities		21,417,049	11,196,747
CASH FLOWS FROM FINANCING ACTIVITIES:			
Permanent shares, net		108,000	38,000
Issue of shares		12,000	18,000
Entrance fees		3,600	3,300
Cash provided by financing activities		123,600	59,300
Decrease in cash and cash equivalents		(14,218,868)	(12,490,237)
Cash and cash equivalents at beginning of year		115,396,850	127,887,087
CASH AND CASH EQUIVALENTS AT END OF YEAR		101,177,982	115,396,850
Comprised of:			
Liquid assets - interest bearing	6	101,177,982	115,396,850

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

1. STATUS AND PRINCIPAL ACTIVITIES:

B.J. Staff Co-operative Credit Union Limited (the Co-operative), is registered under the Co-operative Societies Act and is domiciled in Jamaica. The registered office and principal place of business is located at Nethersole Place, Kingston.

The main activities of the Co-operative comprise receiving money from its members for the purchase of shares or as deposits and providing loans to its members.

The Co-operative is exempt from Income Tax under Section 59(1) of the Co-operative Societies Act and Section 12 of the Income Tax Act.

The Co-operative is a member of and is supervised by the Jamaica Co-operative Credit Union League (JCCUL).

2. MATERIAL ACCOUNTING POLICIES:

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Where necessary, the comparative information has been reclassified to conform with current year presentation.

(a) Basis of preparation

The financial statements are presented in Jamaican dollars which is the Co-operative's functional currency.

Items included in the financial statements of the Co-operative are measured using the currency of the primary economic environment in which the Co-operative operates ("the functional currency").

These financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRS Accounting Standards). The financial statements have been prepared on a historical cost basis except for certain financial assets that are measured at fair value and employee benefits assets which is recognised at the fair value of plan assets, less the present value of defined benefit obligation.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Co-operative's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd)

Standards, interpretations and amendments that became effective during the year

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Co-operative has assessed the relevance of all such new standards, interpretations and amendments and has concluded that the following amendments are relevant to its operations:

IAS 7 'Statement of Cash Flows - Amendment', issued May 2023 (effective for accounting periods commencing on or after 1 January 2024). These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows, and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

IAS 1 'Classification of Liabilities as Current or Non-Current- Amendment', issued January 2020 (effective for accounting periods commencing on or after 1 January 2024). These amendments clarify that liabilities are classified as either current or non-current based on a right to defer settlement having substance that exists at the end of the reporting period. Classification of a liability as non-current can be made if the group has a right to defer settlement for at least twelve months after the reporting period. The adoption of these amendments is not expected to have a significant impact on the Co-operative.

There was no significant impact on the financial statements from the adoption of these amendments.

New standards, interpretations and amendments not yet effective and not early adopted

At the date of authorization of these financial statements there are a number of standards, amendments to standards and interpretations which have been issued by the IASB that are effective in future accounting periods that the Co-operative has decided not to adopt early. The most significant of these are:

Presentation and Disclosure in Financial Statements which replaces IAS 1. IFRS 18 is effective for accounting periods beginning on or after 1 January 2027. It introduces several new requirements that are expected to impact the presentation and disclosure of most, if not all, entities. These include:

- The requirement to classify all income and expense into specific categories and provide specified totals and subtotals in the statement of surplus or deficit.

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

2. MATERIAL ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd)

New standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted (cont'd)

Presentation and Disclosure in Financial Statements which replaces IAS 1. IFRS 18 is effective for accounting periods beginning on or after 1 January 2027 (cont'd).

- Enhanced guidance on the aggregation, location and labelling of items across the primary financial statements and the notes.
- Mandatory disclosure about management-defined performance measures (a subset of alternative performance measures).

IFRS 7 and 9 'Classification and Measurement of Financial Instruments - Amendment', issued May 2024 (effective for accounting periods commencing on or after 1 January 2026). These amendments:

- clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPA) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and
- make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).

Annual improvements to IFRS — Volume II (effective for accounting periods starting on or after I January 2026). Annual improvements are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting Standards. The 2024 amendments are to the following standards:

- IFRS 1 First-time Adoption of Financial Reporting Standards.
- IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7;
- IFRS 9 Financial Instruments;
- IFRS 10 Consolidated Financial Statements, and
- IAS 7 Statement of Cash Flows

The Co-operative does not expect any other standards or interpretations issued by the IASB, but not yet effective, to have a material impact on the Co-operative.

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

2. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(b) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. In these financial statements:

- Financial assets comprise loans to members, liquid assets and financial investments.
- Financial liabilities comprise members' share deposits, savings deposits and payables.

Financial instruments are classified, recognised and measured in accordance with the substance of the terms of the contracts as set out herein.

(i) Recognition and initial measurement

The Co-operative recognises a financial instrument when it becomes a party to the contractual terms of the instrument. The Co-operative initially recognises loans and other assets on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

At initial recognition, the Co-operative measures a financial asset or financial liability at its fair value, plus, for a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in surplus or deficit.

Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost which results in an accounting loss being recognised in surplus or deficit when an asset is newly originated.

When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

2. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(b) **Financial instruments (cont'd)**

(ii) Classification and subsequent re-measurement

The Co-operative classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

Financial assets

The classification requirements for debt and equity instruments are described below:

(a) Debt instruments

Business model

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and receivables.

Classification and subsequent measurement of debt instruments depend on:

- the Co-operative's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the Co-operative classifies its debt instruments into one of the following three measurement categories:

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 FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described at (vi). Interest income from these financial assets is included in investments and deposits under interest income, using the effective interest method.

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2024

2. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(b) Financial instruments – (cont'd)

(ii) Classification and subsequent re-measurement (cont'd)

Financial assets (cont'd)

(a) Debt instruments (cont'd)

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 FVTPL, are measured at fair value through other comprehensive income (FVOCI).

Fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through surplus or deficit. A gain or loss on a debt investment that is subsequently measured at fair value through surplus or deficit and is not part of a hedging relationship is recognised in surplus or deficit and presented in the surplus or deficit statement within. 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Non-interest income'. Interest income from these financial assets is included in 'Interest income' using the effective interest method.

Business model assessment

The business model reflects how the Co-operative manages the assets in order to generate cash flows. That is, whether the Co-operative'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 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 FVTPL.

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2024

2. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(b) Financial instruments – (cont'd)

(ii) Classification and subsequent re-measurement (cont'd)

Financial assets (cont'd)

(a) Debt instruments (cont'd)

Business model assessment (cont'd)

Factors considered by the Co-operative in determining the business model for a group of assets include:

1. Past experience on how the cash flows for these assets were collected;
2. How the asset's performance is evaluated and reported to key management personnel; and
3. How risks are assessed and managed.

For example, securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVTPL.

Solely payments of principal and interest (SPPI)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Co-operative assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Co-operative 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 asset is classified and measured at fair value through surplus or deficit. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(b) Financial instruments (cont'd)

(ii) Classification and subsequent re-measurement (cont'd)

Financial assets (cont'd)

(a) Debt instruments (cont'd)

Solely payments of principal and interest (SPPI) (cont'd)

The Co-operative reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent, and none occurred during the period.

(b) Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Co-operative subsequently measures all equity investments at fair value through profit or loss, except where the Co-operative's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The election is made on an investment-by-investment basis.

Gains and losses on equity investments at FVTPL are included in the 'Non-interest income' caption in the statement of surplus or deficit.

(c) Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, where the modification to the contractual terms of a loan is substantial. The existing loan is derecognised, and a new renegotiated loan is recognised at a new effective interest rate. Where the modification is not substantial and does not result in the derecognition, the gross carrying amount of the loan is calculated by discounting the modified cash flows using the original effective interest rate.

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2. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(b) **Financial instruments (cont'd)**

(ii) Classification and subsequent re-measurement (cont'd)

Financial liabilities

The Co-operative's financial liabilities are classified and measured at amortised cost. These financial liabilities include interest and non-interest bearing liabilities, external credits and members voluntary shares. Interest on the relevant liabilities are calculated using the effective interest rate method and is recognised as interest expense.

(iii) Derecognition

The Co-operative derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Co-operative neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income (OCI) is recognised in surplus or deficit.

Any cumulative gains or losses recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in surplus or deficit on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Co-operative is recognised as a separate asset or liability.

The Co-operative derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

2. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(b) **Financial instruments (cont'd)**

(iv) Measurement and gains and losses

The liquid and financial investments' captions in the statement of financial position includes:

- debt investment securities measured at amortised cost which are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method;

- debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL which are at fair value with changes recognised immediately in surplus or deficit;

- equity investment securities designated as at FVOCI.

Gains and losses on such equity instruments are never reclassified to surplus or deficit and no impairment is recognised in surplus or deficit. Dividends are recognised in surplus or deficit unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to non-institutional capital on disposal of an investment.

(v) Specific financial instruments

(a) Liquid assets

Liquid assets which are classified and measured at amortised costs include cash and bank balances as well as liquid financial assets with original maturities of less than three (3) months, which are subject to insignificant risk of changes in their fair value, and are held for the purpose of meeting short-term cash commitments, rather than for investment or other purposes

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2. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(b) Financial instruments (cont'd)

(v) Specific financial instruments (cont'd)

(b) Securities purchased under resale agreement ("reverse repurchase agreements")

Securities purchased under resale agreement are short-term transactions whereby an entity buys securities and simultaneously agrees to resell them on a specified date and at a specified price. Reverse repurchase agreements are accounted for as short-term collateralised lending and are classified and measured at amortised cost.

The Co-operative enters into reverse repurchase agreements to resell substantially identical investments at a certain date in the future at a fixed price. The amounts paid are recognised as "reverse repurchase agreements" and are collaterised by the underlying securities.

The difference between the sale and repurchase considerations is recognised on the accrual basis over the period of the transaction and is included in interest income.

(vi) Impairment

The Co-operative recognises allowances for expected credit losses (ECL) on financial assets that are debt instruments and that are not measured at FVTPL.

The Co-operative measures impairment allowance at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Co-operative considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Co-operative does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments.

2. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(b) **Financial instruments (cont'd)**

(vi) Impairment (cont'd)

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments.

Measurement of 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 Co-operative 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; and
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Co-operative if the commitment is drawn and the cash flows that the Co-operative expects to receive.

Restructured financial assets

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

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2. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(b) **Financial instruments (cont'd)**

(vi) Impairment (cont'd)

Credit-impaired financial assets

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Co-operative on terms that the Co-operative would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Co-operative considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of the debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

2. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(b) **Financial instruments (cont'd)**

(vi) Impairment (cont'd)

Presentation of allowance for ECL in the statement of financial position

Allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.
- loan commitments and financial guarantee contracts: generally, as a provision.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Co-operative determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of surplus or deficit and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Co-operative's procedures for recovery of amounts due.

Regulatory provisions

The guidelines established by the Jamaica Co-operative Credit Union League ("JCCUL"), require the allowance for loan losses to be stipulated percentages of total delinquent loans, the percentage varying with the period of delinquency, before considering security held against such loans.

The allowance for loan losses required by JCCUL which is in excess of the requirements of IFRS 9 expected credit losses is treated as an appropriation of undistributed surplus and included in a non-distributable loan loss reserve.

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2. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(b) Financial instruments (cont'd)

(vi) **Impairment (cont'd)**

Regulatory provisions (cont'd)

Although regulations governing the licensing and supervision of Credit Unions by the Bank of Jamaica are still pending, the Co-operative makes loan provisions pursuant to the guidelines issued by the Bank of Jamaica to Credit Unions. The guidelines stipulate a required general provision for loan losses of one percent of total loans. Where this amount is in excess of the amount required for IFRS 9, it is treated as an appropriation of undistributed surplus and is included in a non-distributable loan loss reserve.

(c) Impairment of non-financial assets

The carrying amounts of the Co-operative's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in surplus or deficit.

(d) Property, plant and equipment and computer software

Items of property, plant and equipment are recorded at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Co-operative and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to surplus or deficit during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method at annual rates estimated to write off the costs of the assets over the period of their estimated useful lives. Annual rates are as follows:

Computer equipment	331/3%
Furniture and fixtures	10%
Equipment	10%

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2. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(d) Property, plant and equipment and computer software (cont'd)

Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of the assets is greater than the estimated recoverable amount, it is written down immediately to its recovery amount.

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining surplus or deficit.

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

Computer software is deemed to have a finite useful life of 10 years and is measured at cost, less accumulated amortization and impairment losses if any.

(e) Employee benefits

The employees of the Co-operative participate in a defined-benefit, multi-employer pension plan operated by JCCUL.

In respect of defined-benefit arrangements, employee benefits comprising pension assets and obligations included in the financial statements are determined by a qualified independent actuary, appointed by JCCUL. The actuarial valuations are conducted in accordance with IAS 19, using the projected unit credit method. When the calculation results in a potential asset for the Co-operative, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements. In carrying out their audit, the auditors rely on the work of the actuary and the actuary's report.

The Co-operative's net obligation in respect of the defined-benefit pension plan is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any plan assets is deducted.

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NOTES TO THE FINANCIAL STATEMENTS

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2. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(e) Employee benefits (cont'd)

Remeasurements of the net defined benefit asset, which comprise actuarial gains and losses are recognised immediately in other comprehensive income. The Co-operative determines the net interest expense (income) on the net defined benefit asset for the period by applying the discount rate used to measure the defined benefit asset at the beginning of the annual period to the net defined benefit asset, taking into account any changes in the net defined benefit asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses on post-retirement obligation is recognised in surplus or deficit.

When the benefits of a plan are changed, or when the plan is curtailed, the resulting change in benefit relating to past service or the gain or loss on curtailment is recognised immediately in surplus or deficit. The Co-operative recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. Effective 31 December 2016, the defined-benefit plan was closed to new members. New members to the plan participate in a defined-contribution multi-employer pension plan operated by JCCUL. As of November 30, 2024 COK Sodality Co-operative Credit Union Limited withdrew from the Scheme resulting in a net actuarial gain on plan assets of $83.23 million which was reallocated among the other Participating Employers.

(f) Saving deposits

Saving deposits are recognized initially at the normal amount when funds are received. Deposits are subsequently stated at amortised cost.

(g) Members shares

Permanent shares

Permanent shares are classified as equity and are available for withdrawal when membership is terminated. Dividend on permanent shares is treated as an appropriation of surplus and payable when declared.

Voluntary shares

Members' voluntary shares represent deposit holdings of the Co-operative's members, to satisfy membership requirements and to facilitate eligibility for loans and other benefits. These shares are classified as financial liabilities. Interest payable on these shares are determined at the discretion of the Co-operative and reported as interest in the statement of surplus or deficit in the period in which they are approved.

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2. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(h) Related party

A party is related to the Co-operative, if:

(i) Directly, or indirectly through one or more intermediaries, the party:

- (a) is controlled by, or is under common control with, the Co-operative;
- (b) has an interest in the Co-operative that gives it significant influence over the Co-operative; or
- (c) has joint control over the Co-operative.

(ii) The party is a member of the key management personnel of the Co-operative or its parent;

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

(iv) The party is a Co-operative that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such Co-operative resides with, directly or indirectly, any individual referred to in (ii) or (iii).

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. The Co-operative has a related party relationship with its directors and key management personnel representing certain senior officers of the Co-operative.

(i) League fees and stabilization dues

JCCUL has determined the rate for calculating league fees at 0.2% (2023: 0.2%) of total assets. Stabilisation dues are computed at a rate of 0.15% (2023: 0.15%), of savings fund.

(j) Interest income

Interest income is recognised in surplus using the effective interest method. The "effective interest rate" is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to its gross carrying amount.

When calculating the effective interest rate for financial instruments other than purchased or originated credit impaired assets, the Co-operative estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

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NOTES TO THE FINANCIAL STATEMENTS

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2. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(j) Interest income (cont'd)

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition of a financial asset.

The 'amortised cost' of a financial asset is the amount at which the financial asset is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income

The effective interest rate of a financial asset is calculated on initial recognition. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) and is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to the gross basis even if the credit risk of the asset improves.

Interest income calculated using the effective interest method presented in the statement of surplus or deficit, includes interest on financial assets measured at amortised cost.

(k) Dividends

Dividend income from equity financial investments is recognised at a point in time when the Co-operative's right to receive payment has been established.

2. MATERIAL ACCOUNTING POLICIES (CONT'D):

(l) Interest expense

Interest expense is recognised in surplus or deficit using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the amortised cost of the financial liability.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate.

Transaction costs include incremental costs that are directly attributable to the issue of a financial liability.

The 'amortised cost' of a financial liability is the amount at which the financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount.

The effective interest rate of a financial liability is calculated on initial recognition of the financial liability. In calculating interest expense, the effective interest rate is applied to the amortised cost of the liability.

Interest expense presented in the statement of surplus or deficit includes financial liabilities measured at amortised cost.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS:

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Co-operative's accounting policies, management has made the following critical accounting estimates or judgements which it believes have a significant risk of causing a material misstatement in these financial statements.

(a) Critical judgements applied

(i) Classification of financial asset

The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payments of principal and interest (SPPI) on the principal payment amount outstanding requires management to make certain judgements on its business operations.

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NOTES TO THE FINANCIAL STATEMENTS

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3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D):

(a) Critical judgements applied (cont'd)

(ii) Impairment of financial assets

Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of expected credit loss (ECL) and selection and approval of models used to measure ECL requires significant judgement.

(b) Key assumptions and other sources of estimation uncertainty

(i) Allowance for impairment losses on financial assets

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI 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). Management also estimates the likely amount of cashflows recoverable on the financial assets in determining loss given default. The use of assumptions makes uncertainty inherent in such an estimate. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 4. The use of assumptions makes uncertainty inherent in such an estimate.

(ii) Retirement benefit asset/liability

The amounts recognised in the statement of financial position and statement of surplus or deficit and other comprehensive income for pension benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include the discount rate used to determine the present value of estimated future cash flows required to settle the pension obligations.

The discount rate is determined based on the estimate of yield on long-term government securities that have maturity dates approximating the terms of the Co-operative's obligations. In the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest-tenor security on the market. Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations.

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NOTES TO THE FINANCIAL STATEMENTS

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3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D):

(b) **Key assumptions and other sources of estimation uncertainty (cont'd)**

(iii) Fair value of financial instruments

In the absence of quoted market prices, the fair value of the Co-operative's financial instruments are determined using a generally accepted alternative to quoted market prices. Considerable judgement is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

(iv) Depreciable assets

Estimates of the useful life and residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The Co-operative applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in surplus or deficit through impairment or adjusted depreciation provisions.

4. FINANCIAL RISK MANAGEMENT:

The Co-operative's activities are principally related to the use of financial instruments, which involve analysis, evaluation and management of some degree of risk or combination of risks. The Co-operative manages risk through a framework of risk principles, organisational structures and risk management and monitoring processes that are closely aligned with the activities of the Co-operative. The Co-operative's risk management policies are designed to identify and analyze the risks faced by the Co-operative, to set appropriate risk limits and controls, and to monitor risks and adherence to limits by means of regularly generated reports. The Co-operative's aim is therefore to achieve an appropriate balance between risks and return and minimize potential adverse effects on the Co-operative's financial performance.

The Co-operative has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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4. FINANCIAL RISK MANAGEMENT (CONT'D):

In common with all other businesses, the Co-operative is exposed to risks that arise from its use of financial instruments. This note describes the Co-operative's objectives, policies and processes for managing those risks to minimize potential adverse effects on the financial performance of the Co-operative and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There has been no substantive changes in the Co-operative's exposure to financial instrument risks, its objectives, policies and process for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(a) Principal financial instruments

The principal financial instruments used by the Co-operative from which risk arises, are as follows:

- Liquid assets
- Loans to members
- Financial investments
- Payables
- Saving deposits
- Members' share deposits

(b) Financial instruments by category

Financial assets

	Amortised cost $	Fair value through profit or loss $	Fair value through other comprehensive income $	Total $
31 December 2024:				
Liquid assets	158,873,965	-	-	158,873,965
Loans to members	796,985,535	-	-	796,985,535
Financial investments	136,437,180	10,746,799	13,498,397	160,682,376
	1,092,296,680	10,746,799	13,498,397	1,116,541,876

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4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(b) Financial instruments by category (cont'd)

Financial assets (cont'd)

	Amortised cost $	Fair value through profit or loss $	Fair value through other comprehensive income $	Total $
31 December 2023:				
Liquid assets	171,305,579	-	-	171,305,579
Loans to members	691,783,959	-	-	691,783,959
Financial investments	124,307,655	24,613,124	16,508,397	165,429,176
	987,397,193	24,613,124	16,508,397	1,028,518,714

Financial liabilities

	Amortised cost	
	2024 $	2023 $
Payables	16,882,566	14,473,238
Saving deposits	570,764,701	513,112,437
Members' shares deposits	363,327,987	339,917,060
	950,975,254	867,502,735

(c) **Financial instruments measured at fair value**

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction.

The financial instruments are grouped into level 1 to 3 based on the degree to which the fair values are observable as follows:

- Level 1 includes those instruments which are measured based on quoted prices in active markets for identical assets or liabilities.

- Level 2 includes those instruments which are measured using inputs other than quoted prices within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

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NOTES TO THE FINANCIAL STATEMENTS

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4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) Financial instruments measured at fair value (cont'd)

The financial instruments are grouped into level 1 to 3 based on the degree to which the fair values are observable as follows (cont'd):

- Level 3 includes those instruments which are measured using valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs).

There were no transfer between levels during the year.

The following table shows the fair values of financial assets including their levels in the fair value hierarchy. The table does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of their fair value.

	2024		
	Level 2 $	Level 3 $	Total $
Financial assets measured at fair value:			
Financial investments (note 7)	10,746,799	13,498,397	24,245,196

	2023		
	Level 2 $	Level 3 $	Total $
Financial assets measured at fair value:			
Financial investments (note 7)	24,613,124	16,508,397	41,121,521

Financial investments which have been categorized as level 2 valuation model is based on the price of units at reporting date as quoted by the broker. The valuation technique used for level 3 financial instruments is the net assets valuation method.

The fair value of liquid assets, reverse repurchase agreements, cash and cash balances maturing in one (1) year is assumed to appropriate their carrying amount. This assumption applies to all other financial assets and liabilities.

The fair value of time deposits and savings deposits with no specific maturity is assumed to be amount payable on demand at the reporting date.

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NOTES TO THE FINANCIAL STATEMENTS

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4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) Financial instruments measured at fair value (cont'd)

The fair value of the loans to members could not be readily determined as the loans are generally unique to the Co-operative although they are at market comparable interest rates. Additionally, the carrying amount of the loans reflects the expected lifetime credit losses, value and quality of collateral and interest rates on the loans.

Unquoted equities- fair value through OCI

The Jamaica Cooperative Co-operative League and other related entities shares represent investments that the Co-operative intends to hold long term for strategic purposes and are not actively traded. These shares were measured at fair value on initial recognition and subsequently where their value cannot be measured reliably, the assets are measured at the carrying amount determined at the last date on which the fair value could be determined reliably.

As in the prior period, the fair value of these assets has been estimated taking into consideration the net asset value per share based on the most recent published financials. These assets are categorized at Level 3 on the fair value hierarchy given the lack of visibility of these valuation variables.

(d) Financial risk factors

The Board of Directors is ultimately responsible for the establishment and oversight of the Co-operative's risk management framework. The Board has established committees for managing and monitoring risks.

Two key committees and responsible officers (finance function) for managing and monitoring risks are as follows:

(i) Supervisory Committee

The Supervisory Committee oversees the Internal Audit function of the Co-operative and ensures that internal procedures and controls are adhered to. The Supervisory Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of management controls and procedures, the results of which are reported to the Supervisory Committee.

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(d) **Financial risk factors (cont'd)**

Two key committees and responsible officers (finance function) for managing and monitoring risks are as follows (cont'd):

(ii) Credit Committee

The Credit Committee oversees the approval of the credit facilities to members. It is also primarily responsible for monitoring the quality of the loan portfolio, by ensuring that collaterals used to secure members' loans are adequate prior to loan approval.

(iii) Finance Function

The Treasurer and Assistant Treasurer are responsible for overseeing the management of the Co-operative's assets and liabilities and the overall financial structure. They are also responsible for managing the funding and liquidity of the Co-operative.

The committees and responsible officers comprise persons independent of management and reports to the Board on a monthly basis.

The Co-operative's overall risk management programme seeks to minimize potential adverse effects on the Co-operative's financial performance. There have been no significant changes to the Co-operative's exposure to financial risks or the manner in which it manages and measures its risks.

(i) **Credit risk**

Credit risk is the risk of financial loss to the Co-operative if a member or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Co-operative's loans to members, deposits with other institutions and investment securities.

Credit review process

The management of credit risk in respect of loans to members is delegated to the Credit Committee. The Committee is responsible for oversight of the Co-operative's credit risk, including formulating credit policies, establishing the authorisation structure for the approval of credit facilities, reviewing and assessing credit risk, and limiting concentration of exposure to counterparties.

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(d) Financial risk factors (cont'd)

(i) **Credit risk (cont'd)**

Loans to members

Management of risk

The Co-operative assesses the probability of default of individual borrowers using internal ratings. The Co-operative assesses each borrower on four critical factors. These factors are the member's credit history, ability to pay linked to the industry benchmarked debt service ratio of 75%, character profile and the member's economic stability, based on employment and place of abode.

Borrowers are segmented into two rating classes, performing and non-performing.

The credit quality review process allows the Co-operative to assess the potential loss as a result of the risk to which it is exposed and take corrective action. Exposure to credit risk is managed, in part, by obtaining collateral and personal guarantees.

Credit quality

The following table sets out information about the credit quality of loans.

	2024			
	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Performing	768,659,286	24,402,803	-	793,062,089
Non-performing	-	-	10,715,747	10,715,747
	768,659,286	24,402,803	10,715,747	803,777,836
Loss allowance	(1,870,348)	(662,035)	(6,583,247)	(9,115,630)
	766,788,938	23,740,768	4,132,500	794,662,206

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NOTES TO THE FINANCIAL STATEMENTS

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4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(d) Financial risk factors (cont'd)

(i) Credit risk (cont'd)

Loans to members (cont'd)

Credit quality (cont'd)

	2023			
	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Performing	647,670,711	38,519,552	-	686,190,263
Non-performing	-	-	14,196,092	14,196,092
	647,670,711	38,519,552	14,196,092	700,386,355
Loss allowance	(1,952,905)	(1,043,297)	(7,771,342)	(10,767,544)
	645,717,806	37,476,255	6,424,750	689,618,811

Financial investments

Management of risk

The Co-operative limits its exposure to credit risk by investing only in liquid assets and only with counterparties that have a high credit quality and Government of Jamaica securities. Therefore, management does not expect any counterparty to fail to meet its obligations.

The Co-operative has documented policies which facilitate the management of credit risk on investment securities and resale agreements. The Co-operative's exposure and credit ratings of its counterparties are continually monitored.

Credit quality

The Co-operative identifies changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Co-operative supplements this by reviewing changes in bond yields together with available press and regulatory information on issuers.

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(d) Financial risk factors (cont'd)

(i) Credit risk (cont'd)

Liquid assets

Liquid assets are held in financial institutions which management regards as strong and there is no significant concentration. The strength of these financial institutions is constantly reviewed by the Board of Directors.

Impairment has been measured at the 12-month expected loss basis and reflects the short maturities of the exposures. The Co-operative considers that liquid assets have low credit risk.

Credit limits

The Co-operative manages concentrations of credit risk by placing limits on the amount of risk accepted in relation to a single borrower or groups of related borrowers, and to product segments. Borrowing limits are established by the use of the system described above. Limits on the level of credit risk by product categories, and for investment categories, are reviewed and approved bi-annually by the Board of Directors.

Collateral held and other credit enhancements

The most widely used practice for mitigating credit risk is the taking of security in the form of physical assets, netting agreements and guarantees. The amount and type of collateral required depend on an assessment of the credit risk of the borrower and guidelines implemented regarding the acceptability of different types of collateral. The principal collateral types provided for loans and advances are charges over members' balances, real property and motor vehicles.

Estimates of fair values are based on value of collateral assessed at the time of borrowing and are generally not updated except when a loan (or other financial asset) is individually assessed as impaired. Collateral is not generally held against deposits and investment securities, except when the securities are held as part of resale agreements.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the provision for credit losses.

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(d) Financial risk factors (cont'd)

(i) Credit risk (cont'd)

Collateral held and other credit enhancements (cont'd)

The table below shows the collateral and other security enhancements held against loans to borrowers.

Collateral held for loans

	2024 $	2023 $
Past due but not impaired financial assets		
Properties	3,943,421	7,771,720
Shares and deposits	8,274,664	8,725,340
Liens on motor vehicles	17,054,668	33,854,773
	29,272,753	50,351,833
Impaired financial assets		
Properties	3,654,289	-
Liens on motor vehicles	1,063,516	8,908,516
	4,717,805	8,908,516
	33,990,558	59,260,349

Impairment

Impairment of loans to members

See accounting policy at note 2(b).

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Co-operative considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Co-operative's historical experience and third-party policies including forward-looking information.

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(d) Financial risk factors (cont'd)

(i) Credit risk (cont'd)

Impairment (cont'd)

Impairment of loans to members (cont'd)

Significant increase in credit risk (cont'd)

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Co-operative uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators; and
- the 30 days past due backstop indicator.

Credit risk grades

The Co-operative allocates each exposure a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. The Co-operative uses these grades in identifying significant increases in credit risk. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(d) Financial risk factors (cont'd)

(i) Credit risk (cont'd)

Impairment (cont'd)

Impairment of loans to members (cont'd)

Credit risk grades (cont'd)

Each exposure is allocated a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data:

- Information obtained during periodic review of customer files.
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower.
- Payment record – this includes overdue status as well as a range of variables about payment ratios.
- Existing and forecast changes in business, financial and economic conditions.

Determining whether credit risk has been increased significantly

The Co-operative assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower.

Credit risk is deemed to increase significantly where the credit rating of a security decreased from grade 1 to grade 3 and the risk grade of loans has moved from grade 1 (standard) to grade 3 (sub-standard).

As a backstop, the Co-operative considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(d) Financial risk factors (cont'd)

(i) Credit risk (cont'd)

Impairment (cont'd)

Impairment of loans to members (cont'd)

Determining whether credit risk has been increased significantly (cont'd)

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument return to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Co-operative determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Co-operative monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(d) Financial risk factors (cont'd)

(i) Credit risk (cont'd)

Impairment (cont'd)

Impairment of loans to members (cont'd)

Definition of default

The Co-operative considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Co-operative in full, without recourse by the Co-operative to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Co-operative; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Co-operative considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Co-operative; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Co-operative incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(d) Financial risk factors (cont'd)

(i) Credit risk (cont'd)

Impairment (cont'd)

Impairment of loans to members (cont'd)

Incorporation of forward-looking information (cont'd)

The Co-operative uses a forward looking scorecard model to estimate the potential impact of future economic conditions. It formulates three economic scenarios: a base case, which is the median scenario assigned a 50% probability of occurring, and two less likely scenarios, one upside and one downside, assigned a 20% and 30% probability of occurring respectively. Each scenario considers the expected impact of inflation, interest rates, unemployment rates and gross domestic product (GDP). The base case is aligned with information used by the Co-operative for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in Jamaica, international organisations and selected private-sector and academic forecasters.

The economic scenarios used as at 31 December 2024 assumed no significant changes in key indicators for Jamaica within the next year.

Based on the economic scenario, proxies of 0.6, 1.1 and 1.6 times ECL were determined to be appropriate for positive, stable and negative outlooks respectively.

Measurement of ECLs

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

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31 DECEMBER 2024

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(d) Financial risk factors (cont'd)

(i) Credit risk (cont'd)

Impairment (cont'd)

Impairment of loans to members (cont'd)

Measurement of ECLs (cont'd)

LGD is the magnitude of the likely loss if there is a default. The Co-operative estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by property, loan-to-value (LTV) ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

Exposure to credit risk

Maximum credit exposure to credit risk before collateral held or other credit enhancements

The maximum credit exposure, that is, the total amount of loss that the Co-operative would suffer if every counterparty to the Co-operative's financial assets were to default at once, is represented by the carrying amount of the financial assets shown on the statement of financial position as at the reporting date.

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(d) **Financial risk factors (cont'd)**

(i) **Credit risk (cont'd)**

Impairment (cont'd)

Exposure to credit risk (cont'd)

Concentration of risk

Loans

The following table summarises the Co-operative's credit exposure for consumer loans at their carrying amounts:

	2024 $	2023 $
Construction and real estate	250,827,907	270,357,661
Unsecured	81,746,635	76,879,511
Cash secured	167,850,949	85,536,707
Motor vehicle	305,675,674	269,777,624
	806,101,165	702,551,503
Less: Allowance for impairment losses	(9,115,630)	(10,767,544)
	796,985,535	691,783,959

Impairment of debt Investments

The Co-operative used external credit ratings as published by established rating agencies in its assessment of the probability of default on debt investments. The PDs and LGDs for government bonds have been developed by the rating agencies based on statistics on the default loss and rating transition experience of government bond issuers.

The loss allowance on debt investments carried at amortised cost is measured using lifetime PDs. The credit ratings and associated PDs are reviewed and updated on an annual basis.

Based on available credit ratings for debt securities, they were classified in stage 1, as a consequence, management's expectation of default is low.

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(d) **Financial risk factors (cont'd)**

(ii) Credit risk (cont'd)

Impairment (cont'd)

Impairment of resale agreements

The Credit Union used published external credit rating in assessing the probability of default on resale agreements. The credit ratings and associated PDs are reviewed and updated on an annual basis.

Based on available credit ratings, resale agreements were classified in stage 2 as they were below investment grade as defined by reputable rating agencies.

Other than exposure on Government of Jamaica securities, there is no significant concentration of credit risk related to resale agreements. As a consequence, management's expectation of default is low. No loss allowance was recognized by management because the amount was immaterial.

(ii) **Liquidity risk**

Liquidity risk is the risk that the Co-operative will encounter difficulty in meeting obligations from its financial liabilities. The Co-operative'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 or stressed conditions. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed facilities. The Co-operative manages this risk by keeping a substantial portion of its financial assets in liquid form in accordance with regulatory guidelines.

The Co-operative is subject to a liquidity limit of 20% imposed by JCCUL and compliance is regularly monitored. The key measure used by the Co-operative for managing liquidity risk is the ratio of liquid assets to total savings deposits. For this purpose, liquid assets include cash and bank balances, deposits held with JCCUL and highly liquid investments which are readily convertible into cash. The Co-operative's liquid asset ratio at the end of the year was 30% (2023: 20%).

There has been no change to the Co-operative's exposure to liquidity risk or the manner in which it measures and manages the risk.

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(d) **Financial risk factors (cont'd)**

(ii) Liquidity risk (cont'd)

The following table presents the undiscounted contractual maturities of financial liabilities.

	2024		
	Up to 1 month $	Contractual outflows $	Carrying amount $
Members' share deposits	363,327,987	363,327,987	363,327,987
Savings deposits	570,764,701	570,764,701	570,764,701
Payables	16,882,566	16,882,566	16,882,566
	950,975,254	950,975,254	950,975,254

	2023		
	Up to 1 month $	Contractual outflows $	Carrying amount $
Members' share deposits	339,917,060	339,917,060	339,917,060
Savings deposits	513,112,437	513,112,437	513,112,437
Payables	14,473,238	14,473,238	14,473,238
	867,502,735	867,502,735	867,502,735

Members' share deposits are classified as liabilities. These deposits can be withdrawn at the option of the members and will, therefore, affect the liquidity position of the Co-operative. These deposits have no contractual maturity. The amounts included in the analysis are based on management's estimate of expected cash flows on these instruments as determined by retention history. These may vary significantly from actual cash flows which are generally expected to maintain a stable or increasing balance.

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(d) **Financial risk factors (cont'd)**

(iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. These arise mainly from changes in interest rate and foreign currency rate and will affect the Co-operative's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

There has been no change to the Co-operative's exposure to market risk or the manner in which it measures and manages the risk.

(i) Currency risk

Currency risk is the risk that the market value of, or the cash flows from, financial instruments will vary due to fluctuations in exchange rates on transactions and balances that are denominated in currencies other than the Jamaica dollar. There was no exposure to foreign currency risk, as the Co-operative does not have any foreign currency instruments.

(ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates, and arises mainly from investments, loans, saving deposits, loan scheme fund, resale agreements.

Floating rate instruments expose the Co-operative to cash flow interest risk, whereas fixed interest rate instruments expose the Co-operative to fair value interest risk.

The Co-operative's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments as determined by the Finance Committee. The policy also requires it to manage the maturities of interest-bearing financial assets and interest-bearing financial liabilities. The Board sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored daily by the Finance Department.

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(d) **Financial risk factors (cont'd)**

(iii) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

	2024					
	Up to 3 Months $	Between 3 and 12 Months $	Between 1 and 5 Years $	Over 5 Years $	Non-interest Bearing $	Total $
Financial assets:						
Liquid assets	158,873,965	-	-	-	-	158,873,965
Financial investments	35,150,000	25,000,000	40,217,180	36,070,000	24,245,196	160,682,376
Loans to members	3,032,886	7,646,346	273,975,675	512,330,628	-	796,985,535
Total financial assets	197,056,851	32,646,346	314,192,855	548,400,628	24,245,196	1,116,541,876
Financial liabilities:						
Members' shares deposits	363,327,987	-	-	-	-	363,327,987
Savings deposits	570,764,701	-	-	-	-	570,764,701
Payables	-	-	-	-	16,882,566	16,882,566
Total financial liabilities	934,092,688	-	-	-	16,882,566	950,975,254
Total interest rate sensitivity gap	(737,035,837)	32,646,346	314,192,855	548,400,628	7,362,630	165,566,622
Cumulative gap	(737,035,837)	(704,389,491)	(390,196,636)	158,203,992	165,566,622	-

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(d) **Financial risk factors (cont'd)**

(iii) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

	2023					
	Up to 3 Months $	Between 3 and 12 Months $	Between 1 and 5 Years $	Over 5 Years $	Non-interest Bearing $	Total $
Financial assets:						
Liquid assets	171,305,579	-	-	-	-	171,305,579
Financial investments	-	-	124,307,655	-	41,121,521	165,429,176
Loans to members	349,291	81,887	390,054,567	301,298,214	-	691,783,959
Total financial assets	171,654,870	81,887	514,362,222	301,298,214	41,121,521	1,028,518,714
Financial liabilities:						
Members' shares deposits	339,917,060	-	-	-	-	339,917,060
Savings deposits	513,112,437	-	-	-	-	513,112,437
Payables	-	-	-	-	14,473,238	14,473,238
Total financial liabilities	853,029,497	-	-	-	14,473,238	867,502,735
Total interest rate sensitivity gap	(681,374,627)	81,887	514,362,222	301,298,214	26,648,283	161,015,979
Cumulative gap	(681,374,627)	(681,292,740)	(166,930,518)	134,367,696	161,015,979	-

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(d) **Financial risk factors (cont'd)**

(iii) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

At the date of the statement of financial position, the Interest profile of the Credit Union's interest-bearing financial instruments with variable interest rates were as follows:

	Interest Rate %	2024 $	Interest Rate %	2023 $
Financial assets:				
Liquid assets	1.50-8.50	158,873,965	1.50-8.50	171,305,579
Loan receivables	0.25-5.00	803,777,835	0.25-5.00	700,386,355
Financial investments	8.47-8.60	2,070,000	8.47-8.60	2,070,000
		964,721,800		873,761,934
Financial liabilities:				
Saving deposits	1.5-10	542,954,584	1.5-10	508,017,514
Member's share deposits	0.75	363,327,987	0.75	339,917,060
		906,282,571		847,934,574

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(d) **Financial risk factors (cont'd)**

(iii) **Market risk (cont'd)**

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

Cash flow sensitivity analysis

An increase/decrease in the basis points (bp) using the scenario noted below would have increased or decreased surplus or deficit by the amounts shown.

	Effect on surplus			
	Change in basis point		Change in basis point	
	25 bp increase 2024 $	50 bp decrease 2024 $	25 bp increase 2023 $	25 bp decrease 2023 $
JMD:				
Financial assets				
Liquid assets	397,185	(794,370)	428,264	(428,264)
Loan receivables	2,009,445	(4,018,889)	1,750,966	(1,750,966)
Financial investments	5,175	(10,350)	5,175	(5,175)
	2,411,805	(4,823,609)	2,184,405	(2,184,405)
Financial liabilities				
Saving deposits	1,357,386	(2,714,773)	1,270,044	(1,270,044)
Members' share deposits	908,320	(1,816,640)	849,793	(849,793)
	2,265,706	(4,531,413)	2,119,837	(2,119,837)

4. FINANCIAL RISK MANAGEMENT (CONT'D):

(e) Capital management

The Co-operative's objectives when managing capital are to safeguard the Co-operative's ability to continue as a going concern, so that it can continue to provide returns to its members and benefits for other stakeholders and to maintain a strong capital base to support the development of its business. The Co-operative defines its capital as permanent share capital, redemption reserve fund, institutional capital and non-institutional capital and other reserves. Its dividend pay-out is made taking into account the maintenance of an adequate capital base.

The Co-operative is required by JCCUL to maintain its institutional capital at a minimum of 8% of total assets. At the reporting date, this ratio was 10.70% (2023: 10.69%).

The proposed Bank of Jamaica regulations require JCCUL to ensure that member Co-operatives:

(i) Hold a minimum level of the regulatory capital of 6% of total assets; and

(ii) Maintain a ratio of total regulatory capital to risk-weighted assets at or above 10%.

The table below summarises the composition of regulatory capital and the ratios of the Co-operative as at 31 December 2024 and 2023. The total regulatory capital is compiled of institutional capital. During the year, the Co-operative complied with all externally imposed capital requirements to which it is subject.

	2024		2023	
	Actual $	Required $	Actual $	Required $
Total regulatory capital	120,028,284	69,425,320	110,576,321	66,506,278
Risk – weighted assets:				
Total risk-weighted assets	694,253,196		665,062,776	
Risk weighted capital adequacy ratio	17%	10%	17%	10%
Total capital ratio	11%	8%	11%	8%

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

5. **LOANS TO MEMBERS:**

The movement in loans during the year is as follows-

	2024 $	2023 $
Balance at beginning of year	700,386,355	640,793,907
Disbursements	294,015,991	215,385,128
	994,402,346	856,179,035
Repayments and transfers	(190,624,510)	(155,792,680)
	803,777,836	700,386,355
Allowance for loan loss	(9,115,630)	(10,767,544)
	794,662,206	689,618,811
Interest accrued	2,323,329	2,165,148
	796,985,535	691,783,959
Maturity:		
Due within 1 year	10,679,232	431,178
Due after 1 year	786,306,303	691,352,781
	796,985,535	691,783,959

The aggregate amount of non-performing loans on which interest was not being accrued amounted to $10,712,210 (2023: $14,134,213) uncollected interest not accrued in the financial statements on these loans was estimated at $429,341 (2023:$ 1,095,142).

The ageing of the loans at the reporting date was as follows

	2024 $	2023 $
Neither past due nor impaired	775,042,743	647,732,591
Past due but not impaired		
Less than 2 months	10,978,537	35,303,862
2 to 3 months	7,044,347	3,215,689
3 to 6 months	174,640	9,178,516
6 to 12 months	4,125,246	1,640,274
Over 12 months	6,412,323	3,315,423
	803,777,836	700,386,355

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

5. LOANS TO MEMBERS (CONT'D):

Allowance for loan loss

The allowance for loan loss under the JCCUL regulatory requirement is as follows:

As at 31 December 2024:

Months in Arrears	Number of accounts in arrears	Total loan balances $	Savings held against loans $	Exposure $	Loan loss provision $	Provision rate %
Less than 2 months	3	10,978,537	1,800,064	9,178,473	-	-
2 - 3 months	4	7,044,347	1,537,262	5,507,085	704,434	10
3 - 6 months	2	174,640	105,068	69,572	52,392	30
7 - 12 months	6	4,125,246	1,838,600	2,286,646	2,475,148	60
12 months and over	12	6,412,323	3,232,006	3,180,317	6,412,323	100
Total	27	28,735,093	8,513,000	20,222,093	9,644,297	

As at 31 December 2023:

Months in Arrears	Number of accounts in arrears	Total loan balances $	Savings held against loans $	Exposure $	Loan loss provision $	Provision rate %
Less than 2 months	7	35,303,863	4,367,179	30,936,684	-	-
2 - 3 months	3	3,215,689	1,166,948	2,048,742	321,569	10
3 - 6 months	8	9,178,516	2,924,741	6,253,774	2,753,555	30
7 - 12 months	6	1,640,274	1,332,108	308,166	984,164	60
12 months and over	6	3,315,423	2,216,747	1,098,676	3,315,423	100
Total	30	52,653,765	12,007,723	40,646,042	7,374,711	

The Co-operative had no restructured loans as at 31 December 2024 and 2023.

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

5. **LOANS TO MEMBERS (CONT'D):**

Allowance for loan loss (cont'd)

The movement in the allowance for loan loss determined under the requirements of IFRS is as follows:

	2024 $	2023 $
Balance at start of year	10,767,544	8,962,649
(Write back of)/additional allowance for current year (note 18)	(1,651,914)	1,804,895
Balance at end of year	9,115,630	10,767,544

The provision for loan impairment under the JCCUL regulatory requirement for the current year exceeded the provision required under IFRS 9 provisioning rule, by $528,667 which is immaterial. The excess of the regulatory provision over the IFRS provision is normally dealt with through a transfer between accumulated surplus and loan loss reserve.

The Co-operative makes a general loan provision based on recommendations from the Board, approved by the membership at the Annual General Meeting.

The movement on the General loan loss reserve is as follows:

	2024 $	2023 $
Balance at 1 January	6,531,594	7,336,489
Net transfer from/(to) accumulated surplus	2,651,914	(804,895)
Balance at 31 December	9,183,508	6,531,594

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

6. **LIQUID ASSETS:**

	2024 $	2023 $
Earning assets:		
Savings accounts	22,396,548	56,030,493
Current account	21,181,743	6,455,466
JCCUL - Demand Deposits	16,930,551	16,646,427
- Mortgage Fund	14,702,758	14,339,797
- CUETS settlement deposit	2,199,801	4,856,313
Repurchase agreements	23,766,581	17,068,354
Cash and cash equivalents for the purposes of the statement of cash flows	101,177,982	115,396,850
Less: Allowance for credit loss	(86,617)	(83,925)
	101,091,365	115,312,925
JCCUL - Liquidity Reserve	57,782,600	55,992,654
	158,873,965	171,305,579

During the year, the Credit Union reclassified the JCCUL Liquidity Reserve and allowance for credit loss previously included in cash and cash equivalents to investing activities. This reclassification resulted in a material change to the prior year's statement of cash flows. Comparatives have been restated to reflect this change, and a reconciliation of the adjustment is presented below:

Statement of cashflows:	As previously reported 2023 $	Adjustment $	As restated 2023 $
Net cash used in investing activities	12,803,295	(1,606,548)	11,196,747
Decrease in cash and cash equivalents	(10,837,440)	(1,652,797)	(12,490,237)
Cash and cash equivalents at beginning of year	182,143,019	(54,255,932)	127,887,087
Cash and cash equivalents at end of year	171,305,579	(55,908,729)	115,396,850
Cash used in operating activities	(23,700,035)	(46,249)	(23,746,284)

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

7. **FINANCIAL INVESTMENTS:**

	2024 $	2023 $
Amortised cost:		
Government of Jamaica Securities		
J$ Variable Bench Investment Notes	2,070,000	2,070,000
J$ Fixed Benchmark Investment Notes	25,000,000	25,000,000
Corporate bonds	105,217,180	95,217,180
Interest receivable	4,249,934	2,804,721
	136,537,114	125,091,901
Less: Allowance for credit loss	(99,934)	(784,246)
	136,437,180	124,307,655
Fair value through profit or loss:		
Units in CUMAX money market fund	10,746,799	24,613,124
Fair value through other comprehensive income:		
Unquoted equities:		
Jamaica Co-operative Credit Union League (JCCUL)	2,499,297	2,499,297
Quality Network Co-operative Limited (QNET)	70,161	70,161
Cumax Wealth Management Limited	10,428,939	13,438,939
Jamaica Co-operative Insurance Agency Limited	500,000	500,000
	13,498,397	16,508,397
	160,682,376	165,429,176

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

7. **FINANCIAL INVESTMENTS (CONT'D):**

	2024 $	2023 $
Maturity:		
Within 12 months	60,150,000	-
Over 12 months	76,287,180	124,307,655
No set maturity	24,245,196	41,121,521
	160,682,376	165,429,176

The movement in the impairment allowance is as follows:

	2024 $	2023 $
Balance at beginning of the year	784,246	562,352
(Reversal of)/additional allowance (note 19)	(684,312)	221,894
Balance at end of the year	99,934	784,246

8. **OTHER ASSETS:**

	2024 $	2023 $
Withholding tax recoverable	694,019	694,019
Security deposit	11,000	11,000
Other	1,408,727	1,275,509
	2,113,746	1,980,528

The amounts are expected to be recovered within the next twelve (12) months.

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

9. PROPERTY, PLANT AND EQUIPMENT:

	Computer equipment	Furniture and fixtures	Equipment	Total
	$	$	$	$
Cost:				
1 January 2023	5,722,061	568,028	755,086	7,045,175
Additions	913,750	-	1,637,548	2,551,298
31 December 2023	6,635,811	568,028	2,392,634	9,596,473
Additions	-	-	57,196	57,196
31 December 2024	6,635,811	568,028	2,449,830	9,653,669
Depreciation:				
1 January 2023	4,048,235	257,421	530,227	4,835,883
Charge for the year	855,551	55,298	103,960	1,014,809
31 December 2023	4,903,786	312,719	634,187	5,850,692
Charge for the year	1,041,784	55,298	203,376	1,300,458
31 December 2024	5,945,570	368,017	837,563	7,151,150
Net book values:				
31 December 2024	690,241	200,011	1,612,267	2,502,519
31 December 2023	1,732,025	255,309	1,758,447	3,745,781

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

10. RETIREMENT BENEFIT LIABILITY:

The Co-operative participates in a defined-benefit plan operated by the Jamaica Co-operative Credit Union League Limited. This is a contributory pension plan that is jointly funded by contributions from employees of 5% (5% optional), and by the Co-operative of 8% of the employee's taxable remuneration, taking into account the recommendations of independent, qualified actuaries, Eckler Consultants and Actuaries.

(a) The defined benefit liability recognised in the statement of financial position was determined as follows:

	2024 $	2023 $
Fair value of plan assets	69,275,000	60,004,000
Present value of obligations	(76,674,000)	(60,271,000)
Effect of Asset Ceiling	-	-
Liability recognised in the statement of financial position	(7,399,000)	(267,000)

(b) Movements in the present value of funded obligations:

	2024 $	2023 $
Balance at beginning of year	(60,271,000)	(37,675,000)
Employees' contributions	(2,474,000)	(1,762,000)
Service costs	(1,843,000)	(819,000)
Interest costs	(6,630,000)	(4,898,000)
	(71,218,000)	(45,154,000)
Remeasurement of actuarial (loss)/gain arising from:		
- Experience adjustments	71,000	578,000
- Changes in financial assumptions	(5,527,000)	(15,695,000)
	(5,456,000)	(15,117,000)
Present value of obligation at end of year	(76,674,000)	(60,271,000)

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

10. **RETIREMENT BENEFIT LIABILITY (CONT'D):**

(c) The movement in the fair value of pension plan assets during the year was as follows:

	2024 $	2023 $
At beginning of year	60,004,000	53,203,000
Interest income on plan assets	6,828,000	7,107,000
Actuarial loss on plan assets	(1,201,000)	(2,867,000)
Contributions:		
Employer's contributions	1,650,000	1,175,000
Employees' contributions	2,474,000	1,762,000
Administrative expenses	(480,000)	(376,000)
At the end of the year	69,275,000	60,004,000

Plan assets consist of the following:

	2024 $	2023 $
J$ Debentures	22,262,000	21,775,000
Resale agreements	4,726,000	3,043,000
Investment property	16,040,000	13,721,000
US$ Debentures	3,022,000	3,342,000
J$ Certificate of deposit	7,062,000	1,839,000
Quoted equities	15,647,000	12,284,000
Real estate investment trust fund	964,000	665,000
Units in Unit Trusts	6,374,000	3,732,000
Net current liabilities	(6,822,000)	(397,000)
	69,275,000	60,004,000

(d) The amounts recognised in surplus for the year are as follows:

	2024 $	2023 $
Current service cost	1,843,000	819,000
Interest cost on obligations	6,630,000	4,898,000
Income on plan assets	(6,828,000)	(7,107,000)
Administrative expenses	480,000	376,000
Interest on Effect of Asset Ceiling	-	1,350,000
Total included in staff costs (note 22)	2,125,000	336,000

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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10. RETIREMENT BENEFIT LIABILITY (CONT'D):

(e) There was no movement in the asset ceiling as follows:

	2024 $	2023 $
Effect of asset ceiling at beginning of period	-	10,387,000
Interest on effect of asset ceiling	-	1,350,000
Change in effect on asset ceiling	-	(11,737,000)
Effect of asset ceiling at end of period	-	-

(f) The amounts recognized in other comprehensive for the year are as follows:

	2024 $	2023 $
Re-measured loss on obligations	5,455,000	15,118,000
Re-measured losses on plan assets	1,201,000	2,866,000
Charge in effect of asset ceiling	-	(11,737,000)
Actuarial losses on net plan assets	(6,656,000)	(6,247,000)

(g) The five-year trend for the fair value of plan assets, the defined benefit obligation, the surplus in the plan, and experience adjustments for plan assets and liabilities are as follows:

	2024 $	2023 $	2022 $	2021 $	2020 $
Fair value of plan assets	76,674,000	60,004,000	53,203,000	51,055,000	46,408,000
Defined benefit obligation	(69,275,000)	(60,271,000)	(37,675,000)	(49,990,000)	(41,867,000)
(Deficit)/surplus	(7,399,000)	(267,000)	15,528,000	1,065,000	4,541,000
Experience adjustments:					
Fair value of plan assets	1,201,000	2,866,000	(4,089,000)	(1,853,000)	(512,000)
(Loss)/gain defined benefit obligation	(71,000,)	(577,000)	336,000	78,000	4,574,000

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

10. **RETIREMENT BENEFIT LIABILITY (CONT'D):**

(h) The principal actuarial assumptions used were as follows:

	2024	2023
	%	%
Discount rate	9.50	11.00
Salary increases	7.00	8.00
Pension increases	5.00	6.00

(i) Impact on Defined Benefit Obligation (DBO) of 1% change in key economic assumptions

The change in the Defined Benefit Obligation (DBO) that would arise from a one present (1%) change in each of the key economic assumptions is shown below. In determining the impact of each assumption, the others are held constant.

	Sensitivity Analysis of Key Economic Assumptions			
Measurement	2024		2023	
Assumptions	+1%	-1%	+1%	-1%
	$	$	$	$
Discount rate	(9,359,000)	11,691,000	(7,349,000)	9,188,000
Future salary increases	4,302,000	(3,987,000)	3,699,000	(3,407,000)
Future pension increases	6,029,000	(5,199,000)	4,469,000	(3,869,000)

(j) Liability duration

Category of participant

	Liability duration (years)	
	2024	2023
Active members	14.9	15.1

There was a slight reduction in the liability duration of the active members during the year under review. Reduction can result from changes in the actuarial assumptions, to include rates of withdrawal from service on grounds other than retirement or death and changes in the membership given that the fund is closed.

(k) Impact on defined benefit obligation of a one-year increase in life expectancy:

The effect on the defined benefit obligation of a one-year increase in life expectancy is about $1.37 million (2023: $1.03 million).

(l) The estimated pension contributions expected to be paid into the plan during the next financial year is $1.27 million (2023: $1.17 million).

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

11. **MEMBERS' SHARE DEPOSITS:**

	2024 $	2023 $
Balance at start of the year	339,917,060	311,343,746
Amount subscribed	82,910,277	88,602,318
	422,827,337	399,946,064
Withdrawals and transfers	(59,499,350)	(60,029,004)
Balance at end of the year	363,327,987	339,917,060

Shares may be withdrawn in whole or in part by the member, however, the Board of Directors reserve the right at any time to require a member to give notice not exceeding six months, provided that no member may withdraw any shareholdings below the amount of his total liability to the Co-operative without the approval of the Board of Directors.

12. **SAVINGS DEPOSITS:**

	2024 $	2023 $
Balance at start of the year	513,112,437	508,272,128
Placements during the year	4,333,670,733	6,231,539,558
	4,846,783,170	6,739,811,686
Withdrawals	(4,277,115,888)	(6,227,615,562)
	569,667,282	512,196,124
Interest payable	1,097,419	916,313
Balance at end of the year	570,764,701	513,112,437

	2024 $	2023 $
Broken down as follows:		
Regular deposits	42,730,661	43,294,490
Golden harvests	4,229,174	3,582,891
Fixed deposits	333,817,765	313,312,655
Optimum deposits	57,508,253	55,870,279
Youth savings	44,456,755	41,108,520
Other deposits	88,022,093	55,943,602
	570,764,701	513,112,437

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

13. PAYABLES:

	2024 $	2023 $
Audit and accounting fee	9,500,000	5,430,000
Stale dated cheques	-	30,000
Estate deceased members	2,981,655	4,648,830
CUETS ATM Payables	(384,471)	73,641
Other payables	4,785,382	4,290,767
Total financial liabilities measured at amortised cost	16,882,566	14,473,238
Other payables	961,632	970,815
Withholding tax	406,165	322,338
Statutory contributions payable	910,034	788,992
	19,160,397	16,555,383

14. INSTITUTIONAL CAPITAL AND MILESTONE RESERVE:

(a) Institutional capital:

	2024 $	2023 $
Statutory and legal reserve (i)	89,166,618	81,718,455
General reserve (ii)	15,200,935	14,200,735
Education reserve (iii)	15,570,020	14,570,020
Entrance fees	90,711	87,111
	120,028,284	110,576,321

(i) The statutory and legal reserve is maintained in accordance with the provisions of the Co-operative Societies Act, which requires that a minimum of 20% of surplus be carried to a reserve fund. Upon application by a Registered Co-operative, the Registrar may allow the required percentage to be reduced but not below 10%.

(ii) This represents an allocation of funds for unforeseen circumstances.

(iii) This represents an allocation of funds from which the interest generated will be utilised to fund various scholarships.

(b) Milestone reserve:

In the prior year this represented a reserve fund for the Co-operative's significant milestones recommended by the Board of Directors.

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

15. **PERMANENT SHARES AND REDEMPTION RESERVE FUND:**

(a) Permanent shares:

	2024 $	2023 $
Balance at beginning of the year	3,104,000	3,066,000
Amounts added	132,000	74,000
	3,236,000	3,140,000
Less withdrawals and transfer	(24,000)	(36,000)
Balance at end of the year	3,212,000	3,104,000

Included in the members' ledger are 309 (2023: 203) accounts totaling $44,456,755 (2023: $31,817,841) belonging to persons under the age of eighteen to whom no permanent shares have been allocated as they do not have member status.

The following rights are attached to permanent shares:

- Shares in the Co-operative entitles each member to one vote in the conduct of the affairs of the Co-operative at general meetings;
- They may be transferred to any member or anyone eligible for membership with the consent of the Board and payment of a fee;
- They may be redeemed, subject to the sale, transfer, or repurchase of such shares;
- Dividends may be paid on permanent shares subject to the profitability of the Co-operative;
- They may be used to offset indebtedness only in cases of cessation of membership and liquidation of the Co-operative.

As at 31 December, all members have subscribed to permanent shares.

(b) Redemption reserve fund:

This represents a fund for the redemption of permanent shares upon termination of membership.

16. **GENERAL LOAN LOSS RESERVE:**

This is a non-distributable reserve to offset the impact of any spikes in delinquent loans and is made by the Co-operative, pursuant to the JCCUL regulatory requirement and also based on the recommendation of the Board and approved by the membership at the Annual General Meeting.

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

17. EMPLOYEES BENEFIT RESERVE:

The employees benefit reserve represents the pension surplus arising on the actuarial valuation, under IAS 19, of the defined-benefit pension plan in which the Co-operative participates (note 10). Annual changes in the value of the plan are recognised in surplus or deficit and other comprehensive income, then transferred to this reserve.

18. FAIR VALUE RESERVE:

This represents the unrealized gains or losses on the revaluation of FVOCI Investments.

19. IMPAIRMENT ALLOWANCES ON FINANCIAL ASSETS:

	2024 $	2023 $
(Reversal of)/additional allowance on loans (note 5)	(1,651,914)	1,804,895
Additional allowance on liquid assets (note 6)	2,692	46,246
(Reversal of)/additional allowance on financial investments (note 7)	(684,312)	221,894
	(2,333,534)	2,073,035

20. NON-INTEREST INCOME:

	2024 $	2023 $
Fair value gain	211,833	99,972
Dividends from equity securities	1,133,675	1,213,374
Miscellaneous income	78,748	81,755
	1,424,256	1,395,101

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

21. OPERATING EXPENSES:

	2024 $	2023 $
Personnel expenses (note 22)	36,191,748	33,292,231
Members' securities:		
CUNA life, savings and loan protection (note 24)	5,250,762	4,085,415
Administrative expenses		
Annual general meeting	3,080,530	3,844,301
ATM fees	512,090	446,936
Auditors' remuneration	8,050,000	4,998,100
Bank charges	108,980	117,923
Depreciation	1,300,458	1,014,809
IT Audit	1,150,000	-
International Credit Union Day expense	280,000	176,125
Legal and other professional fees	4,827,348	699,508
Meetings and functions	1,085,429	79,167
Printing, stationery and supplies	1,676,872	642,427
Repairs and maintenance	1,421,432	3,164,138
Subscriptions and other administrative expenses	3,171,175	2,061,896
Telephone	72,260	146,950
Solution disaster recovery	283,662	268,613
Loan loss write-off	-	62,511
Milestone Event	10,494,848	-
	37,515,084	17,723,404
Representation and affiliation expenses:		
Jamaica Co-operative Credit Union League:		
Fees	2,138,490	2,035,512
Stabilisation dues	1,279,544	1,024,520
Meetings	828,206	827,337
	4,246,240	3,887,369
Total operating expenses	83,203,834	58,988,419

B.J. STAFF CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2024

22. **PERSONNEL EXPENSES:**

	2024 $	2023 $
Employee salaries and allowances	29,117,986	26,686,934
Statutory contributions	3,140,151	2,984,733
Other staff benefits	1,808,611	3,284,564
Pension (note 10(d))	2,125,000	336,000
	36,191,748	33,292,231

The number of persons employed at 31 December:

	2024	2023
Full-time	5	5

23. **RELATED PARTY TRANSACTIONS:**

(a) These represent loans granted to members of staff, the Directors and members of the Supervisory and Credit Committees.

	2024		
	Number	Loans $	Shares and deposits $
Directors and committee members	19	54,188,512	39,248,601
Staff	5	7,935,935	9,888,299

	2023		
	Number	Loans $	Shares and deposits $
Directors and committee members	19	46,236,724	20,806,309
Staff	5	1,427,112	5,310,903

During the year, no Director or Committee member received loans which necessitated a waiver of the general loan policy. At 31 December all loans owing by Directors, Committee members and staff were being repaid in accordance with the loan agreements.

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23. RELATED PARTY TRANSACTIONS (CONT'D):

(b) Key management personnel compensation comprises short-term benefits included in personnel expenses at note 21 of $8,076,898 (2023: $7,490,021).

24. INSURANCE:

During the year, the Co-operative maintained life, savings and loan protection coverage (note 21). Premiums of $5,250,762 (2023: $4,085,415) for fidelity insurance coverage were paid during the year.

25. COMPARISON OF LEDGER BALANCES:

	Shares $	Savings deposits $	Loans $
General ledger	363,327,987	569,667,282	803,777,836
Members' ledger	363,327,987	569,667,282	803,777,836
Differences 2024	-	-	-
Differences 2023	-	-	-

26. LOAN COMMITMENT:

At 31 December 2024, there was loan commitment totalling $5,000,000 (2023: $NIL) regarding one (1) letter of undertaking in respect of approved loan to a member of the Co-operative.