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

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 PSAs 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 PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Electric Cooperative'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 Electric Cooperative'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 Electric Cooperative 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.

Report on the Supplementary Information Required by the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 24 to the financial statements are presented for purposes of filing with the Bureau of Internal Revenue and are not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BACONGA PATRIANA & CO.
By:

JESERIO Q. LONON, JR.
Partner
CPA Certificate No. 0123245
TIN No. 948-861-793
PTR No. 6209053 A - January 2, 2025, Cagayan de Oro City
BIR AN 16-005517-003-2022, June 29, 2022 to June 29, 2025
Partner's CDA CEA No. 1846, November 8, 2023 to November 7, 2028

Firm BOA/PRC Cert. of Reg. No. 2431, October 9, 2023 to October 8, 2026
Firm CDA No. 27-AF, April 16, 2024 to April 15, 2029
Firm NEA Accreditation No. 2022-08-00091, October 30, 2022 to October 29, 2025
Firm BSP Selected External Auditors for Institutions under Category B
valid for 2021, 2022, 2023, 2024 and 2025 audit periods and AFS

Cagayan de Oro City
April 4, 2025

SURIGAO DEL NORTE ELECTRIC COOPERATIVE, INC.

STATEMENTS OF FINANCIAL CONDITION
December 31, 2024 and 2023

	Notes		2024		2023
ASSETS					
Noncurrent Assets					
Utility plant, property and equipment	*5*	P	**619,152,496**	P	563,660,796
Restricted funds	*6*		**112,601,483**		52,628,111
Other noncurrent assets	*7*		**120,481,883**		131,596,586
Total Noncurrent Assets			**852,235,862**		747,885,493
Current Assets					
Cash	*8*		**133,550,700**		163,793,805
Receivables, *net*	*9*		**256,630,585**		264,938,344
Materials and installation supplies	*10*		**26,789,978**		54,259,845
Prepayments	*11*		**385,550**		285,062
Total Current Assets			**417,356,813**		483,277,056
TOTAL ASSETS		P	**1,269,592,675**	P	1,231,162,549
MEMBERS' EQUITY AND LIABILITIES					
MEMBERS' EQUITY	*12*	P	**440,283,738**	P	367,768,109
LIABILITIES					
Noncurrent Liabilities					
Long term debt	*13*		**147,753,488**		141,362,911
Retirement liability	*15*		**125,365,188**		125,479,189
Consumers' deposits	*14*		**138,337,860**		119,027,394
Total Noncurrent Liabilities			**411,456,536**		385,869,494
Current Liabilities					
Trade and other payables	*16*	P	**395,870,278**	P	402,181,913
Current portion of long-term debt	*13*		**21,982,123**		75,343,033
Total Current Liabilities			**417,852,401**		477,524,946
Total Liabilities			**829,308,937**		863,394,440
TOTAL LIABILITIES AND EQUITY		P	**1,269,592,675**	P	1,231,162,549

(The notes on pages 8 to 52 are an integral part of these financial statements)

SURIGAO DEL NORTE ELECTRIC COOPERATIVE, INC.

STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME
For The Years Ended December 31, 2024 and 2023

	Notes		2024		2023
REVENUE FROM OPERATIONS					
UTILITY OPERATING REVENUE					
Operating revenue	17	P	1,961,772,901	P	2,241,908,759
Other operating revenue	17		26,712,274		27,958,274
			1,988,485,175		2,269,867,033
COST OF POWER			1,776,141,425		2,020,216,300
GROSS OPERATING MARGIN			212,343,750		249,650,733
OPERATING AND MAINTENANCE EXPENSE	19				
Administrative and general			88,447,903		70,380,361
Consumer services			63,351,205		63,442,729
Operations and maintenance			71,032,367		50,913,719
			222,831,475		184,736,809
OPERATING LOSS BEFORE DEPRECIATION AND FINANCE COST			(10,487,725)		64,913,924
DEPRECIATION AND OTHER COSTS					
Depreciation and amortization	5&7		40,689,608		40,346,883
Subsidy income from government grants	5		(5,312,626)		(5,312,626)
Provision for retirement	15		16,955,870		14,611,617
Provision (reversal) for impairment of receivables	7		6,449,641		(27,788,773)
Finance costs	13		9,231,578		10,054,035
			68,014,071		31,911,136
NET OPERATING INCOME (LOSS)			(78,501,796)		33,002,788
NON-OPERATING REVENUE	18		2,429,104		3,232,709
TOTAL MARGIN (LOSS) BEFORE CONTRIBUTIONS AND DONATIONS			(76,072,692)		36,235,497
CONTRIBUTIONS AND DONATIONS	12				
Contributions-in-aid of construction			100,175,062		39,963,729
Reinvestment Fund for Sustainable CAPEX			53,716,140		45,379,402
			153,891,202		85,343,131
NET PROFIT			77,818,510		121,578,628
OTHER COMPREHENSIVE INCOME					
Realized revaluation surplus	5		4,880,603		4,880,603
Actuarial loss on defined benefit obligation	15		-		(47,159,745)
			4,880,603		(42,279,142)
TOTAL COMPREHENSIVE INCOME		P	82,699,113	P	79,299,486

(The notes on pages 8 to 52 are an integral part of these financial statements)

SURIGAO DEL NORTE ELECTRIC COOPERATIVE, INC.

STATEMENTS OF CHANGES IN EQUITY
For The Years Ended December 31, 2024 and 2023

	Members' Contribution *(Note 12)*	Contribution in Aid of Construction *(Note 12)*	Donated Capital - PSALM *(Note 12)*	Reinvestment Fund for Sustainable CAPEX (RFSC) *(Note 12)*	Margins *(Note 12&23)*	Other Comprehensive Income *(Note 12&15)*	Grand Total
Balance, January 1, 2024	P 572,295	P 238,311,973	P 100,516,737	P 625,951,824	P (720,136,046)	P 122,551,326	P 367,768,109
Additions during the year	9,745	100,175,062	-	53,716,140	-	-	153,900,947
Income from government grants	-	(5,312,626)	-	-	-	-	(5,312,626)
Losses during the year	-	-	-	-	(76,072,692)	-	(76,072,692)
Piecemeal realization	-	-	-	-	4,880,603	(4,880,603)	-
Balance, December 31, 2024	**P 582,040**	**P 333,174,409**	**P 100,516,737**	**P 679,667,964**	**P (791,328,135)**	**P 117,670,723**	**P 440,283,738**
Balance, January 1, 2023	P 561,750	P 203,660,870	P 100,516,737	P 580,572,422	P (761,252,146)	P 174,591,674	P 298,651,307
Additions during the year	10,545	39,963,729	-	45,379,402	-	-	85,353,676
Income from government grants	-	(5,312,626)	-	-	-	-	(5,312,626)
Income during the year	-	-	-	-	36,235,497	-	36,235,497
Piecemeal realization	-	-	-	-	4,880,603	(4,880,603)	-
Actuarial loss on defined benefit obligation	-	-	-	-	-	(47,159,745)	(47,159,745)
Balance, December 31, 2023	**P 572,295**	**P 238,311,973**	**P 100,516,737**	**P 625,951,824**	**P (720,136,046)**	**P 122,551,326**	**P 367,768,109**

(The notes on pages 8 to 51 are an integral parts of these financial statements)

SURIGAO DEL NORTE ELECTRIC COOPERATIVE, INC.

STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2024 and 2023

	Notes		2024		2023
CASH FLOWS FROM OPERATING ACTIVITIES					
Total margins before contributions and donations		P	(76,072,692)	P	36,235,497
Adjustments for:					
Depreciation and amortization	5&7		40,689,608		40,346,883
Provision for retirement benefits	15		16,955,870		14,611,617
Provision (reversal) for impairment of receivables	9		6,449,641		(27,788,773)
Write-off of receivables			(6,449,641)		-
Income from government grants	5		(5,312,626)		(5,312,626)
Gain on disposition of property	18		-		(119,679)
Operating income (losses) before working capital changes			(23,739,840)		57,972,919
Decrease (increase) in current assets:					
Receivables			8,307,759		126,089,233
Materials and installation supplies			27,469,867		(7,602,588)
Prepayments			(100,488)		540,685
Increase (decrease) in current liabilities:					
Trade and other payables			(6,311,635)		(107,031,812)
Consumers' deposits			19,310,466		11,866,314
Cash from operating activities			24,936,129		81,834,751
Retirement benefits paid			(17,069,871)		(15,585,247)
Net cash flows from operating activities			7,866,258		66,249,504
CASH FLOWS USED IN INVESTING ACTIVITIES					
Additions to utility plant, property and equipment (UPPE)	5		(95,294,311)		(62,516,726)
Proceeds from disposal of UPPE	5		-		153,100
Increase in restricted funds	6		(59,973,372)		(15,564,878)
Decrease in other noncurrent assets	7		10,227,706		66,395,762
Net cash flows used in investing activities			(145,039,977)		(11,532,742)
CASH FLOWS FROM FINANCING ACTIVITIES					
Availments of loans	13		70,000,000		344,187,540
Payment of loans	13		(116,970,333)		(365,518,399)
Additional RFSC	12		53,716,140		45,379,402
Additional contributions-in-aid of constructions	12		100,175,062		39,963,729
Additional members' contributions	12		9,745		10,545
Net cash flows from financing activities			106,930,614		64,022,817
NET INCREASE (DECREASE) IN CASH			(30,243,105)		118,739,579
CASH, January 1			163,793,805		45,054,226
CASH, December 31		P	133,550,700	P	163,793,805

(The notes on pages 8 to 52 are an integral part of these financial statements)

SURIGAO DEL NORTE ELECTRIC COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 1 – CORPORATE INFORMATION

SURIGAO DEL NORTE ELECTRIC COOPERATIVE, INC. ("the Electric Cooperative") was organized on September 24, 1978 under the provisions of the National Electrification Administration (NEA) Act (Republic Act No. 6038), as amended by Presidential Decree (PD) Nos. 269 and 1645, primarily for the purpose of supplying, promoting, and encouraging the fullest use of electric service to its members on an area coverage basis, pursuant to the provisions of PD No. 269. It purchases energy from power providers for distribution to its consumers within its franchise area covering 11 municipalities of Surigao del Norte and the City of Surigao.

The Electric Cooperative's head office address is Espina Street, Barangay Taft, Surigao City. It also holds sub-offices in the municipalities of Gigaquit, Mainit (at Barangay Mapayang), Malimono and Pkaer (at Barangay Sta. Cruz).

As provided under Section 39 of PD 269, as amended, the Electric Cooperative is entitled to tax exemptions on all national, local and municipal taxes and fees. However, the exemption from the National Government taxes and fees (i.e., franchise tax, value added tax and other taxes, *except income tax)* ended on December 31, 2007 when the Electric Cooperative reached its 30th full calendar year after the date of its organization or conversion on July 26, 1977.

Moreover, pursuant to RA 9337, VAT Law of 2005, the Electric Cooperative is subject to 12% (starting February 1, 2006, 10% prior to such date) VAT on their gross receipts from their distribution of electricity purchased (only for non-renewable energy) effective November 1, 2005.

However, the Supreme Court ruled that electric cooperatives (ECs) are, likewise, subject to local taxes (i.e., franchise tax, real property tax, license or permit fees and others).

Additionally, the Legal Deputy Administrator for Legal Services of NEA issued Legal Advisory No. 18 dated August 20, 2014 (as supported in the En Banc Decision of the Court of Tax Appeals in CTA EB No. 460 promulgated on March 11, 2010) provides that Electric Cooperatives registered with NEA are permanently exempted from the MCIT for the simple reason that MCIT is an income tax.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

Basis of Preparation
The principal accounting policies applied in the preparation of these financial statements are summarized below. These have been consistently applied in all years presented, unless otherwise indicated.

Statement of Compliance
The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of measurement and presentation
The financial statements of the Electric Cooperative have been prepared using the historical cost basis. These financial statements are presented in Philippine Peso, which is the Electric Cooperative's functional and reporting currency. All values are rounded to the nearest peso, except when otherwise indicated. These have been consistently applied in all periods presented, unless otherwise indicated.

Use of Judgments and Estimates
The preparation of financial statements in compliance with PFRS requires the use of certain critical accounting estimates. It also requires the Electric Cooperative's management to exercise judgment in applying the Electric Cooperative's accounting policies. The areas where significant judgments and estimates have been made preparing the financial statements and their effects are disclosed in Note 4.

Changes in accounting policies and disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2024. The Electric Cooperative has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the Electric Cooperative's financial statements.

- Amendments to PFRS 3, Reference to the Conceptual Framework

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, Business Combinations to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, Provisions, Contingent Liabilities and Contingent Assets or Philippine-IFRIC 21, Levies, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  Amendments to PAS 16, Property, Plant and Equipment: Proceeds before Intended Use

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, Onerous Contracts – Costs of Fulfilling a Contract

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach".

  The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- Annual Improvements to PFRSs 2018-2020 Cycle

  - Amendments to PFRS 1, First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

  - Amendments to PFRS 9, Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - Amendments to PAS 41, Agriculture, Taxation in fair value measurements

    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

Effective in 2025

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates titled Lack of Exchangeability
The amendments specify how to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not.

The amendments state that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

An entity assesses whether a currency is exchangeable into another currency at a measurement date and for a specified purpose. If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency.

The assessment of whether a currency is exchangeable into another currency depends on an entity's ability to obtain the other currency and not on its intention or decision to do so.

When a currency is not exchangeable into another currency at a measurement date, an entity is required to estimate the spot exchange rate at that date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.

The amendments do not specify how an entity estimates the spot exchange rate to meet that objective. An entity can use an observable exchange rate without adjustment or another estimation technique.

Examples of an observable exchange rate include:

- a spot exchange rate for a purpose other than that for which an entity assesses exchangeability
- the first exchange rate at which an entity is able to obtain the other currency for the specified purpose after exchangeability of the currency is restored (first subsequent exchange rate).

An entity using another estimation technique may use any observable exchange rate—including rates from exchange transactions in markets or exchange mechanisms that do not create enforceable rights and obligations—and adjust that rate, as necessary, to meet the objective as set out above.

When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, the entity is required to disclose information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments add a new appendix as an integral part of IAS 21. The appendix includes application guidance on the requirements introduced by the amendments. The amendments also add new Illustrative Examples accompanying IAS 21, which illustrate how an entity might apply some of the requirements in hypothetical situations based on the limited facts presented.

In addition, the IASB made consequential amendments to IFRS 1 to align with and refer to the revised IAS 21 for assessing exchangeability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025, with earlier application permitted. An entity is not permitted to apply the amendments retrospectively. Instead, an entity is required to apply the specific transition provisions included in the amendments.

The Electric Cooperative believed that the new issuance, once adopted in the Philippines, will not have a significant impact on its financial statements in future periods.

PFRS 17, Insurance Contracts
PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.
The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)

- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

Effective in 2027

IFRS 18 Presentation and Disclosures in Financial Statements
IFRS 18 replaces IAS 1, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Furthermore, the IASB has made minor amendments to IAS 7 and IAS 33 Earnings per Share.

IFRS 18 introduces new requirements to:

- present specified categories and defined subtotals in the statement of profit or loss
- provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- improve aggregation and disaggregation

An entity is required to apply IFRS 18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The amendments to IAS 7 and IAS 33, as well as the revised IAS 8 and IFRS 7, become effective when an entity applies IFRS 18. IFRS 18 requires retrospective application with specific transition provisions.

The Electric Cooperative believed that the new issuance, once adopted in the Philippines, may have an impact on its financial statements in future periods.

IFRS 19 Subsidiaries without Public Accountability: Disclosures
IFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying IFRS Accounting Standards in its financial statements.

A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

An entity is only permitted to apply IFRS 19 if, at the end of the reporting period:

- it is a subsidiary (this includes an intermediate parent)
- it does not have public accountability, and
- its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

A subsidiary has public accountability if:

- its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or
- it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (for example, banks, credit unions, insurance entities, securities brokers/dealers, mutual funds and investment banks often meet this second criterion).

Eligible entities can apply IFRS 19 in their consolidated, separate or individual financial statements. An eligible intermediate parent that does not apply IFRS 19 in its consolidated financial statement may do so in its separate financial statements.

The new standard is effective for reporting periods beginning on or after 1 January 2027 with earlier application permitted. If an entity elects to apply IFRS 19 for a reporting period earlier than the reporting period in which it first applies IFRS 18, it is required to apply a modified set of disclosure requirements set out in an appendix to IFRS 19. If an entity elects to apply IFRS 19 for an annual reporting period before it applied the amendments to IAS 21, it is not required to apply the disclosure requirements in IFRS 19 with regard to Lack of Exchangeability.

The Electric Cooperative believed that the new issuance, once adopted in the Philippines, will not have a significant impact on its financial statements in future periods.

Deferred effectivity

Amendments to PFRS 10, Consolidated Financial Statements, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

Current versus Noncurrent Classification
The Electric Cooperative presents assets and liabilities in the statements of financial condition based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when it is: (a) expected to be settled in the normal operating cycle; (b) held primarily for trading; (c) due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Electric Cooperative classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

Financial Instruments

Date of recognition
Financial assets and financial liabilities are recognized in the statement of financial condition when the Electric Cooperative becomes a party to the contractual provisions of the instruments. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulations or convention in the marketplace are recognized on the settlement date. Derivatives are recognized on trade date basis.

Initial recognition
Financial assets and financial liabilities are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The fair value of the consideration given or received is determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction costs.

Determination of fair value
The fair value of financial instruments traded in active markets at the financial reporting date is based on their quoted market price or dealer price quotation (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair values as long as there has not been a significant change in economic circumstances since the time of the transaction.

Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Electric Cooperative recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Electric Cooperative deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Electric Cooperative determines the appropriate method of recognizing the "Day 1" difference.

If the financial instruments are not listed in an active market, the fair value is determined using appropriate valuation techniques which include recent arm's length market transactions, net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Classification of Financial Instruments

Financial Assets
The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Electric Cooperative classifies and measures financial assets as follows:

- Financial assets at amortized cost

  Financial assets are measured at amortized cost if both of the following conditions are met:

  - the asset is held within the Electric Cooperative's business model whose objective is to hold assets in order to collect contractual cash flows; and
  - the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as "Interest income" in the statement of operations. Gains and losses are recognized in profit or loss when the financial instruments are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

The Electric Cooperative may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

The Electric Cooperative classified "Restricted funds" *(see Note 6)*, "Trade and other Receivables" *(see Note 9)*, and "Cash" *(see Note 8)* as financial assets at amortized cost.

- Financial assets at FVPL

The Electric Cooperative classifies financial assets under FVPL if it meets either of the following conditions:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Electric Cooperative had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not solely for payment of principal and interest" assessed at initial recognition of the assets, or which are not held with a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Electric Cooperative may, at initial recognition, designate a financial asset meeting the criteria to be classified at amortized cost or at FVOCI, as financial asset at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets.

After initial recognition, financial assets at FVPL are subsequently measured at fair value. Unrealized gain or losses arising from the fair valuation of financial assets at FVPL are recognized in profit or loss.

The Electric Cooperative does not have financial assets under this category as at December 31, 2024 and 2023.

- Financial assets at FVOCI

  The Electric Cooperative classifies debt instruments under FVOCI when both of the following conditions are met:

  - the asset is held within the Electric Cooperative's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
  - the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payment of principal and interest on the principal amount outstanding.

  For equity instruments, the Electric Cooperative may irrevocably designate the financial assets to be measured at FVOCI in case the above conditions are not met.

  Financial assets at FVOCI are initially measured at fair value plus transaction costs. Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. On derecognition, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

  Dividends from equity instruments held at FVOCI are derecognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial condition. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

  The Electric Cooperative classified its non-marketable equity securities *(See Note 7)* under this category as at December 31, 2024 and 2023.

Financial Liabilities
Financial liabilities are classified as financial liabilities at FVPL or financial liabilities at amortized cost. The classification depends on the Electric Cooperative's business model and its contractual cash flow characteristics. Management determines the classification of its financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

- Financial liabilities at FVPL

  Financial liabilities are classified in this category if these result from trading activities or derivative transactions that are not accounted for as hedges, or when the Electric Cooperative elects to designate a financial liability under this category.

  For financial liabilities designated at FVPL under the fair value option, the amount of changes in fair value that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss.

  The Electric Cooperative does not have financial liabilities under this category as at December 31, 2024 and 2023.

- Financial liabilities at amortized cost

  Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Electric Cooperative having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instrument.

  The financial liabilities are recognized initially at fair value and are subsequently measured at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. However, liabilities that have no stated interest and classified as current liabilities are measured at the undiscounted amount of cash or other consideration expected to be paid.

  As at December 31, 2024 and 2023, the Electric Cooperative's liabilities arising from its "Consumers' deposits" *(see Note 14)*, "Trade and other payables" *(see Note 16)*, and "Long-term debt" *(see Note 13)* are included under this category.

Fair value measurement hierarchy
PFRS 7 requires certain disclosure which requires the classification of financial asset and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

a. quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
b. inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and
c. inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial asset and financial liabilities are classified in their entirety into one of the three levels.

Financial guarantees
A financial guarantee is classified in this category if the entity must provide for payments to be made if and only if the debtor fails to make payments when due. In order for a contract to meet the definition of a guarantee it would be necessary that the guaranteed party only receives the exact amount of loss advances from the default of the debtor. Such a contract is structured in two ways: a) the guarantor purchases the defaulted loan for its nominal amount instead of making a payment for the best estimate of loss; or b) on settlement of the final loss, there is a further payment between that amount and the initial loss estimate that was paid.

Such contracts are recognized initially at fair value and subsequently carried at the higher of the initial value that would be recognized if PAS 37 or PAS 18, was applied.

Derecognition of Financial Assets and Liabilities

Financial Assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when: a) the rights to receive cash flows from the asset have expired; b) the Electric Cooperative retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or c) the Electric Cooperative has transferred its rights to receive cash from the asset and either transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Electric Cooperative has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Electric Cooperative's continuing involvement in the asset.

Continuing involvement that makes the form of guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and maximum account of consideration that the Electric Cooperative could be required to repay.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognized in profit or loss.

Impairment of Financial Assets

Assessment of Impairment
PFRS 9 requires the Electric Cooperative to record expected credit loss methodology (ECL) for all loans and other debt financial assets not classified as at FVTPL, together with irrevocable loan commitments and financial guarantee contracts.

ECL represent credit losses that reflect an unbiased and probability-weighted amount which is based on reasonable and supportable information about past events, current conditions and forecasts of future economic conditions, and the time value of money. The objective of the new impairment model is to record lifetime losses on all financial instruments which have experienced a significant increase in credit risk (SICR) since their initial recognition. As a result, ECL allowances are now measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a SICR since initial recognition (General Approach). The 12month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the next 12 months after the reporting date. Lifetime ECLs are credit losses that result from all possible default events over the expected life of a financial instrument.

Following the ECL approach, the Electric Cooperative must establish a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. A financial asset is assessed for impairment based on the following stages:

Stage 1:	When a financial asset is first recognized, the Electric Cooperative recognizes credit losses based on the twelve-month ECLs. Stage 1 financial asset also include facilities where the credit risk has improved and has been reclassified from Stage 2.
Stage 2:	When a financial asset has shown a significant increase in credit risk since origination, the Electric Cooperative recognizes an allowance for the lifetime ECL. Stage 2 financial asset also include facilities where the credit risk has improved and has been reclassified from Stage 3.
Stage 3:	When a financial asset is considered as credit impaired, the Electric Cooperative recognizes an allowance for the lifetime ECL.

The key elements used in the calculation of ECL are as follows:

- Probability of Default – is an estimate of likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the instrument has not been previously derecognized and is still in the portfolio.

- Loss Given Default – is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Electric Cooperative would expect to receive, including the realization of any collateral.

- Exposure at Default – represents the gross carrying amount of the financial instruments subject to the impairment calculation.

Evidence of Impairment
Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a receivable or an advance by the Electric Cooperative on terms that the Electric Cooperative would not otherwise consider, disappearance of an active market for a security or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers, or economic conditions that correlate with defaults.

Impairment of financial assets carried at amortized cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be recognized in profit or loss.

Impairment on financial assets carried at cost
If there is an objective evidence of an impairment loss on an unquoted equity/debt instrument that is not carried at fair value because its fair value cannot be reliably measured, or of a derivative asset that is linked to and must be settled by delivery of such an unquoted equity/debt instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar financial asset.

Reversal of impairment loss
If, in subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

Classification of financial instrument between debt and equity
Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Interest, dividend, gains and losses relating to a financial instrument or a component that is a financial liability is reported as expense or income.

A financial instrument is classified as debt if it provides a contractual obligation to:

a. deliver cash or other financial assets to another entity; or

b. exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Electric Cooperative; or

c. satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Electric Cooperative does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

An equity instrument is any contract that evidence residual interest in the asset of an entity after deducting all of its liabilities.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial condition if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented in gross in the statement of financial condition.

Derivatives
Derivatives are initially recognized at fair value on the date which the derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Derivatives are carried as an asset when the fair value is positive and as a liability when the fair value is negative.

The Electric Cooperative has no derivatives as at December 31, 2024 and 2023.

Embedded derivatives
An embedded derivative is separated from the host contract and accounted for as derivative if all of the following conditions are met: (a) economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition; (c) the hybrid or combined instrument is not recognized at FVPL.

The Electric Cooperative has no transactions with embedded derivatives as at December 31, 2024 and 2023.

Cash and Cash Equivalents
Cash and cash equivalents are valued at face value. Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of 3 months or less from the date of acquisitions and that are subject to an insignificant change in value. The Electric Cooperative has no cash equivalents as at December 31, 2024 and 2023.

Trade and Other Receivables
Trade and other receivables are recognized at transaction price and carried at amortized cost using effective interest method. At the end of each reporting period, the carrying amounts of trade and others receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in the statement of operations.

If there is objective evidence that an impairment loss on trade and other receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset or group of assets shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the statement of operations.

Prepayments
These are outflow of resources made in the current accounting period that would benefit future periods. Costs of this asset is amortized over the period benefited.

Utility Plant, Property and Equipment
Utility plant, property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Land is carried at revalued amounts starting on December 31, 2019. Historical cost includes the purchase price and other expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Electric Cooperative adds to the carrying amount of an item of utility plant, property and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Electric Cooperative. The carrying amount of the replaced part is derecognized. When assets are derecognized, their cost, accumulated depreciation and amortization and accumulated impairment losses are eliminated from the accounts. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of operations. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Land is not depreciated. Depreciation is charged so as to allocate the cost of utility plant, property and equipment less their residual value over the estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Components	Estimated Useful Life
Distribution plant	25 to 33 years
General plant	5 to 20 years

Depreciation of an item of property and equipment begins when it becomes available for use i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discounted Operations*, and the date the asset is derecognized.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time the relevant assets are completed and put into operational use.

Impairment of Non-financial Assets
The carrying amounts of the Electric Cooperative's non-financial assets such as the property and equipment are reviewed at each financial reporting date to determine whether there is any indication of impairment or an impairment loss previously recognized no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized in profit or loss whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

The recoverable amount of a non-financial asset is the greater of the asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

Intangible Assets
Intangible assets include acquired licenses on computer software used in administration and accounting which is accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid to acquire an asset. Capitalized costs are amortized on a straight-line basis over the estimated useful lives ranging from 3 to 5 years as the lives of these intangible assets are considered limited. Costs associated with maintaining computer software are expensed as incurred.

Trade and Other Payables
Trade and other payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method. Trade and other payables are on normal credit terms and do not bear interest.

Related Party Transactions
Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties can be individual or corporate entity. Key management personnel are also considered as related parties.

Borrowings and Borrowing Costs
Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds. These are recognized as expense when incurred except when such costs relate to a qualifying, in which case, borrowing costs incurred will be capitalized. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Members' Equity

Members' contribution
Amounts received from members as membership fees upon admission to the Electric Cooperative are recognized as members' contribution.

Donated Capital
This represents the accumulated value of contributions, grants or aids received by the Electric Cooperative in the form of cash, equipment, commodities, or services and all other forms of services given by an entity source to the Electric Cooperative.

Contribution-in-aid for Construction
This represents the accumulated value of cash, labor and other items provided by member-consumers or customers in the form of donation or contribution to the Electric Cooperative to cover cost of construction of new distribution lines wherein the donor-customers shall be the primary beneficiaries.

Margins

Operating Margin
This represents the cumulative operating net income or loss incurred for the current and prior years as presented in the statements of operations and other comprehensive income which were not yet appropriated as reserves to specific projects and corrections/adjustments for prior period errors, if any.

Net-operating Margin
This represents the cumulative non-operating net income or loss incurred for the current and prior years as presented in the statements of operations and other comprehensive income which were not appropriated as reserves to specific objects.

Reinvestment fund for sustainable CAPEX
This represents the 5% of the distribution rate per kilowatt hour collected from the consumers used for expansion, rehabilitation, or upgrading of power system as stated in the at unbundling decision. This account is also used to recognize the 5% reinvestment prior to unbundling of rates approved by the ERC.

Revenue and Cost Recognition
Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Electric Cooperative perform its obligations; (b) the Electric Cooperative's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Electric Cooperative performance does not create an asset with an alternative use to the Electric Cooperative and the Electric Cooperative has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at point in time.

The Electric Cooperative also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Electric Cooperative has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue and cost is recognized:

Operating Revenue
Utility operating revenue represents the sale and distribution of power to member-consumers which covers residential, commercial, industrial and public street and highway sales. Sales is recognized based on the distribution charges and RFSC being billed to member-consumers on a monthly basis.

Distribution charge revenues	-	Revenue is recognized when consumers are billed monthly. The amount billed is composed of the distribution charges and RFSC. Distribution charges are based on the RSEC-WR approved by the ERC. The RFSC component of the rate is recognized as income and the cumulative amount is subsequently recognized in equity under "Reinvestment fund for sustainable CAPEX".
Other operating revenue	-	These are revenues incidental to the operations such as forfeited discounts, service fees, interest on delinquent accounts, gin on energy trading and others.
Rental income from electric properties	-	Rentals received for the use of land, buildings and other properties devoted for electrical operations, where such property does not constitute as an operating unit or system, is recognized on a straight-line basis over the relevant lease terms.
Others	-	Revenues from other sources, these are normally recorded at the time these are collected.

Non-operating revenue
This represents revenues which are non-utility in character such as miscellaneous services and charges billed to consumers, provision of services to other entities, rental of general plant property, interests, dividends and others.

Interest income	-	Interest income on Cooperative deposits and investments is recognized as the interest accrues usually on a time proportion basis taking into account the effective yield on the asset or EIR. Interest income earned from the Electric Cooperative deposits is presented net of applicable tax withheld by the Electric Cooperative.
Others	-	This includes miscellaneous services and charges billed to customers, provision of services to other entities, rental of general plant property and etc. which are normally recorded at the time these are collected.

Cost and expenses are recognized in the statement of operations and other comprehensive income: a) when a decrease in future economic benefits related in an asset or an increase of a liability has arisen that can be measured reliably; b) on the basis of a direct association the costs incurred and the earning of specific items of income; c) on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or d) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial condition as an asset. Operating expenses are costs attributable to the administrative and general, operations and maintenance and consumer services activities of the Electric Cooperative.

Employee Benefits
Employee benefits are all forms of consideration given by the Electric Cooperative in exchange for service rendered by the employees. The Electric Cooperative's employee benefits include the following:

Short-term benefits
Short-term employee benefits, include wages, salaries and social security contributions, short-term compensated absences (such as paid annual leave and paid sick leave), and bonuses payable within twelve months after the end of the period in which the employees render the related service, and non-monetary benefits (such as medical care, housing, cars and free or subsidized goods or services) for current employees.

The rendered services of an employee to an entity during the accounting period is recognized using the undiscounted amount of short-term employee benefits expected to be paid in exchange for that services rendered. The accounting for these benefits is generally straightforward because assumptions are required to measure the obligation or the cost and there is no possibility of any actuarial gain or loss.

Retirement benefits
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset; and
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in the statement of operations. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of operations.

Remeasurements comprising actuarial gains and losses, return on plan assets (excluding net interest on defined benefit asset) and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. All remeasurements are recognized in other comprehensive income account. Remeasurement gains (losses) on retirement plan are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Electric Cooperative, nor can they be paid directly to the Electric Cooperative. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Electric Cooperative's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefits
Termination benefits are payable when employment is terminated by the Electric Cooperative before the normal retirement date, or whichever the employee accepts voluntary redundancy in exchange for these benefits. The Electric Cooperative recognizes termination benefits when it is demonstrably committed to either: (a) terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (b) provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the financial reporting date are discounted

Compensated absences
Compensated absences are recognized for the number of paid leaves days (including holiday entitlement) remaining at the financial reporting date.

Foreign Currency Translations
Transactions in foreign currencies are translated to the functional currency of the Electric Cooperative at exchange rates at the dates of the transactions. Monetary assets and monetary liabilities denominated in foreign currencies are translated at the functional current rate of exchange ruling at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Nonmonetary assets and nonmonetary liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date the fair value was determined. Nonmonetary items in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in the separate statements of operations, except for differences arising on the translation of AFS financial assets, a financial liability designated as an effective hedge of the net investment in a foreign operation or qualifying cash flow hedges, which are recognized in other comprehensive income.

Leases

A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Electric Cooperative assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Electric Cooperative.
- the Electric Cooperative has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- the Electric Cooperative has the right to direct the use of the identified asset throughout the period of use. The Electric Cooperative assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee
At lease commencement date, the Electric Cooperative recognizes a right-of-use asset and a lease liability on the statement of financial condition. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Electric Cooperative, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Electric Cooperative depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Electric Cooperative also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Electric Cooperative measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Electric Cooperative's incremental borrowing rate.
Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Electric Cooperative has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these recognized as an expense in profit or loss on a straight-line basis over the lease term.

Electric Cooperative *as Lessee*
Where the Electric Cooperative is a lessee, payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

As at December 31, 2024 and 2023, the Electric Cooperative does not have long-term non-cancellable lease contracts that require the application of the new provisions in PFRS 16.

Electric Cooperative *as Lessor*
Leases where the Electric Cooperative does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Provisions
Provisions, if any, are recognized when the Electric Cooperative has a present obligation (legal or constructive) as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. When the Electric Cooperative expects provisions to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Contingencies
Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Related Party Transactions
Parties are considered to be related if the party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making the financial and operating the decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Key management personnel and post-employment benefit plan are considered related parties.

Events after the End of Reporting Period
Events after the end of reporting period are those events, favorable and unfavorable, that occur between the end of reporting period and the date when the financial statements are authorized for issue. Adjusting events are those that provide evidence of conditions that existed at the end of the reporting period and lead to adjustments of financial statements. Non-adjusting events are those that are indicative of the conditions that arose after the end of reporting period and do not lead to adjustments but only to disclosures in the financial statements.

NOTE 4 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in accordance with PFRS requires the Electric Cooperative to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, other comprehensive income (loss) and disclosure of contingent assets and contingent liabilities. In preparing the Electric Cooperative's financial statements, management has made its best judgements and estimates relating to certain amounts, giving due consideration to materiality. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from those estimates. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable. Judgments, estimates and assumptions 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.

The Electric Cooperative believes the following represent a summary of significant judgments and estimates and related impact and associated risks in its financial statements.

Judgments
In the process of applying the Electric Cooperative's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the financial statements.

Determination of Whether an Arrangement Contains a Lease
The Electric Cooperative assesses whether an arrangement contains a lease based on PFRS 16, as disclosed in Note 3. On adoption of PFRS 16, the Electric Cooperative elected to apply the practical expedient to 'grandfather' the assessment of which transactions are leases. It applied PFRS only to contracts that were previously identified as leases. Contracts that were not identified as leases under PAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of lease under PFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

Electric Cooperative as Lessor
The Electric Cooperative has entered into lease agreements as a lessor. The Electric Cooperative has determined that it retains all the significant risks and rewards of ownership of the property leased out on operating leases.

Rent income recognized in statements of operations and other comprehensive income amounted to **P34,072** and P517,946 in 2024 and 2023, respectively. *(See Note 17)*

The Electric Cooperative has several lease contracts that include extension and termination options. The Electric Cooperative applies judgement in evaluation whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Electric Cooperative reassesses the lease term if there is a significant event or change in circumstances that is within its control and effects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Classification of financial instruments
The Electric Cooperative classifies a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument and, where allowed, and appropriate re-evaluates this designation at every reporting date. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial condition.

Fair Value of Financial Instruments
Where the fair value of financial instruments recorded in the statements of financial condition cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk, and volatility of share prices. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Disclosure of fair value of the Electric Cooperative's financial assets and financial liabilities in a way that permit it to be compared with its carrying amounts are shown in Note 21.

Determination of functional currency
Based on the economic substance of the underlying events and circumstances relevant to the Electric Cooperative, the Electric Cooperative's functional currency has been determined to be the Philippine Peso. It is the currency of the primary economic environment in which the Electric Cooperative operates and is consistent with the measurement of items in the financial statements in accordance with PAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation and uncertainty at the statements of financial condition date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair Value Measurements
A number of the Electric Cooperative's accounting policies and disclosures require the measurement of fair value for both financial and non-financial assets and liabilities.

The Electric Cooperative has an established control framework with respect to the measurement of fair values. The Electric Cooperative regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assess the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS, including the level in the fairy value hierarchy in which such valuations should be classified.

Th Cooperative uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques *(See Note 3)*.

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

The Electric Cooperative recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The methods and assumptions used to estimate the fair values of both financial and non-financial assets and liabilities are discussed in Note 9

Estimating Allowance for Doubtful Accounts
Since receivable does not contain any significant financing component in accordance with PFRS 15, the Electric Cooperative applied the simplified approach when estimating its allowance for impairment losses.

At initial and subsequent to initial recognition, the Electric Cooperative recognizes loss allowances equal to 12-month expected credit losses. These are credit losses that are expected from default events that are possible within 12 months from the report date. Default events include existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the customer's ability to meet its debt obligations or an actual or expected significant adverse change in the regulatory, economic or technological environment of the customer. Prevailing provisioning guidelines issued by NEA are also considered in the estimate or allowance for impairment losses.

The carrying amount of the Electric Cooperative's receivables and the allowance for impairment losses on receivables amounted to **P256,630,585** and **P7,244,131** as at December 31, 2024 and P264,938,344 and P7,244,131 as at December 31, 2023, respectively. *(see Note 9)*

Impairment of Materials and Installation Supplies
At each reporting date, significant items of electrical materials and installation supplies are assessed for impairment (obsolescence) by comparing the carrying amount of each group of similar items with its net realizable value (NRV). If an item (or group of similar items) is identified as impaired, the carrying amount is reduced to its NRV, and an impairment loss is recognized immediately in profit or loss.

Based on the management's assessment, materials and installation supplies are fairly stated, thus, no impairment was recognized for the years ended December 31, 2024 and 2023. The carrying amounts of materials and installation supplies amounted to **P26,789,978** and P54,259,845 as at December 31, 2024 and 2023, respectively. *(See Note 10)*

Estimation of Useful Lives of the Utility Plant, Property and Equipment, and Intangible Assets
The Electric Cooperative reviews on an annual basis the estimated useful lives of depreciable utility plant, property and equipment, and intangible assets based on the period over which the assets are expected to be available for use with due consideration of the NEA prescribed bench mark on the estimation of useful lives of items of utility, plant, property and equipment, and intangible assets. It is possible that future results of operations could be materially affected by changes in these estimates. A reduction in the estimated useful lives of utility plant, property and equipment, and intangible assets would increase recorded depreciation and amortization expense and decrease related asset accounts.

The estimated useful lives of utility plant, property and equipment are discussed in Note 5 which showed no changes during the years ended December 31, 2024 and 2023. The estimated useful lives of intangible assets are discussed in Note 7 which also shows no changes during the years ended December 31, 2024 and 2023.

Estimating Impairment of Utility Plant, Property and Equipment, and Intangible Assets
The Electric Cooperative assesses at each reporting period whether there is an indication that utility plant, property and equipment, and intangible assets may be impaired or not. If any such indication exists, or when annual impairment testing for an asset is required, the Electric Cooperative makes an estimate of the asset's recoverable amount. At the reporting date, the Electric Cooperative assesses whether there is any indication that the previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

Management has reviewed the carrying amount of its utility plant, property and equipment, and intangible assets and based on the results of its evaluation, there are no indicators that the utility plant, property and equipment, and intangible assets were impaired, thus, no impairment loss were recognized in 2024 and 2023.

The carrying amount of the Electric Cooperative's utility plant, property and equipment held at cost as at December 31, 2024 and 2023 amounted to **P619,152,497** and P563,660,796, respectively *(See Note 5)*. The carrying amounts of the Electric Cooperative's intangible assets as at December 31, 2024 and 2023 amounted to **P0** and P886,997, respectively. *(See Note 7)*

Revaluation
The Electric Cooperative revalued certain designated properties located at various locations in Surigao City and covered municipalities with changes in fair values being recognized in OCI. The Electric Cooperative engaged an independent firm of appraisers to determine the appraised values. In its latest revaluation report, dated July 13, 2012, the market value was determined using the Sales Comparison Approach, a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

Total unrealized revaluation surplus amounted to **P164,830,468** and P169,711,071 as at December 31, 2024 and 2023, respectively.

Estimation of the Present Value of Retirement Liability
The Electric Cooperative recognize a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and an expense when the Electric Cooperative consumes the economic benefit arising from service provided by employees in exchange for employee benefits.

The Electric Cooperative recorded a retirement liability amounting to **P125,365,188** and P125,479,189 as at December 31, 2024 and 2023, respectively. Retirement provisions recognized amounted to **P16,955,870** and P14,611,617 in 2024 and 2023, respectively. *(See Note 15)*

Contingencies
The estimate of the probable costs of the resolution of possible claims on lawsuit against the Electric Cooperative is developed in consultation with its legal counsel and is based upon an analysis of potential results. No provision for probable losses arising from legal contingencies was recognized in the Electric Cooperative's financial statements as at December 31, 2024 and 2023.

NOTE 5 – UTILITY PLANT, PROPERTY AND EQUIPMENT

At Revalued Amount
The details of utility plant, property and equipment follows:

	January 1, 2024	Additions	Disposal/ Reclassification	December 31, 2024
Cost				
Distribution plant	P 994,505,016	P 8,360,051	P 2,531,544	P **1,005,396,611**
General plant	147,060,884	13,539,221	-	**160,600,105**
Construction in progress	221,518,387	73,395,039	(2,531,544)	**292,381,882**
	1,363,084,287	**95,294,311**	-	**1,458,378,598**
Accumulated depreciation				
Distribution plant	681,585,874	35,817,208	-	**717,403,082**
General plant	117,837,617	3,985,403	-	**121,823,020**
	799,423,491	**39,802,611**	-	**839,226,102**
Net book value	**P 563,660,796**	**P 55,491,700**	**P -**	**P 619,152,496**

	January 1, 2023	Additions	Disposal/ Reclassification	December 31, 2023
Cost				
Distribution plant	P 978,131,841	P 14,726,170	P 1,647,005	P 994,505,016
General plant	144,754,586	2,356,293	(49,995)	147,060,884
Construction in progress	177,731,129	45,434,263	(1,647,005)	221,518,387
	1,300,617,556	62,516,726	(49,995)	1,363,084,287
Accumulated depreciation				
Distribution plant	645,869,004	35,716,870	-	681,585,874
General plant	114,111,175	3,743,016	(16,574)	117,837,617
	759,980,179	39,459,886	(16,574)	799,423,491
Net book value	P 540,637,377	P 23,056,840	(P 33,421)	P 563,660,796

In 2012, the Electric Cooperative revalued certain designated properties at various locations in Surigao City and covered municipalities by an independent firm of appraisers using a Sales Comparison Approach, a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison and recognized a revaluation surplus as part of its equity account.

The Electric Cooperative recognized a gain on revaluation under "other comprehensive income" amounting to **P4,880,603** in both years equal to the difference between the depreciation expense on the revalued amount and the original cost of the revalued items of utility, plant, and equipment.

Depreciation expense on subsidy funded projects amounted to **P5,312,626** in both years. This amount has been recognized as income from government grants in 2024 and 2023 *(See Note 18)*.

Proceeds from disposal of utility plant, property and equipment items amounted to **P0** and **P153,100** in 2024 and 2023, respectively.

The management believes that there is no indication of impairment on the Electric Cooperative's utility plant, property and equipment and that its net carrying amount can be recovered through use in operations.

NOTE 6 – RESTRICTED FUNDS

These funds, appropriated for special purposes, are placed in savings and time deposits with various depository banks.

		2024		2023
Sinking fund	P	**81,968,491**	P	41,923,175
Subsidy fund		**21,626,925**		2,355,201
Membership		**894,510**		884,444
Project construction		**402,915**		402,251
Others		**7,708,642**		7,063,040
	P	**112,601,483**	P	52,628,111

Membership
Membership fund represents the membership fees received from its consumer-members which will be refunded upon withdrawal of their membership.

Subsidy
This fund represents amount aside for government subsidized projects.

Others
Others consists of funds received intended for construction and capital expenditure projects, reinvestment, and other funds set aside for specific purposes.

NOTE 7 – OTHER NONCURRENT ASSETS

This account consists of:

Accounts receivable – others, *net*	P	**91,728,327**	P	97,206,844
Gratuity		**21,303,522**		26,266,521
Investment and security deposits		**7,450,034**		7,236,224
Intangible asset, *net*		**-**		886,997
	P	**120,481,883**	P	131,596,586

Accounts receivable - others
This consists of various receivables, accounts under litigation for collections and other items which the Electric Cooperative management determined to be impaired to the extent of its established allowance as at year-end.

Reconciliation of the allowance for impairment losses for the period follows:

	2024	2023
Balance, January 1	P 1,266,981	P 29,055,754
Reversal of impairment loss	-	(27,788,773)
Balance, December 31	P 1,266,981	P 1,266,981

Gratuity
The gratuity account is composed of principal amounts of retirement loans by employees. Annual interest of 2.5% from such loans are deductible monthly from payroll for employees aging 54 years old and below. Principal and interest charges are deductible upon retirement for employees aging 55 years old and above.

Intangible Asset
This pertains to the Electric Cooperative's computer office software.

Reconciliation of the carrying amount of intangible assets follows:

Cost	P 6,146,985	P 6,146,985
Less: Accumulated amortization	(6,146,985)	(5,259,988)
Net book value	P -	P 886,997

Reconciliation of the accumulated amortization follows:

Balance, January 1	P 5,259,988	P 4,372,991
Amortization during the year	886,997	886,997
Balance, December 31	P 6,146,985	P 5,259,988

NOTE 8 – CASH

This account consists of:

Petty cash funds	P 50,000	P 50,000
Cash on hand	5,337,420	14,797,040
Cash in banks	128,163,280	148,946,765
	P 133,550,700	P 163,793,805

Cash in banks earn interest ranging from 0.02% to 2.5% in both years. Interest earned amounted to **P792,506** and P745,588 in 2024 and 2023, respectively (recorded under "non-operating revenue" in the statement of operations and other comprehensive income (*See Note 17*).

NOTE 9 – TRADE AND OTHER RECEIVABLES

This account consists of:

		2024		2023
Energy sales	P	191,756,339	P	199,389,235
Output VAT		47,696,519		49,171,729
Universal charges		14,497,167		15,127,058
FIT-ALL		6,033,379		4,497,705
Others		3,891,312		3,996,748
		263,874,716		272,182,475
Less: Allowance for impairment losses	(	7,244,131)	(	7,244,131)
	P	256,630,585	P	264,938,344

Energy Sales
These pertains to consumer accounts receivables that represent amounts collectible from member-consumers due to consumption of electricity.

Reconciliation of the allowance for impairment losses for the period follows:

Balance, January 1	P	7,244,131	P	7,244,131
Provisions during the year		6,449,641		-
Write-off during the year		(6,449,641)		-
Balance, December 31	P	7,244,131	P	7,244,131

Output VAT
These pertain to value added tax due from consumers arising from distribution of electricity.

Universal Charges
These pertain to mandatory universal and environmental PSALM charges passed on to consumers.

Others
Others include receivables from disconnected consumer-members, rentals, etc.

NOTE 10 – MATERIALS AND INSTALLATION SUPPLIES

These items, which are stated at the lower of cost or net realizable value, consists of:

Electrical materials and supplies	P	25,180,279	P	36,066,544
Special equipment		1,605,273		3,256,999
Office supplies		275,069		1,299,917
Other materials and supplies		1,157,083		15,064,111
		28,217,704		55,687,571
Allowance for obsolescence	(	1,427,726)	(	1,427,726)
	P	26,789,978	P	54,259,845

Electrical materials and supplies
Electrical materials and supplies represent cost of materials and supplies held primarily for house wiring, merchandising, jobbing and contract work including all the expenses incurred in unloading and handling upon purchase.

Special equipment
Special equipment represents the purchase cost and cost of donation of special equipment installed and due for energization, it includes the cost of conversion of transformers and other special equipment items to higher capacity including estimated first installation cost of converted equipment and the costs incurred necessary to test and prepare the equipment for use by the Electric Cooperative.

Other materials and supplies
Others represent the amount in purchasing materials not classified in any of the related accounts that shall be used in the business operation of the Electric Cooperative.

Allowance for obsolescence represents the allowance provided as the difference between historical cost net realizable value (NRV) of inventories. NRV is the estimated selling price in the ordinary course of business less the estimated cost of completion and estimated cost necessary to make the sell. During the year, no provision for impairment losses has been provided by the Electric Cooperative. The management believes that the existing allowance for obsolescence is adequate to cover possible impairment of materials and supplies at the end of 2024 and 2023.

NOTE 11 – PREPAYMENTS

This account consists of the unexpired portion of insurance premiums, business tax, real property, and other expenses paid in advance to be amortized over the term of the policy or period covered.

NOTE 12 – CONTRIBUTIONS AND DONATIONS

This represents members' contributions, loan condonations, and donations. Details of these accounts follow:

		2024		2023
Reinvestment fund for sustainable CAPEX	P	**679,667,964**	P	625,951,824
Contribution in aid of construction		**333,174,409**		238,311,973
Donated capital – PSALM		**100,516,737**		100,516,737
Members' contributions		**582,040**		572,295
	P	**1,113,941,150**	P	965,352,829

Reinvestment fund for sustainable CAPEX
This is billed amount per kWh consumed by the member-consumers. The proceeds will be used for the CAPEX such as payment of amortization due on CAPEX loans.

Contributions in aid of construction
This pertains to the amounts received from cooperative members, donated equipment and liquidated grants from NEA on closed out projects. These donations are intended for new electrification projects and other purposes. Contribution in aid of construction and the respective income from government grants are presented in the statement of changes in equity.

Donated capital - PSALM
The loan condonation under RA 9136 or the Electric Power Industry Reform Act (EPIRA) of 2001 came about when the President of the Philippines signed into law the said RA which condoned all outstanding financial obligation of EC to NEA as at June 26, 2001 and the assumption of EC loans by the PSALM.

Members' contributions
This represents the membership fees of member-consumers upon admission to the Electric Cooperative.

NOTE 13 – LONG-TERM AND SHORT-TERM DEBTS

This account consists of:

		2024		2023
National Electrification Administration	P	**107,153,458**	P	133,507,236
Development Bank of the Philippines		**30,000,000**		50,000,000
Nickel Asia Corporation		**32,445,000**		32,445,000
Rural Electrification Financing Corporation		**137,153**		753,708
		169,735,611		216,705,944
Less: Current portion		**21,982,123**		75,343,033
Noncurrent portion	**P**	**147,753,488**	P	141,362,911

The reconciliation of the movement of this account follows:

		2024		2023
Balance, January 1	**P**	**216,705,944**	P	238,036,803
Additions during the year		**70,000,000**		344,187,540
Payments during the year	**(**	**116,970,333)**	(	365,518,399)
Balance, December 31	**P**	**169,735,611**	P	216,705,944

National Electrification Administration
Loans availed from the National Electrification Administration are for construction, calamity, and working capital requirements that bear interest rates ranging from 3.25% to 9% per annum with a term ranging from three (3) to fifteen (15) years.

Development Bank of the Philippines
These are short-term loans to meet the working capital requirements of the Electric Cooperative per Board Resolution No. 12, series of 2022.

Interest charged to operations amounted to **P9,231,578** and P10,054,035 in 2024 and 2023, respectively.

Nickle Asia Corporation (NAC)
This pertains to deferred power bills from NAC which are to be settled in 36 equal monthly installments at P1,545,000 beginning October 26, 2023 until September 26, 2026.

NOTE 14 – CONSUMERS' DEPOSITS

These represent amounts received from consumers as non-interest bearing deposits to secure payment of energy consumption and guarantee the meters and transformers loaned out to them. These deposits, which will be refunded to the consumers upon termination of service connection and the return of loaned meters and transformers to the Electric Cooperative, consist of the following:

		2024		2023
Energy	P	126,215,369	P	106,904,903
Meters		12,122,491		12,122,491
	P	138,337,860	P	119,027,394

Energy deposits represent deposits made by consumers as guarantee for payment of electric service bills.

Meter deposits represent meter deposit required from each consumer.

NOTE 15 – RETIREMENT LIABILITY

The Electric Cooperative provides a noncontributory defined benefit pension plan for all the qualified employees. Provisions for pension obligations are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The present values of the defined benefit obligation, and the related current service cost and past service cost were measured using the projected unit credit method.

Movement of the present value of defined benefit obligation follows:

Balance, January 1	P	125,479,189	P	79,293,074
Interest expense		7,629,135		5,724,960
Current service cost		9,326,735		8,886,657
Benefits paid from book reserve	(	17,069,871)	(	15,585,247)
Actuarial loss from:				
Changes in financial assumptions		-		12,197,163
Experience		-		34,962,582
Balance, December 31	P	125,365,188	P	125,479,189

The provision for retirement recognized in profit or loss follows:

Interest expense on defined benefit obligation	P	7,629,135	P	5,724,960
Current service cost		9,326,735		8,886,657
	P	16,955,870	P	14,611,617

Actuarial loss from defined benefit obligation are recognized in other comprehensive income as component of equity.

Actuarial assumptions

The following are the principal actuarial assumptions in 2024 and 2023 (expressed as weighted averages):

Discount rate	**6.08%**	6.08%
Salary increase rate	**4.00%**	4.00%

The weighted-average duration of the defined benefit obligation is **9.5 years.**

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	2024			2023		
Decrease in DBO if Discount Rate + 100 bps	**(10,812,717)**	;	**(8.6%)**	(10,812,717)	;	(8.6%)
Increase in DBO if Discount Rate – 100 bps	**12,687,149**	;	**10.1%**	12,687,149	;	10.1%
Increase in DBO if Salary Increase Rate + 100 bps	**12,828,813**	;	**10.2%**	12,828,813	;	10.2%
Decrease in DBO if Salary Increase Rate – 100 bps	**(11,110,904)**	;	**(8.9%)**	(11,110,904)	;	(8.9%)
Increase in DBO if No Attrition Rates	**(4,782,580)**	;	**(3.8%)**	(4,782,580)	;	(3.8%)

Although the analysis does not take account of the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

Shown below is the maturity analysis of the undiscounted benefit payments:

		2024		2023
Year 1	P	**19,642,508**	P	19,642,508
Year 2		**8,846,339**		8,846,339
Year 3		**7,433,380**		7,433,380
Year 4		**8,509,071**		8,509,071
Year 5		**7,120,402**		7,120,402
Year 6 to Year 10		**75,478,462**		75,478,462

NOTE 16 – TRADE AND OTHER PAYABLES

This account consists of:

Payable to power providers	P	**327,174,126**	P	322,349,576
Payable to suppliers		**32,678,336**		42,639,346
Payable to government agencies		**10,244,004**		11,840,261
Accrued and other expenses		**25,773,812**		25,352,730
	P	**395,870,278**	P	402,181,913

NOTE 17 – UTILITY OPERATING REVENUE

Operating Revenue
This account pertains to energy sales. Details follow:

	2024	2023
Residential	P 982,050,832	P 1,089,955,844
High voltage		
Commercial	369,661,983	384,087,856
Industrial	238,157,352	329,481,351
Public buildings	112,620,030	142,542,531
Street lights	21,005,713	24,646,854
	741,445,078	880,758,592
Low voltage		
Commercial	142,308,717	171,616,946
Public buildings	82,090,220	80,751,787
Street lights	13,878,054	18,825,590
	238,276,991	271,194,323
	P 1,961,772,901	P 2,241,908,759

Other Operating Revenue

	2024	2023
Prompt payment discount	P 8,039,164	P 5,222,111
Reconnection fees	4,998,802	4,204,685
Rent from electricity property	34,072	517,946
Other electric revenues	13,640,236	18,013,532
	P 26,712,274	P 27,958,274

Prompt payment discount
This account pertains to prompt payment discounts granted to the Electric Cooperative for the prompt payments of power bills.

Rent from electric property
This account pertains to income from rental of electric properties and vehicles. The Electric Cooperative has determined that it retains all the significant risks and rewards of ownership of the property leased out on operating leases. Collections made under such leases are recognized as revenue on a straight-line basis.

Others
These consist of other operating income derived from other operating activities.

NOTE 18 - NON-OPERATING REVENUE

This account consists of the following:

		2024		2023
Merchandising, jobbing and contract work	P	**729,350**	P	807,920
Interest and dividend income		**844,027**		854,442
Gain on disposition of property		**-**		119,679
Other non-operating income		**855,727**		1,450,668
	P	**2,429,104**	P	3,232,709

Income from government grants
This is equivalent to the depreciation expense of closed out NEA subsidy projects in compliance with NEA Memorandum No. 2015-027 "Guidelines on the accounting treatment of subsidy funded projects". *(See Note 5)*

NOTE 19 – OPERATING AND MAINTENANCE EXPENSE

The details of expenses by nature follow:

Administrative and general

Employees' salaries, wages, and other benefits	**P**	**61,592,069**	P	42,712,696
Outside services employed		**7,362,060**		7,513,612
Maintenance and repairs		**6,537,015**		6,711,504
Travel and transportation		**4,266,315**		3,875,164
Trainings and seminars		**1,849,732**		992,564
Office supplies and expenses		**1,728,409**		1,030,676
Rents		**435,789**		476,842
Injuries and damages		**89,060**		3,401,225
Miscellaneous		**4,587,454**		3,666,078
	P	**88,447,903**	P	70,380,361

Miscellaneous administrative and general expenses include regulatory fees, taxes and licenses, association and membership dues, company activities, and other petty expenses.

Consumer services

Consumer records and collection	**P**	**29,875,653**	P	32,396,666
Meter reading		**27,166,095**		25,198,918
Supervision		**4,366,551**		3,820,097
Information and instructional advertisements		**1,654,551**		1,771,461
Miscellaneous consumer services		**288,355**		255,587
	P	**63,351,205**	P	63,442,729

Miscellaneous consumer services consists of general expenses incurred related to consumer services.