

Operations and maintenance

	2024		2023	
Operations				
Overhead lines	P	21,462,029	P	17,285,814
Meters		7,901,664		5,264,073
Supervision		5,797,678		2,986,749
Street lights		3,713,850		1,033,311
Station		1,285,095		381,174
		<u>40,160,316</u>		<u>26,951,121</u>
Maintenance				
Overhead lines		21,681,944		17,741,413
Supervision		5,753,319		2,976,748
Meters		1,125,514		1,071,203
Line transformers		1,425,492		1,237,963
Street lights		885,782		935,271
		<u>30,872,051</u>		<u>23,962,598</u>
	P	71,032,367	P	50,913,719

NOTE 20 – RELATED PARTY TRANSACTIONS

In the ordinary course of trade or business, the Electric Cooperative transacts directly or indirectly with its related parties. The related parties of the Electric Cooperative include the following:

Related Party	Relationship	Country of Incorporation
Directors	Directors	Not applicable
Officers	Key management personnel	Not applicable

Key management compensation

The key management compensation represents pertains to short-term employee benefits (i.e., salaries and wages, allowances and per diems) which amounted to **P6,094,504** and **P4,076,351** in 2024 and 2023, respectively.

NOTE 21 – FINANCIAL RISK AND CAPITAL MANAGEMENT

Risk is inherent in the Electric Cooperative's activities but it is managed through processes of ongoing identification, measurement and monitoring subject to risk limits and other controls. This process of risk management is critical to the Electric Cooperative's continuing existence.

The Electric Cooperative's principal financial instruments are its cash – restricted and general funds, and receivables.

The main risks arising from the use of Cooperative's financial instruments are liquidity risk, credit risk, and interest rate risk. The BOD has the overall responsibility for the establishment and oversight of the Electric Cooperative's risk management framework.

Internal Audit

Risk management process throughout the Electric Cooperative is audited annually by the internal audit function that examines both the adequacy of the procedures and the Electric Cooperative's compliance with the procedures, adequacy of the Electric Cooperative's internal control and compliance with existing laws, rules and regulations. Internal Audit discusses the results of all assessments with management and reports its findings and recommendation to the Audit Committee.

Credit risk

Credit risk refers to the risk that counterparty will default and/or fail to honor its financial or contractual obligations, resulting in financial loss to the Electric Cooperative.

The Electric Cooperative's maximum exposure to credit risk before collateral held or other enhancement as at December 31 follows:

	Notes	2 0 2 4	2 0 2 3
Restricted funds	6	P 112,601,483	P 52,628,111
Cash in banks	8	128,163,280	148,946,765
Receivables, net	9	256,630,585	264,938,344
		P 497,395,348	P 466,513,220

The credit risk for cash in banks and restricted funds are considered negligible since the counterparties are reputable banks and other financial institutions with high quality credit ratings. Cash in banks is insured by the Philippine Deposit Insurance Corporation up to the maximum coverage of P0.5million per depositor per banking institution.

Aging Analysis and Credit Quality per Class of Financial Assets

The credit quality of financial assets is determined based on the Electric Cooperative's historical experience and nature of the counterparty.

The table below shows the aging analysis of the credit quality by class of financial assets (gross of allowance for impairment losses) as at December 31, 2024 and 2023.

		December 31, 2024					
		Neither Past Due Nor Impaired		Past due but not impaired			Impaired
		Total		91-180 days	181-365 days	Over 365 days	
Financial assets at amortized cost							
Restricted funds (Note 6)	P 112,601,483	P 112,601,483	P -	P -	P -	P -	P -
Cash in banks (Note 8)	128,163,280	128,163,280	-	-	-	-	-
Receivables, net (Note 9)	256,630,585	157,792,984	5,595,059	7,714,465	85,528,077	-	-
	P 497,395,348	P 398,557,747	P 5,595,059	P 7,714,465	P 85,528,077	P -	P -

December 31, 2023								
	Total		Neither Past Due Nor Impaired		Past due but not impaired			Impaired
					91-180 days	181-365 days	Over 365 days	
<i>Financial assets at amortized cost</i>								
Restricted funds								
(Note 6)	P	52,628,111	P	52,628,111	P	-	P	-
Cash in banks								
(Note 8)		148,946,765		148,946,765		-		-
Receivables, net (Note 9)		264,938,344		149,383,829	10,653,763	21,263,310	83,637,442	-
	P	466,513,220	P	350,958,705	P	10,653,763	P	83,637,442

The table below shows the credit quality by class of financial assets (gross of allowance for credit losses and unearned interest and discounts) as at December 31, 2024 and 2023.

		December 31, 2024				
		Neither past due nor impaired		Past due but not impaired		
	Total	High grade	Standard grade	Substandard grade	91-180 days	181-365 days Over 365 days Impaired
<i>Financial assets at amortized cost</i>						
Restricted funds						
(Note 6)	P 112,601,483	P 112,601,483	P -	P -	P -	P -
Cash in banks						
(Note 8)	128,163,280	128,163,280	-	-	-	-
Receivables, net						
(Note 9)	256,630,585	157,792,984	-	-	5,595,059	7,714,465 85,528,077
	P 466,513,220	P 350,958,705	P -	P -	P 5,595,059	P 7,714,465 P 85,528,077

		December 31, 2023				
		Neither past due nor impaired		Past due but not impaired		
	Total	High grade	Standard grade	Substandard grade	91-180 days	181-365 days Over 365 days Impaired
<i>Financial assets at amortized cost</i>						
Restricted funds						
(Note 6)	P 52,628,111	P 52,628,111	P -	P -	P -	P -
Cash in banks						
(Note 8)	148,946,765	148,946,765	-	-	-	-
Receivables, net						
(Note 9)	264,938,344	149,383,829	-	-	10,653,763	21,263,310 83,637,442
	P 466,513,220	P 350,958,705	P -	P -	P 10,653,763	P 21,263,310 P 83,637,442

Credit quality per class of financial assets

The credit quality of financial assets is determined based on the Electric Cooperative's historical experience with the corresponding parties as follows:

High grade pertains to assets with least likelihood of default; standard grade consists of those with relatively low defaults; and substandard grade pertains to those with history of default payments.

Liquidity risk

Liquidity risk refers to the risk that the Electric Cooperative will not be able to meet its financial obligations as they fall due.

The Electric Cooperative objective to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times to finance its operations; (b) to meet commitments as they arise without incurring unnecessary costs; and (c) to be able to access funding when needed at the least possible cost. To cover its financing requirements, the Electric Cooperative intends to use internally generated funds and proceeds from investments and assets. Management also monitors the market price risk arising from all financial instruments.

The table below summarizes the maturity profile of financial instruments based on its contractual undiscounted cash flows. The maturity grouping of financial assets and financial liabilities is based on the remaining period from the end of the reporting period to the contractual maturity date. When counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Electric Cooperative can be required to pay.

December 31, 2024

	Total		Within 1 year		Beyond 1 year	
Financial assets						
<i>Financial assets at amortized cost</i>						
Restricted funds (Note 6)	P	112,601,483	P	112,601,483	P	-
Cash in banks (Note 8)		128,163,280		128,163,280		-
Receivables (Note 9)		256,630,585		171,102,508		85,528,077
	P	497,395,348	P	411,867,271	P	85,528,077
Financial liabilities						
<i>Other financial liabilities</i>						
Long-term debt (Note 13)	P	169,735,611	P	21,982,123	P	147,753,488
Trade and other payables* (Note 16)		385,626,274		385,626,274		-
Consumers' deposits (Note 14)		138,337,860		138,337,860		-
	P	693,699,745	P	545,946,257	P	147,753,488
Net asset (liability)	(P	196,304,397)	(P	134,078,986)	(P	62,225,411)

*Excluding payables to government agencies amounting to P10,244,004.

December 31, 2023

December 31, 2022

	Total		Within 1 year		Beyond 1 year	
Financial assets						
<i>Financial assets at amortized cost</i>						
Restricted funds (Note 6)	P	52,628,111	P	52,628,111	P	-
Cash in banks (Note 8)		148,946,765		148,946,765		-
Receivables (Note 9)		264,938,344		181,300,902		83,637,442
	P	466,513,220	P	382,875,778	P	83,637,442
Financial liabilities						
<i>Other financial liabilities</i>						
Long-term debt (Note 13)	P	216,705,944	P	75,343,033	P	141,362,911
Trade and other payables* (Note 16)		390,341,652		390,341,652		-
Consumers' deposits (Note 14)		119,027,394		119,027,394		-
	P	726,074,990	P	584,712,079	P	141,362,911
Net asset (liability)	(P	259,561,770)	(P	201,836,301)	(P	57,725,469)

*Excluding payables to government agencies amounting to P11,840,261.

Market risk

Market risk refers to the risk that changes in market prices, such as foreign exchanges rates, interest rates and other market prices will affect the Electric Cooperative's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return on risk.

The Electric Cooperative is subject to certain market risks, including risk from changes in interest rates and currency exchange rates. There has been no change on the Electric Cooperative's exposure to market risks or the manner in which it manages and measures the risk.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flow of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that fair value of a financial instrument will fluctuate due to changes in market interest rate.

The annual interest rates for the interest-bearing financial instruments in 2024 and 2023 follow:

As at December 31, 2024

	Notes	Within 1 Year	2-10 Years
Restricted funds	6	0.02% - 2.5%	-
Cash in banks	8	0.02% - 2.5%	-
Long-term debt	13	3.25% - 9.00%	3.25% - 9.00%

As at December 31, 2023

		Within 1 Year	2-10 Years
Restricted funds	6	0.02% - 2.5%	-
Cash in banks	8	0.02% - 2.5%	-
Long-term debt	13	3.25% - 9.00%	3.25% - 9.00%

The cash flow interest rate risk of the Electric Cooperative's financial instruments (*principally composed of restricted funds, cash in Cooperatives and long-term debt*), are highly controllable by the Electric Cooperative. Any changes, thereof, have been subjected to thorough review and approval by the BOD.

The following table demonstrates the sensitivity of the net profit before tax for the years ended December 31, 2024 and 2023 to a reasonably possible change in interest rate, with all other variables held constant:

Increase/(Decrease) in the market basis points	2 0 2 4		2 0 2 3	
	1%	(1%)	1%	(1%)
Interest on bank deposits and investments	P 844,027	(P 844,027)	P 854,442	(P 854,442)
Effect on interest income	P 8,440	(P 8,440)	P 8,544	(P 8,544)

The maturity profile of the Electric Cooperative's interest-bearing financial instruments follows:

December 31, 2024

	Total	Within 1 year	Beyond 1 year
Financial assets			
<i>Financial assets at amortized cost</i>			
Restricted funds	P 112,601,483	P 112,601,483	P -
Cash in banks	128,163,280	128,163,280	-
	P 240,764,763	P 240,764,763	P -
Financial liabilities			
<i>Other financial liabilities</i>			
Long-term debt	P 169,735,611	P 21,982,123	P 147,753,488
Net assets (liabilities)	P 71,029,152	P 218,782,640	(P 147,753,488)

December 31, 2023

	Total	Within 1 year	Beyond 1 year
Financial assets			
<i>Financial assets at amortized cost</i>			
Restricted funds	P 52,628,111	P 52,628,111	P -
Cash in banks	148,946,765	148,946,765	-
	P 201,574,876	P 201,574,876	P -
Financial liabilities			
<i>Other financial liabilities</i>			
Long-term debt	P 216,705,944	P 75,343,033	P 141,362,911
Net assets (liabilities)	(P 15,131,068)	P 126,231,843	(P 141,362,911)

NOTE 22 – FINANCIAL INSTRUMENTS

Categories of financial assets and financial liabilities

The following tables summarize the carrying values and fair values of the Electric Cooperative's financial instruments as of December 31, 2024 and 2023 by class:

		2 0 2 4	
		Carrying value	Fair value
Financial assets			
<i>Financial assets at amortized cost</i>			
Restricted funds	P	112,601,483	P 112,601,483
Cash and cash equivalents			
Cash in banks		128,163,280	128,163,280
Cash on hand		5,387,420	5,387,420
Receivables		256,630,585	256,630,585
	P	502,782,768	P 502,782,768
Financial liabilities			
<i>Other financial liabilities</i>			
Long-term debt	P	169,735,611	P 169,735,611
Trade and other payables		395,870,278	395,870,278
Consumers' deposits		138,337,860	138,337,860
	P	703,943,749	P 703,943,749
		2 0 2 3	
		Carrying value	Fair value
Financial assets			
<i>Financial assets at amortized cost</i>			
Restricted funds	P	52,628,111	P 52,628,111
Cash and cash equivalents			
Cash in banks		148,946,765	148,946,765
Cash on hand		14,847,040	14,847,040
Receivables		264,938,344	264,938,344
	P	481,360,260	P 481,360,260
Financial liabilities			
<i>Other financial liabilities</i>			
Long-term debt	P	216,705,944	P 216,705,944
Trade and other payables		402,181,913	402,181,913
Consumers' deposits		119,027,394	119,027,394
		737,915,251	P 737,915,251
	P	52,628,111	P 52,628,111

The methods and assumptions used in estimating the fair value of financial instruments follow:

Restricted funds, cash and cash equivalents, receivables-net, long term debt, accounts payable and accrued expenses, consumers' deposits, due to other electric cooperatives, and current portion of long term debt

The carrying amounts approximate its fair values in view of the relatively short-term maturities of these financial instruments.

Items of income, expenses, gains or losses on financial assets and financial liabilities

Items of income, expenses, gains or losses recognized with respect to financial assets and financial liabilities in the statements of operations follow:

Total interest income on financial assets measured at amortized cost

	<i>Notes</i>	<u>2 0 2 4</u>	<u>2 0 2 3</u>
Bank deposits	18	<u>P 844,027</u>	<u>P 854,442</u>

Total interest expense on financial liabilities measured at amortized cost

Long-term debt	13	<u>P 9,231,578</u>	<u>P 10,054,035</u>
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Provision for probable losses

Receivables	9	<u>P 6,449,641</u>	<u>P -</u>
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NOTE 23 –SUBSEQUENT EVENT/OTHER MATTERS

- In December 2021, the Electric Cooperative suffered massive damages and losses brought by Typhoon Odette. Any losses or damages verified and reconciled subsequently in 2023 and 2024 are taken up in the books appropriately.
- The financial statements as at December 31, 2024 were approved and authorized for issuance by the Board of Directors (BOD) on April 4, 2025.

NOTE 24 – SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

On 5 January 2024, President Ferdinand R. Marcos Jr. signed Republic Act No. 11976, also known as the Ease of Paying Taxes Act (EOPT Act). The EOPT Act was published in the Official Gazette on 07 January 2024 and took effect on 22 January 2024.

The EOPT Act introduced amendments to the National Internal Revenue Code (NIRC) of 1997, with the aim to protect and safeguard the taxpayer rights and welfare, encourage proper and easy compliance, and modernize tax administration.

Some of the salient points of the EOPT Act follows:

- Taxpayers are now classified into the following categories, depending of their gross sales: micro, small, medium, and large taxpayers. Micro taxpayers are those with gross sales of less than Php3 million. The EOPT Act granted special concessions micro and small taxpayers, such as:
 - Maximum of two pages for their income tax returns;
 - Reduced rate of 10% (from 20%) for civil penalties under Sec. 248 of the NIRC;
 - 50% reduction on the interest rate imposed under Sec. 249 of the NIRC;
 - Reduced penalty of Php500 for failure to file certain information returns as provided under Sec. 250 of the NIRC; and
 - Reduced compromise penalty rate of at least 50% for violations of Sections 113, 237 and 238 of the NIRC.

- The EOPT Act also simplified the rules on timing of withholding by providing that the obligation to deduct and withhold tax arises at the time the income has become payable. Withholding of taxes is no longer a requirement for the deductibility of certain income payments.
- The basis for calculating VAT on the sale of services will now be gross sales rather than gross receipts. The official receipt has also been removed as a document for the sale of services, and a sales invoice is now required to be issued for both sale of goods and services. The Act also provides mechanism for the recovery of output VAT on uncollected receivables.
- To make tax filing and payments more convenient, the EOPT Act provides that tax returns may be filed, and taxes paid, electronically or manually, to the BIR, or through any authorized agent bank (AAB) or authorized tax software provider. The amendment effectively eliminates the 25% surcharge on wrong-venue filings.
- The EOPT Act revised the period to keep records of books of accounts to five years from the previous requirement of ten years. It also adjusted the threshold amount for mandatory issuance of an invoice from Php100 to Php500.
- Payment of the Php500 annual registration fee has also been removed.

The Electric Cooperative complies with the rules under the EOPT when applicable.

On December 18, 2020, the BIR issued RR No. 34-2020, to prescribe the guidelines and procedures for the submission of BIR Form No. 1709 (Information Return on Related Party Transactions on Domestic and/or Foreign), Transfer Pricing Documentation (TPD) and other supporting documents, amending for this purpose the pertinent provisions of Revenue Regulations (RR) Nos. 19-2020 and 21-2002, as amended by RR No. 15-2010. Pursuant to Section 2(D) and Section 4, the Electric Cooperative is not covered by the requirements and procedures for related party transactions provided under RR No. 34-2020.

Revenue Regulations (RR) No. 15-2010 (issued on December 10, 2010), an act amending certain provisions of RR No. 21-2002, provides that effective December 28, 2010, the disclosures on the Notes to Financial Statements as mandated under PFRS and such other standards and/or conventions as may heretofore be adopted, shall include information on taxes paid or accrued during the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS.

In compliance top the foregoing RR, the following taxes were paid/accrued by the Electric Cooperative in 2024:

Value Added Tax (VAT)

VAT Output Tax

The Electric Cooperative is a VAT-registered cooperative with VAT output tax declaration of **P29,855,521** for the year 2024 based on vatable sales of **P248,796,008**.

VAT Input Tax

Input taxes generated from various purchases amounted to **P13,096,517** and claimed as tax credit on VAT output during the period.

Balance, January 1	P	-
Current year's purchases:		
Domestic purchases of goods other than capital goods		3,364,147
Purchase of capital goods exceeding P1 million		9,550,453
Domestic purchase of services		181,917
Less: Claims for tax credit		(13,096,517)
Balance, December 31	P	-

Taxes Withheld

Expanded	P	32,574,838
Compensation		<u>11,839,014</u>
	P	<u>44,413,852</u>

Local and National Taxes

Local and national taxes, permits and licenses paid/accrued in 2024 and reported under taxes and licenses account follows:

Local		
Business permit and others	P	<u>225,031</u>

SURNECO BOARD OF DIRECTORS

2024 Set of Officers



DIR. MARTIN P. GO, JR.
President
District VI
Placer & Bacuag



DIR. JOSE D. MONTE DE RAMOS
Vice-President
District III
Sison & Tagana-an, Surigao del Norte



DIR. JANICE E. GALES
Secretary
District I
Brgy. Washington & other
Surigao City Mainland Brgys.



DIR. ELADIO R. GALES JR.
Treasurer
District IV
Tubod, Mainit & Alegria
Surigao del Norte



DIR. JOSEPH Y. GO
Member
District V
Gigaquit & Claver
Surigao del Norte



DIR. BOBBY A. BONONO
Member
District II
Brgy. Taft, Arellano Dist., Hikdop
Is., Nonoc Is., &
Bayagnan Is.



DIR. FERGUS JOHANN P. SENACA
Member
District VII
San Francisco & Malimono
Surigao del Norte



ENGR. VIRBUEN U. LADAGA
Ex-Officio Member
OIC Surneco, Inc.

MANAGEMENT & STAFF



ENGR. VIRBUEN U. LADAGA
General Manager



ENGR. MICHAEL O. LUMANCAS
Manager, Corporate
Planning Department



APRIL ROSE F. LERIO, CPA
Manager, Internal Audit
Department



ENGR. ALLAN. N. CARDINES
Manager, Consumer
Services Department



MARIA GEMMA P. ENSOMO
Manager, Human Resource
Management &
Development Department



ENGR. ARNALDO A. JAMORA, JR.
Manager, Sub Area Offices



ENGR. ALEX A. DIAZ
OIC, Technical Services
Department



ARIANE G. EDRADAN, CPA
OIC, Finance Department



ENGR. CARLO JOEY G. ASIDO
OIC, Corporate
Communication & Public
Relation Office

SUB AREA OFFICES SUPERVISORS



ENGR. JASON G. DEDUMO

Sub Area Office 1

Areas of Operation: Bacuag, Gigaquit & Claver,
Surigao del Norte

Office Address: Brgy. San Isidro, Gigaquit

Hotline: 09631065520 / 09356313002



ENGR. JORVEN R. VILLAFRANCA

Sub Area Office 2

Areas of Operation: Tubod, Mainit & Alegria
Surigao del Norte

Office Address: Brgy. del Rosario, Tubod

Hotline: 09184874173



TEODORO L. MANTILLA

Sub Area Office 3

Areas of Operation: San Francisco & Malimono
Surigao del Norte

Office Address: Poblacion, Malimono

Hotline: 09631845322



ENGR. JESSIE D. OCLARIT

Sub Area Office 4

Areas of Operation: Sison, Tagana-an & Placer
Surigao del Norte

Office Address: Bad-as, Placer

Hotline: 09614164600 / 09455964515

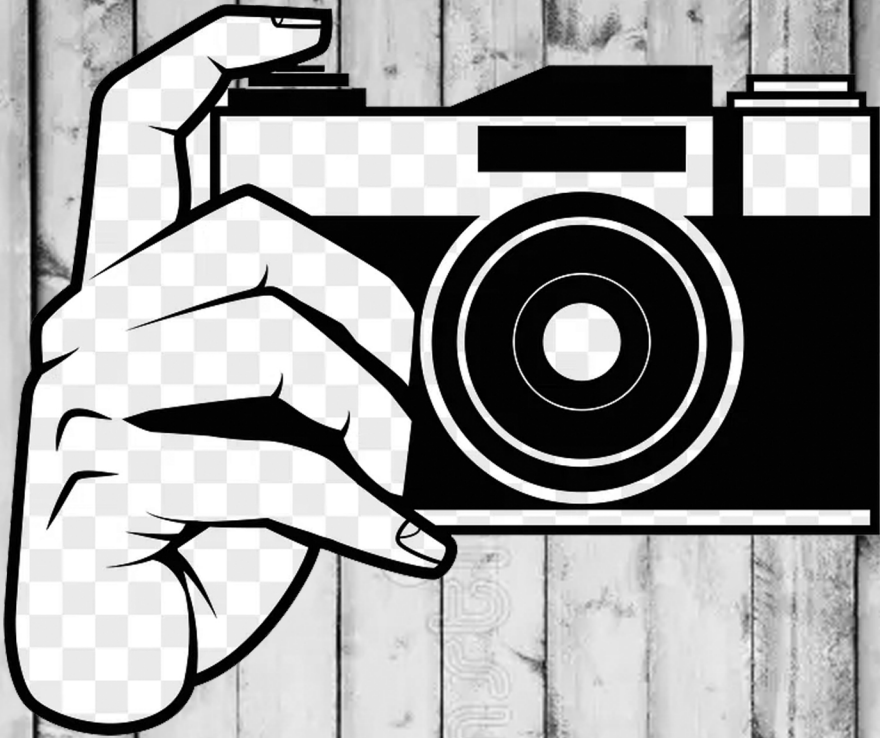


PHOTO DOCUMENTATION

2024 ACTIVITIES



42nd Annual General Membership Assembly
Surigao del Norte Electric Cooperative, Inc.

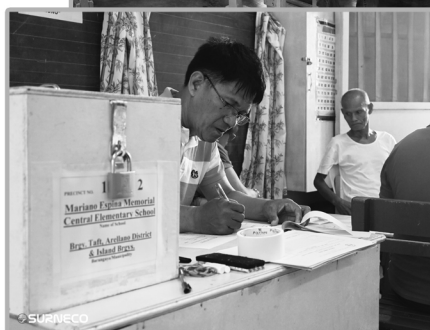
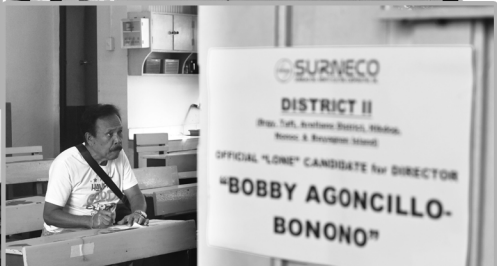
41ST Annual General Membership Assembly (AGMA)



41ST Annual General Membership Assembly (AGMA)



DISTRICT ELECTIONS



DISTRICT ELECTIONS



BRGY. LINE ENHANCEMENT PROGRAM



ONE-STOP-SHOP ACTIVITIES



ONE-STOP-SHOP ACTIVITIES



SCHOOL FORUM: STUDENT & TEACHER ENGAGEMENT



SCHOOL FORUM: STUDENT & TEACHER ENGAGEMENT



REGISTRATION DRIVE FOR THE IMPLEMENTATION OF R.A. 1152 (LIFELINE RATE SUBSIDY)



JOINT DENTAL AND MEDICAL MISSION



JOINT DENTAL AND MEDICAL MISSION



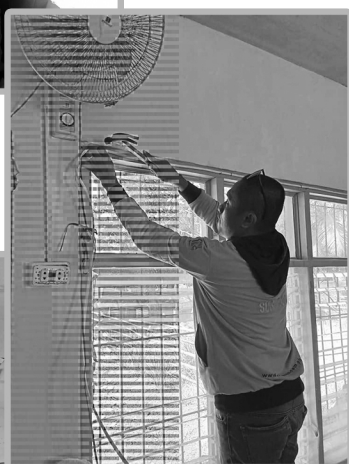
ADOPT-A-DAYCARE: SCHOOL SUPPLIES DONATION



FEEDING DAY AND OUTREACH ACTIVITY



BRIGADA ESKWELA ELECTRICAL CHECK & WIRING ACTIVITIES



COMMUNITY PANTRY



BUNDLE OF JOY DISTRIBUTION



BLOODLETTING ACTIVITY



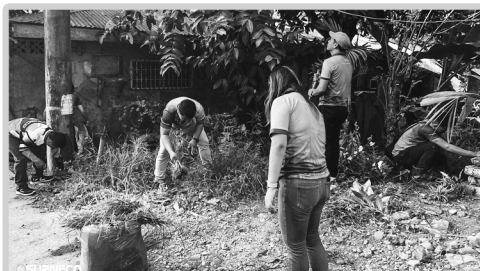
CONSUMER'S MONTH CELEBRATION SURPRISES



SIMULTANEOUS TREE PLANTING & LINE CLEARING ACTIVITIES



WORLD ENVIRONMENT DAY CLEAN-UP DRIVE



47TH FOUNDATION ANNIVERSARY



MASS & MOTORCADE



FELLOWSHIP NIGHT

47TH FOUNDATION ANNIVERSARY



FUN AND GAMES

2024 CHRISTMAS PARTY



2024 CHRISTMAS PARTY

