



SOUTH COTABATO I
ELECTRIC COOPERATIVE, INC.

2025
ANNUAL REPORT



Discipline: Bridging

GOALS *for* GREATNESS



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City of Koronadal, South Cotabato



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Katatagan sa Nagbabagong Panahon

Sa ating mga minamahal na Member-Consumer-Owners (MCOs) at mga Stakeholders,

Isang mapagpala at makabuluhang taon sa ating lahat!

Buong galak naming ibinabahagi ang isa na namang matagumpay na taon para sa SOCOTECO-I. Sa kabila ng mga hamon, nanatili tayong matatag at tapat sa ating mandato bilang isang electric cooperative.

Hinarap natin ang bawat hamon nang may tapang at hindi sumuko, kaya't muli nating nakamit ang pagkilala bilang Triple A Category Electric Cooperative—isang karangalang bunga ng pagkakaisa at dedikasyon ng bawat isa. Isa ito sa ating pinakamalaking tagumpay ngayong taon. Patunay ng ating matatag na pananalapi, mahusay na operasyon, at de-kalidad na serbisyo sa ating mga MCOs. Muli rin nating naipakita ang ating kahusayan sa pamamagitan ng positibong resulta sa ating Key Performance Standards at mga pagsusuri ng iba't ibang ahensya ng pamahalaan.

Patuloy nating isinulong ang Total Rural Electrification Program, kung saan mahigit **1, 880 na mamamayan ang nabigyan ng kuryente sa pamamagitan ng Sitio Electrification Project at mahigit 1, 914 pamilya sa mga off-grid communities ang nakinabang sa ating Solar Program.** Naitala rin na tayo ang nangunguna sa Mindanao sa pagpapatupad ng Net Metering Program.

Isang mahalagang tagumpay rin ang pagkakaloob ng karagdagang alokasyon ng kuryente mula sa National Power Corporation (NPC) – Power Sector Assets and Liabilities Management (PSALM) Corporation, sa tulong at suporta ng ating **Congressional Office (2nd District of South Cotabato) sa pamumuno ni Hon. Ferdinand L. Hernandez.** Ang suportang ito ay nagbigay-daan upang mas marami pang kabahayan ang mapaglingkuran dahil sa mas murang presyo ng kuryente.

Sa teknikal na aspeto, malaking tulong ang itinayong **bagong San Isidro Substation**, ang pagpapalawak ng **GIS at SCADA systems**, ang pagpapalit ng mga lumang poste at metro, ang **Kuryente Tsek Program**, at ang pagpapadali ng pagbabayad sa pamamagitan ng ating online payment facilities. Ang inyong walang-tigil na pagbabayad sa tamang oras ay malaking ambag sa pagpapanatili ng mataas na collection efficiency ng kooperatiba.

Taos-puso kaming nagpapasalamat sa lahat ng aming katuwang sa serbisyo—sa **SAEA, BAPA, MCOO, mga Lokal na Pamahalaan at kanilang mga pinuno**, iba pang mga stakeholder, at higit sa lahat, sa lahat ng ating mga **Member-Consumer-Owners (MCOs)** na patuloy na nagtitiwala, nakikiisa, at sumusuporta sa ating kooperatiba.

Sa mga darating pang taon, mananatili ang SOCOTECO-I bilang inyong katuwang sa pag-unlad—nakikinig, tumutugon, at tunay na naglilingkod. *Maraming salamat!*

Mula sa buong pamunuan ng SOCOTECO-I



Profile

The South Cotabato I Electric Cooperative, Inc. or SOCOTECO-I was organized on August 31, 1971 as a non-stock, non-profit membership electric cooperative under the provisions of the National Electrification Administration Act (RA 6038) as amended by Presidential Decree 269. It became the 12th electric cooperative registered by NEA.

The Certificate of Franchise was granted on September 5, 1979. It states that the cooperative is authorized to operate an electric light and power service for a period of fifty (50) years beginning September 5, 1979.

Vision

A First-rate electric utility of choice by 2030.

Mission

To achieve customer delight by providing quality and reliable electric service at least cost thereby improving the way of life of our stakeholders.

Quality Policy

We commit to stakeholders' delight by satisfying all applicable requirements including statutory and regulatory and through continuous improvement in the delivery of reliable and efficient electric service.



Operational Highlights

<i>Performance Rating</i>	:	Triple A (AAA)
<i>Total Billed Connection</i>	:	146, 925
<i>Membership</i>	:	128, 094
<i>Collection Efficiency</i>	:	97.34%
<i>Customer Satisfaction Rating</i>	:	3.92 Very Satisfactory
<i>Length of Distribution Network</i>	:	3, 725.81 kilometres of line
<i>Power Capacity</i>	:	20 MVA Morales Substation 20 MVA Matulas Substation 20 MVA Dajay Substation 10 MVA Banga Substation 5 MVA Lamsugod Substation 5 MVA Norala Substation 30 MVA San Isidro Substation 5 MVA San Roque Substation 5 MVA KCC Mall Substation 10 MVA Biotech Dumadalig 10MVA Biotech Banga 5 MVA Dole Surallah 7.5MVA Surallah Power Gen Inc. 5 MVA Mall of Ace Centerpoint



Operational Highlights

<i>Classification</i>	:	Mega Large Cooperative
<i>Sources of Power</i>	:	Power Sector Assets and Liabilities Management Corp. (PSALM) FDC Misamis Power Corporation (FDC Misamis) Therma South Inc. (TSI) Supreme Power Corporation (SPC) Sarangani Energy Corporation (SEC) GNPower Kauswagan Ltd. Co. (GNPK)

Programs and Services

Rural Electrification Initiatives

SOCOTECO-I remains steadfast in fulfilling its mandate of bringing electricity to communities through the sustained implementation of its Rural Electrification Program. These initiatives include Cooperative-Initiated Electrification Projects, the Light a Hope Project, and the Government mandated projects such as the Sitio Electrification Project (SEP), and the PVM-SHS Project, all of which are aligned with the national government's development and electrification goals.

Support to Missionary Electrification

The cooperative actively supports the National Government's Missionary Electrification Development Plan by extending electricity services to underserved and unserved areas and by ensuring compliance with mandated contributions and program requirements.

Round-the-Clock Customer Service

SOCOTECO-I maintains a fully operational Maintenance and Customer Service Center that provides 24/7 maintenance and emergency response services, ensuring prompt assistance and reliable support to all MCOs.



Quality Management System

SOCOTECO-I remains ISO 9001:2015 Quality Management System Certified, demonstrating a strong commitment to quality service and continuous improvement.

Anti-Pilferage Campaign

Under the banner of Kuryente Tsek and in support of RA 7832, the cooperative launched a massive anti-pilferage drive, promoting lawful and responsible energy use.

Technology Upgrades

Upgraded Supervisory Control and Data Acquisition (SCADA) and Geographic Information System (GIS) for improved monitoring, reliability, and efficiency in operations.

Renewable Energy Promotion

SOCOTECO-I advocates for sustainable energy solutions through the adoption of biomass and solar energy technologies in its operations and services. Notably, the cooperative has been recognized as one of the leading electric cooperatives (ECs) with the highest number of Net Metering customers in Mindanao.

ICT Development and Digital Transformation

- Continued implementation of the ICT Development Plan and updating of innovative systems and applications, including: Mobile Service Memo System, MRBS Android Mobile App, Biometric System Web App, Meter Asset Inventory System, Rates Management System, Digital Payment Solutions
- Enhanced member convenience through online bills payment via: PNB, RCBC, ECPay Channels (Gcash, Paymaya, Palawan Pay, 7/11, and others)
- Drive-Thru Payment Facility



Corporate Social Responsibility (CSR) Programs

- In partnership with the SOCOTECO-I Foundation, Inc., the cooperative pursued various CSR programs aimed at uplifting communities:

Adopt-a-Ward Program

- Continuous support to Norala District Hospital and the Integrated Provincial Health Office (IPHO) to assist indigent patients.

Basic Electricity Education

- Provided basic electricity education covering voltage, current, resistance, electrical safety practices, and an overview of the Cooperative. Through the expertise of SOCOTECO-I personnel, learners gained a better understanding of how SOCOTECO-I operates and delivers reliable electric service to its member-consumer-owners.

Community Outreach

- Donated to and organized activities for DSWD Home for Girls and the Reception and Study Center for Children (RSCC)
- Sponsored the 1st Day of Simbang Gabi to preserve cultural and religious traditions
- Supported the celebration of Easter Sunday Panata

Environmental Advocacy

- Advocated for ecological responsibility through regular Tree Planting and Growing Activities, contributing to the fight against climate change.



THE BOARD OF DIRECTORS

President	:	DIR. OSIEL ALEXIS P. PAR District II – Tampakan
Vice President	:	DIR. HARLEY JAMES P. OCTAVIANO District VIII – Tboli
Secretary	:	DIR. SHARON S. FERMALINO District VI – Norala
Treasurer	:	DIR. RICHARD V. GAMO District I – A – Koronadal
Auditor	:	DIR. MYRNA G. LANGUB District VII – Sto. Niño
Members	:	DIR. PEDRO G. BOLIVAR III District IV – Banga
	:	DIR. LEONARD A. BONZO District I – B – Koronadal
	:	DIR. ANDRADE F. LAGOS District III – Tantangan
	:	DIR. ABDULLAH JESS B. MANGUDADATU District X – Lutayan
	:	DIR. JEANLY S. PARREÑO District V – Surallah
	:	DIR. ANA R. SOMIDO District IX – Lake Sebu
	:	ENGR. RAFFEE EDSSEL B. EPISTOLA Ex-Officio Member / General Manager
	:	MS. IMELDA I. AMERICA Project Supervisor



THE EXECUTIVE STAFF

RAFFEE EDSSEL B. EPISTOLA, R.E.E.

General Manager

MICHAEL N. MARCELLA, P.E.E., A.C.P.E.

Manager, Technical Services

DARREL V. SULTAN, R.E.C.E.

Manager, Corporate Planning

ARIEL P. CABINBIN, C.P.A.

Manager, Finance Services

STEVE GEORGE J. ARMADA, C.P.A.

Manager, Internal Audit

ELNA JEAN N. BOLIVAR, M.I.E., C.H.R.A.

Manager, Institutional Services

ROBERT KANE M. REYES, L.L.B.

Manager, Area 1 Services

WILLY B. SANTANDER JR., R.E.E.

Manager, Area 2 Services



M i n u t e s o f t h e
46th AGMA



SOCOTECO-I

SOUTH COTABATO I ELECTRIC COOPERATIVE, INC.
Brgy. Morales, City of Koronadal, South Cotabato 9506

MINUTES OF THE HYBRID 46th ANNUAL GENERAL MEMBERSHIP ASSEMBLY OF SOUTH COTABATO I ELECTRIC COOPERATIVE, INC. (SOCOTECO-I) DULY HELD AT THE SOUTH COTABATO GYMNASIUM, CITY OF KORONADAL, SOUTH COTABATO ON AUGUST 30, 2025.

ATTENDANCE

Present:

Dir. Andrade F. Lagos	DISTRICT III, TANTANGAN	President
Dir. Leonard A. Bonzo	DISTRICT I-B, KORONADAL	Vice President
Dir. Jeanly S. Parreño	DISTRICT V, SURALLAH	Secretary
Dir. Sharon S. Fermalino	DISTRICT VI, NORALA	Treasurer
Dir. Ana R. Somido	DISTRICT IX, LAKE SEBU	Auditor
Dir. Richard V. Gamo	DISTRICT I-A, KORONADAL	Member
Dir. Osiel Alexis P. Par	DISTRICT II, TAMPAKAN	Member
Dir. Pedro G. Bolivar III	DISTRICT IV, BANGA	Member
Dir. Myrna G. Langub	DISTRICT VII, STO. NINO	Member
Dir. Harley James P. Octaviano	DISTRICT VIII, T'BOLI	Member
Dir. Abdullah Jess B. Mangudadatu	DISTRICT X, LUTAYAN	Member
Engr. Raffee Edsel B. Epistola		Ex-Officio/ General Manager
Ms. Imelda I. America		NEA Designated Project Supervisor

Member-Consumer-Owners

6,440 or 5.11%

BUSINESS PROPER

1. CALL TO ORDER

The Presiding Officer, Dir. Andrade F. Lagos called the Annual General Membership Assembly Meeting to order at 11:00 AM. He welcomed all the Member-Consumer-Owners (MCOs) and honored guests.

2. DETERMINATION OF QUORUM

Dir. Parreño, the Board Secretary, expressed that pursuant to Article III, Section 4 of SOCOTECO-I Amended By-Laws, the presence of at least five percent (5%) of all members of the Cooperative shall constitute a quorum for the transaction of business at all meetings of the members.

For the Board of Directors, all officers and members are present namely:

Board President	:	Dir. Andrade F. Lagos, Tantangan District
Board Vice President	:	Dir. Leonard A. Bonzo, Koronadal 1B District
Board Secretary	:	Dir. Jeanly S. Parreño, Surallah District
Board Treasurer	:	Dir. Sharon S. Fermalino, Norala District
Board Auditor	:	Dir. Ana R. Somido, Lake Sebu District
Board Members	:	Dir. Richard V. Gamo of Koronadal 1A District
		Dir. Pedro G. Bolivar, III, Banga District
		Dir. Osiel Alexis P. Par, Tampakan District
		Dir. Myrna G. Langub, Sto. Niño District

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Dir. Harley James P Octaviano, T'boli District
Dir. Abdullah Jess B. Mangudadatu, Lutayan District
Ex-Officio Member : Engr. Raffee Edsel B. Epistola, General Manager
Project Supervisor : Ms. Imelda I. America, NEA

Further, she stated that there were 6,440 member-consumer-owners in attendance, comprising 5.11% of the total membership, and therefore certified that the General Assembly is hereby in quorum.

With the report of the Board Secretary, the Presiding Officer declared the Meeting in quorum.

3. **READING OF THE NOTICE OF MEETING**

The Board Secretary read the Notice of Meeting, as follows:

PARA SA TANAN NGA MEMBER-CONSUMER-OWNERS

Gina-awhag ang tanan nga MCOs nga magtambong kita sa palaabuton nga Agosto 30, 2025, Sabado, 8:00AM sa South Cotabato Gym and Cultural Center para sa SOCOTECO I 46 Annual General Membership Assembly.

THEME: *"Beyond Power: Electric Cooperatives Empowering Communities, Changing Lives"*

I. ORDER OF BUSINESS

1. Call to Order
2. Determination of Quorum
3. Reading of the Notice of Meeting
4. Reading of the Minutes of the Previous AGMA
5. Reports of the Board President and the General Manager
6. Report of the Board Treasurer
7. Unfinished Business
8. New Business
 - a. Franchise Application
 - b. CAPEX Projects 2026-2028
9. Adjournment

Registration time: 6:00AM. Magdala sang SOCOTECO I ID o any valid IDs para sa pagparehistro.

Ang inyo pagtambong amo ang kadalag-an sang sini nga okasyon. Madamo gid nga salamat!

4. **READING OF THE MINUTES OF THE PREVIOUS ANNUAL GENERAL MEMBERSHIP ASSEMBLY**

Dir. Parreño informed the body that copies of the Minutes of the previous AGMA were provided along with the 2024 Annual Report of the Cooperative. Additionally, copies of these were posted on the Coop's website and Facebook page.

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Brgy. Morales, City of Koronadal, South Cotabato 9506

Ms. Irene Bermil, an MCO from Koronadal 1-A District, moved to dispense with the reading of the Minutes of the previous Annual General Membership Assembly (AGMA), as copies had been provided to the MCOs in advance. She likewise moved for the approval of the Minutes of the AGMA held on August 31, 2024. The motion was duly seconded by Ms. Elvira Vargas of Banga District.

5. **REPORTS OF THE BOARD PRESIDENT AND THE GENERAL MANAGER**

An audio-visual presentation highlighting the report of the Board President and the General Manager was shown.

6. **REPORT OF THE BOARD TREASURER**

Dir. Sharon Fermalino, the Board Treasurer, presented the Treasurer's Report through an audio-visual presentation.

Thereafter, Mr. Eleazar Gillado of Tampakan District moved for the adoption and approval of the Treasurer's Report. The motion was duly seconded by Mr. Adam Sintin of Koronadal 1-B District.

7. **UNFINISHED BUSINESS**

None.

8. **NEW BUSINESS**

a. **Franchise Application**

- SOCOTECO-I was duly incorporated and registered as a non-stock, non-profit membership electric cooperative on August 31, 1971, under the provisions of Republic Act No. 6038, also known as the National Electrification Administration Act, as amended by Presidential Decree No. 269, reflecting the government's commitment to rural electrification and cooperative development;
- SOCOTECO-I became the 12th electric cooperative registered by the National Electrification Administration (NEA), initially serving the 6 towns of Koronadal, Banga, Surallah, Norala, Tampakan, and Tantangan, thereby playing a vital role in providing accessible and reliable electric service to these communities;
- on August 01, 1977, the Cooperative officially took over the facilities and operations of the Marbel and Banga Electric Plants, consisting of 11 employees, and began serving a growing consumer base of 2,592 members, thereby expanding its reach and capacity to deliver essential power services;
- on September 05, 1979, the National Electrification Commission granted SOCOTECO-I a Certificate of Franchise, under Presidential Decree No. 269, authorizing the Cooperative to operate electric light and power services for a period of fifty (50) years from the date of issuance, thus formalizing its legal authority to serve the community;
- Throughout its years of operation, SOCOTECO-I has diligently provided continuous and reliable electric services to its member-consumers and the broader community, contributing significantly to the economic growth, development, and improved quality of life in South Cotabato and the Municipality of Lutayan, Sultan Kudarat;





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- The Cooperative remains steadfast in its mission of missionary electrification, actively extending lines to energize the most remote Sitios and Puroks within its coverage area, thereby fulfilling its social responsibility and commitment to inclusive development;
- The current franchise of SOCOTECO-I is set to expire on September 05, 2029, and it is imperative to secure a renewal in order to sustain uninterrupted electric service and continue its developmental initiatives;
- Given the complexities involved in the franchise renewal process and the need for sufficient lead time to complete all legal and administrative requirements, SOCOTECO-I must initiate the processing of its franchise renewal application at the earliest opportunity to ensure timely renewal before the current expiration date;
- Having no further discussions made, Mr. Nonie Palencia, Banga District moved for the approval of a Resolution approving the Franchise Application of South Cotabato I Electric Cooperative, Inc. (SOCOTECO-I), which was duly seconded by Mr. Ronnie Paches, Norala District.

b. CAPEX Projects 2026-2028

- The Energy Regulatory Commission (ERC) issued Resolution No. 26, Series of 2009, establishing the rules for the approval of capital expenditure projects of regulated entities;
- Pursuant to the Electric Cooperatives Distribution Utility Planning Manual, SOCOTECO-I's management conducted distribution development and strategic planning, which included forecasting distribution system requirements, assessing technical performance, and identifying operational improvement areas;
- SOCOTECO-I Management formulated projects based on the identified problems and areas for improvement, which have gone through screening and prioritization according to the result of its technical and economic evaluation;
- The proposed Multi-Year CAPEX Plan for 2026–2028 is composed of Network and Non-network projects amounting to Nine Hundred Ten Million Three Hundred Two Thousand Five Hundred Fifty-Two and Five Centavos (Php910,302,552.05);

PROJECT TYPE	TOTAL PROJECT COST PER IMPLEMENTING YEAR			
	2026	2027	2028	TOTAL
Network Projects	376,707,296.81	202,336,676.26	192,624,413.66	771,668,386.73
Non-network Projects	72,130,719.37	41,573,266.39	24,930,179.57	138,634,165.33
GRAND TOTAL	448,838,016.17	243,909,942.64	217,554,593.24	910,302,552.05

- Recognizing the substantial financial requirements of these projects, the Cooperative may need to secure loans from NEA and/or other financial institutions. While such financing may impact its 2-point score in the Key Performance Standards (KPS) rating under the financial category, the Cooperative will pursue strategic measures to offset this impact, including strengthening its scores in other KPS areas such as Technical and Institutional, to achieve a Triple-A classification reflecting overall organizational excellence and financial stability;

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Brgy. Morales, City of Karonadal, South Cotabato - 8506

- In compliance with regulatory requirements, the current RFSC rate of PHP 0.5340 per kWh shall be retained;
- The Member-Consumer-Owners (MCOs) of SOCOTECO-I have reviewed and found the Capital Expenditure Plan for years 2026-2028 to be aligned with the Cooperative's strategic direction and substantial to the existing and future demands of the stakeholders that include, among others, the member-consumer-owners, customers, suppliers, regulatory and statutory bodies;
- Having no further discussions made, Mr. Ernesto Morales, Lutayan District moved for the approval of a Resolution approving the Multi-Year Capital Expenditure (CAPEX) Projects of South Cotabato I Electric Cooperative, Inc. (SOCOTECO-I) for the Years 2026 to 2028 and Authorizing to Secure a Loan from the National Electrification Administration (NEA) and/or other Financial Institutions, which was duly seconded by Mr. Freddie Gandang, Lake Sebu District.

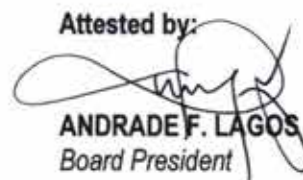
9. ADJOURNMENT

There being no other matters discussed and no further questions or concerns raised, the Presiding Officer declared the assembly adjourned at 12:30 p.m.

Certified Correct:


JEANLY S. PARREÑO
Board Secretary

Attested by:


ANDRADE F. LAGOS
Board President



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A u d i t e d
**FINANCIAL
STATEMENTS**

SOUTH COTABATO I ELECTRIC COOPERATIVE, INC.

Brgy. Morales, City of Koronadal South Cotabato 9506 Philippines

Management Letter

December 31, 2025

PHILIPPINE CURRENCY



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **SOUTH COTABATO I ELECTRIC COOPERATIVE, INC.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2025 and 2024, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enables the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Cooperative's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the members.

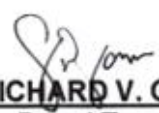
L.C. BONGUYAN & CO., the independent auditor appointed by the Board of Directors, has audited the financial statements of the Cooperative in accordance with Philippine Standards on Auditing, and in its report to the members-consumers, has expressed its opinion on the fairness of presentation upon completion of such audit.



OSIEL ALEXIS P. PAR
Board President



ENGR. RAFFEE EDSSEL B. EPISTOLA
General Manager



RICHARD V. GAMO
Board Treasurer



INDEPENDENT AUDITOR'S REPORT

The Board of Directors

SOUTH COTABATO I ELECTRIC COOPERATIVE, INC.

Brgy. Morales, City of Koronadal South Cotabato 9506 Philippines

Opinion

We have audited the accompanying financial statements of **SOUTH COTABATO I ELECTRIC COOPERATIVE, INC.**, which comprise the statements of financial condition as at December 31, 2025 and 2024, and the statements of total comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of **SOUTH COTABATO I ELECTRIC COOPERATIVE, INC.** as at December 31, 2025 and 2024, and its financial performance and its cash flows for the year then ended in accordance with the Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Cooperative in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, the Code of Ethics for Professional Accountants in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause 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 Under Revenue Regulations 15 – 2010

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is 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 whole.

Report on Statements of Net Margin Inclusive of Reinvestment Fund for Sustainable CAPEX (RFSC)

Statements of Net Margin Inclusive of Reinvestment Fund for Sustainable CAPEX (RFSC) is not a required part of the basic financial statements presented in accordance with Philippine Financial Reporting Standards.

The Cooperative bills its consumers RFSC which is used to finance the system expansion, improvement and upgrading of existing facilities and institutional development or any other projects approved by the Energy Regulatory Commission.

The Cooperative's operating revenue excludes the proceeds from RFSC which is required to be segregated and presented in the equity section.

The National Electrification Administration (NEA) assesses the financial performance of electric cooperatives inclusive of RFSC.

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 whole.

L.C. BONGUYAN & CO.

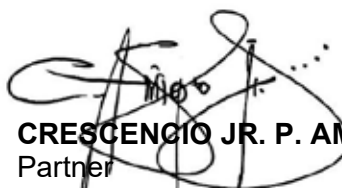
BOA Registration No. 0354, valid up to November 13, 2028

NEA Accreditation No. 2026-01-00116, valid up to January 06, 2029

BIR A.N. 19-008306-001-2025, issued on September 29, 2025; effective until September 29, 2028

TIN 004-426-918-000

By:



CRESCENCIO JR. P. AMIGO

Partner

BOA Registration No. 0354/P-003. Valid up to November 13, 2028

CPA Registration No 144717

BIR A.N. 19-007644-001-2026, issued on February 25, 2026; effective until February 25, 2029

TIN 423-860-582-000

PTR No. 2257898 D, issued on January 08, 2026, Davao City

April 11, 2026

Davao City, Philippines

SOUTH COTABATO I ELECTRIC COOPERATIVE, INC.

Statements of Financial Position

(All amounts in Philippine Peso)

As of December 31	2025		2024	
ASSETS				
<u>Non-current assets</u>				
Utility plant (Note 2)	P	1,259,745,853	P	1,163,789,095
Investment in equity securities		12,124,000		12,124,000
Other non-current assets (Note 3)		388,714,526		429,971,790
Total non-current assets	P	1,660,584,380	P	1,605,884,886
<u>Current assets</u>				
Cash (Note 4)	P	427,803,586	P	412,655,338
Receivables, net (Note 5)		588,987,244		518,332,611
Materials and supplies, net (Note 6)		146,065,499		127,444,181
Other current assets (Note 7)		59,108,195		53,124,397
Total current assets	P	1,221,964,525	P	1,111,556,526
TOTAL ASSETS	P	2,882,548,905	P	2,717,441,412
LIABILITIES AND MEMBERS' EQUITY				
<u>Non-current liabilities</u>				
Borrowings and other long-term liabilities, net of current portion (Note 8)	P	209,841,114	P	262,045,789
Retirement liability (Note 9)		114,085,744		127,567,975
Consumers' deposits, net of current portion (Note 10)		68,523,011		64,037,482
Total non-current liabilities	P	392,449,869	P	453,651,246
<u>Current liabilities</u>				
Accounts payable - power (Note 12)	P	336,887,536	P	270,816,333
Accrued expenses and other current liabilities (Note 11)		81,821,127		80,687,383
Current portion of borrowings and other long-term liabilities (Note 8)		201,201,111		217,325,409
Payable to NEA (Note 11)		92,572,451		61,526,160
Current portion of consumers' deposits (Note 10)		5,788,333		5,788,333
Income tax payable		5,937,335		4,581,916
Total current liabilities	P	724,207,892	P	640,725,533
<u>Members' equity</u>				
Members' contributions	P	3,241,613	P	2,924,063
Donated capital (Note 13)		540,366,510		553,479,042
Contribution-in-aid of construction (Note 14)		35,982,319		35,982,319
Reinvestment fund for sustainable capital expenditures (Note 15)		2,165,144,577		1,964,987,673
Retirement reserves gain (loss) (Note 9)		101,534,611		86,694,932
Accumulated earnings (deficit)		(1,080,378,486)		(1,021,003,397)
Total members' equity	P	1,765,891,144	P	1,623,064,632
TOTAL LIABILITIES AND MEMBERS' EQUITY	P	2,882,548,905	P	2,717,441,412

SOUTH COTABATO I ELECTRIC COOPERATIVE, INC.

Statements of Comprehensive Income

(All amounts in Philippine Peso)

<i>For the Years Ended December 31</i>	2 0 2 5	2 0 2 4
Revenue from sale of energy		
Residential	P 1,796,548,466	P 1,668,870,133
High voltages	1,155,913,183	1,062,118,813
Low voltages	428,963,654	404,106,954
Total revenue from sale of energy	P 3,381,425,303	P 3,135,095,900
Less: Cost of services		
Generation and transmission (Note 17)	P 3,083,574,532	P 2,840,874,875
Operations and maintenance (Note 18)	107,687,576	100,954,843
Consumers' accounts (Note 19)	56,109,723	59,192,534
Depreciation - distribution plant (Note 2)	74,049,474	73,358,081
Income from government grants	(17,475,050)	(16,437,136)
Total cost of services	P 3,303,946,255	P 3,057,943,195
Gross income (loss)	P 77,479,048	P 77,152,705
Less: Other expenses		
General and administrative expenses (Note 20)	P 153,178,891	P 156,884,270
Depreciation - general plant (Note 2)	3,193,665	13,079,309
Income (loss) from operations	P (78,893,508)	P (92,810,875)
Other income, net		
Other income (Note 16)	P 54,940,718	P 46,291,054
Finance cost (Note 8)	(29,282,999)	(32,995,297)
NET INCOME (LOSS) BEFORE INCOME TAX	P (53,235,790)	P (79,515,118)
Less: Provision for income tax	P 6,139,300	P 4,758,783
NET INCOME (LOSS)	P (59,375,089)	P (84,273,901)
Other comprehensive (loss) income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Actuarial gain (loss) on retirement obligation (Note 9)	P 14,839,679	P 110,482,127
TOTAL COMPREHENSIVE INCOME (LOSS)	P (44,535,410)	P 26,208,226

SOUTH COTABATO I ELECTRIC COOPERATIVE, INC.

Statements of Net Margin Inclusive of Reinvestment Fund for Sustainable CaPex

(All amounts in Philippine Peso)

<i>For the Years Ended December 31</i>		2 0 2 5	2 0 2 4
TOTAL COMPREHENSIVE INCOME (LOSS)	P	(44,535,410)	P 26,208,226
ADD: RFSC		200,156,904	188,173,282
NET MARGIN INCLUSIVE OF RFSC	P	155,621,494	P 214,381,509

Statements of Net Margin Inclusive of Reinvestment Fund for Sustainable CAPEX (RFSC) is not a required part of the basic financial statements presented in accordance with Philippine Financial Reporting Standards.

The Cooperative bills its consumers RFSC which is used to finance the system expansion, improvement and upgrading of existing facilities and institutional development or any other projects approved by the Energy Regulatory Commission.

The Cooperative's operating revenue excludes the proceeds from RFSC which is required to be segregated and presented in the equity section.

The National Electrification Administration (NEA) assesses the financial performance of electric cooperatives inclusive of RFSC.

SOUTH COTABATO I ELECTRIC COOPERATIVE, INC.

Statements of Changes in Members' Equity

(All amounts in Philippine Peso)

For the Years Ended December 31	2 0 2 5	2 0 2 4
Members' contributions		
Balance, January 1	P 2,924,063	P 2,773,313
Contributions during the year	317,550	150,750
Balance, December 31	P 3,241,613	P 2,924,063
Donated capital		
Balance, January 1	P 553,479,042	P 528,986,014
Completed subsidy projects during the year	-	36,992,834.63
Contributions during the year	4,362,518	3,937,329
Reclassified as income from government grants	(17,475,050)	(16,437,136)
Balance, December 31	P 540,366,510	P 553,479,042
Contributions-in-aid of construction		
Balance, January 1	P 35,982,319	P 35,982,319
Contributions during the year	-	-
Balance, December 31	P 35,982,319	P 35,982,319
Reinvestment fund for sustainable CapEx		
Balance, January 1	P 1,964,987,673	P 1,776,814,391
Contributions during the year	200,156,904	188,173,282
Balance, December 31	P 2,165,144,577	P 1,964,987,673
Retirement reserves gain / (loss)		
Balance, January 1	P 86,694,932	P (23,787,195)
Actuarial gain / (loss) for the year	14,839,679	110,482,127
Balance, December 31	P 101,534,611	P 86,694,932
Accumulated earnings / (deficit)		
Balance, January 1	P (1,021,003,397)	P (936,729,496)
Adjustments:		
Restatements adjustments	-	-
Balance, January 1, restated balance	P (1,021,003,397)	P (936,729,496)
Net income / (loss) during the year	(59,375,089)	(84,273,901)
Balance, December 31	P (1,080,378,486)	P (1,021,003,397)
	P 1,765,891,144	P 1,623,064,632

SOUTH COTABATO I ELECTRIC COOPERATIVE, INC.

Statements of Cash Flows

(All amounts in Philippine Peso)

For the Years Ended December 31

2 0 2 5

2 0 2 4

Cash flows from operating activities

Net income (loss) P (59,375,089) P (84,273,901)

Adjustments for:

Depreciation 77,243,138 86,437,390

Finance costs 29,282,999 32,995,297

Retirement benefits expense 21,990,749 35,551,068

Provision for impairment on receivables 306,634 374,737

Provision for income tax 6,139,300 4,758,783

Interest income (5,771,314) (5,207,331)

Income from government grant (17,475,050) (16,437,136)

Operating income (loss) before changes in working capital P 52,341,367 P 54,198,906

(Increase) decrease in:

Receivables, net (70,961,268) (106,420,964)

Materials and supplies, net (18,621,318) (72,704,723)

Other current assets (5,983,799) (17,350,077)

Increase (decrease) in:

Accounts payable - power 66,071,203 15,493,980

Accrued expenses and other current liabilities 1,133,744 48,429,157

Consumers' deposit 4,485,529 (2,115,157)

Net cash generated from (used in) operations P 28,465,457 P (80,468,877)

Retirement benefits paid (20,633,301) (19,520,438)

Income tax paid (4,783,881) (4,807,107)

Net cash flows from (used in) operating activities P 3,048,275 P (104,796,422)

Cash flows from investing activities

Interest received P 5,771,314 P 5,207,331

Additions to investment fund - (114,068)

Additions to utility plant (173,199,896) (150,199,094)

Changes in other non-current assets 41,257,264 28,646,540

Net cash flows from (used in) investing activities P (126,171,318) P (116,459,291)

Cash flows from financing activities

Additions to reinvestment fund for sustainable CapEx 200,156,904 188,173,282

Proceeds (payments) from borrowings and other long-term liabilities P (97,611,972) P (74,728,428)

Net proceeds (refunds) from subsidies 35,408,809 46,504,350

Members' contributions 317,550 150,750

Net cash flows from (used in) financing activities P 138,271,292 P 160,099,954

NET INCREASE (DECREASE) IN CASH P 15,148,249 P (61,155,759)

CASH BALANCE, BEGINNING P 412,655,338 P 473,811,099

CASH BALANCE, END P 427,803,586 P 412,655,338

SOUTH COTABATO I ELECTRIC COOPERATIVE, INC.

Notes to Financial Statements

As of and for the years ended December 31, 2025 and 2024

Note 1

General information

Organization

South Cotabato I Electric Cooperative, Inc. (the "Cooperative") was organized on August 31, 1971 under the provisions of National Electrification Administration (NEA) Act or Republic Act (RA) No. 6038, as amended by Presidential Decree (PD) No. 269, restored by the Fiscal Incentives Review Board under its resolution No. 24-87, dated July 14, 1987 pursuant to Executive Order No. 93 as amended. Its primary purpose is to supply, promote and encourage the fullest use of electric service to its members on an area coverage basis.

Under Section 39 of P.D. No. 269, the Cooperative shall be permanently exempt from payment of income taxes. Consequently, for the years ended **December 31, 2025 and 2024**, the Cooperative continues to apply the exemption on income tax provided under P.D. No. 269. However, income derived from other sources not related to its primary purpose is subject to income tax.

The Cooperative's franchise granted on September 5, 1979 covers the municipalities in the province of South Cotabato, namely: Banga, Lake Sebu, Norala, Surallah, Tampakan, Tantangan, Sto. Niño, T'boli, City of Koronadal and Municipality of Lutayan in the Province of Sultan Kudarat. The franchise is valid for a period of fifty (50) years from the date of grant.

The Cooperative's registered head office is located at Brgy. Morales, Koronadal City, South Cotabato.

Approval of the Cooperative's financial statements

The financial statements of the Cooperative for the year ended **December 31, 2025 (including the comparatives for the year ended December 31, 2024)** were authorized for issue by the Board of Directors on **April 11, 2026**.

Note 2

Utility plant

The Cooperative's utility plant, property and equipment consist of the following:

<i>December 31</i>	2 0 2 5	2 0 2 4
<i>At cost</i>		
Distribution plant	P 1,886,954,587	P 1,748,195,366
General plant	407,964,754	371,707,812
Land	46,387,848	46,387,848
Construction in-progress	308,728,595	313,237,094
	P 2,650,035,784	P 2,479,528,121
Less: accumulated depreciation	P 1,390,289,931	P 1,315,739,025
	P 1,259,745,853	P 1,163,789,095

The roll forward reconciliation of the movements of the historical cost of the utility plant for the years 2025 and 2024 are as follows:

<i>December 31</i>		2 0 2 4		Net Movement		2 0 2 5
<u>Cost</u>						
Distribution plant	P	1,748,195,366	P	138,759,221	P	1,886,954,587
General plant		371,707,812		36,256,941		407,964,754
Land		46,387,848		-		46,387,848
Construction in-progress		313,237,094		(4,508,499)		308,728,595
	P	2,479,528,121	P	170,507,663	P	2,650,035,784
<u>Accumulated depreciation</u>						
Distribution plant	P	944,878,977	P	72,721,920	P	1,017,600,897
General plant		370,860,048		1,828,986		372,689,033
Land		-		-		-
Construction in-progress		-		-		-
	P	1,315,739,025	P	74,550,905	P	1,390,289,931
<u>Book value</u>						
Distribution plant	P	803,316,389	P	66,037,301	P	869,353,690
General plant		847,764.36		34,427,956		35,275,720
Land		46,387,848		-		46,387,848
Construction in-progress		313,237,094		(4,508,499)		308,728,595
	P	1,163,789,095	P	95,956,758	P	1,259,745,853

<i>December 31</i>		2 0 2 3		Net Movement		2 0 2 4
<u>Cost</u>						
Distribution plant	P	1,569,090,947	P	179,104,419	P	1,748,195,366
General plant		358,586,760		13,121,052		371,707,812
Land		43,387,848		3,000,000		46,387,848
Construction in-progress		360,219,961		(46,982,867)		313,237,094
	P	2,331,285,516	P	148,242,604	P	2,479,528,121
<u>Accumulated depreciation</u>						
Distribution plant	P	872,671,365	P	72,207,612	P	944,878,977
General plant		358,586,760		12,273,288		370,860,048
Land		-		-		-
Construction in-progress		-		-		-
	P	1,231,258,125	P	84,480,900	P	1,315,739,025
<u>Book value</u>						
Distribution plant	P	696,419,582	P	106,896,807	P	803,316,389
General plant		-		847,764.36		847,764.36
Land		43,387,848		3,000,000		46,387,848
Construction in-progress		360,219,961		(46,982,867)		313,237,094
	P	1,100,027,391	P	63,761,704	P	1,163,789,095

Depreciation expense for the years ended December 31, 2025 and 2024 is allocated to the following accounts:

<i>December 31</i>		2 0 2 5		2 0 2 4
Distribution plant	P	74,049,474	P	73,358,081
General plant		3,193,665		13,079,309
	P	77,243,138	P	86,437,390

In accordance with NEA Memorandum No. 2015-027, Guidelines on the Accounting Treatment of Subsidy Funded Projects, issued on September 24, 2015, completion of house wiring materials, labor and overhead shall not form part of utility plant but shall be charged to Donated Capital - NEA.

Construction in-progress pertains to electric capital projects involving construction of new distribution-related facilities and the upgrade and rehabilitation of existing electrical facilities.

Critical accounting estimate - Estimate useful lives of assets

The Cooperative estimates useful lives of utility plant, property and equipment based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence. The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of utility plant, property and equipment.

Significant judgment - Asset impairment

The Cooperative assesses any impairment of its nonfinancial assets whenever events or changes in circumstances indicate the carrying amount of the assets or group of assets may not be recoverable. The factors that the Cooperative consider in deciding when to perform an impairment test, include the following, among others:

- Significant underperformance relative to the expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

Determining the value-in-use of the assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Cooperative to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Cooperative to conclude that the assets are impaired. Any resulting impairment loss could have a material impact on the Cooperative's financial condition and results of operations. Management has not identified any indicators or triggers that would require a detailed impairment review as at **December 31, 2025 and 2024**.

Note 3**Other non-current assets**

This account as at December 31 consists of:

<i>December 31</i>		2 0 2 5		2 0 2 4
Restricted funds				
<i>Reinvestment fund for sustainable CapEx</i>	P	207,972,398	P	222,548,632
<i>Retirement fund</i>		79,756,543		78,344,801
<i>Power bill deposits</i>		46,973,886		43,127,474
<i>Energy deposits</i>		30,501,349		30,270,980
<i>Fuel compensating charges over billin refund</i>		3,318,848		3,223,681
<i>Membership fund</i>		2,685,771		2,735,495
<i>Sitio electrification project (SEP)</i>		47,165		2,372,785
<i>Other restricted fund</i>		14,503,051		44,310,817
	P	385,759,010	P	426,934,665
Security deposit	P	2,955,516	P	2,948,926
Others	P	-	P	88,199
	P	388,714,526	P	429,971,790

As at **December 31, 2025 and 2024**, the carrying amount of restricted funds approximates their fair value. Interest income earned from restricted funds was recognized as part of “Other income” in the statement of comprehensive income (*Note 16*).

Reinvestment fund for sustainable CapEx (RFSC)

Restricted cash for RFSC represents bank deposits collected from the member-consumers set aside for capital expenditure projects or any other projects approved by the ERC and not for any other purpose, even on a temporary basis.

Energy deposits

Restricted cash for energy deposits pertains to fund reserved for future payments of energy supply to the National Power Corporation (NPC).

Sitio electrification project (SEP)

The restricted cash for SEP represents subsidies from NEA to fund electrification projects. These projects pertain to the extension of distribution lines in various puroks and sitios in Koronadal City and the municipalities of Banga, Lutayan, Norala, T'Boli, Tantangan, Lake Sebu and Surallah.

Power bill deposit

Power bill deposit represents bank deposit restricted for future refund of bill deposit. “Magna Carta for Residential Electricity Consumers” requires electric cooperatives to refund the bill deposit to consumers within one (1) month from the termination of service provided all bills have been paid. Also, a consumer who has paid his electric bills on or before its due date for three (3) consecutive years may, however, demand full refund of the deposit even prior to the termination of service.

Note 4
Cash

The details of the account are as follow:

<i>December 31</i>		2 0 2 5		2 0 2 4
Cash on hands	P	58,399,116	P	4,079,012
Cash in banks	P	369,404,471	P	408,576,326
	P	427,803,586	P	412,655,338

Cash on hand pertains to petty cash fund and revolving fund maintained by the head office and area offices. This is also composed of collections of area offices to be deposited on the next operating day.

Cash in banks earn interest at prevailing bank deposit rates. Interest income earned was recognized as part of "Other income" in the statement of comprehensive income (*Note 16*).

Note 5
Receivables, net

The details of accounts receivable are as follows:

<i>December 31</i>		2 0 2 5		2 0 2 4
Consumer receivables	P	449,660,930	P	414,087,437
Other receivables		146,336,613		110,948,838
	P	595,997,543	P	525,036,275
Less: allowance for doubtful accounts	P	7,010,298	P	6,703,664
	P	588,987,244	P	518,332,611

Consumer receivables pertain to amounts due from customers for electric service.

A portion of consumers receivable were assigned as security for the Cooperative's borrowings from Rural Electrification Financing Corporation (REFC) and Development Bank of the Philippines (*Note 8*).

Movements in the allowance for doubtful accounts are as follows:

<i>December 31</i>		2 0 2 5		2 0 2 4
Balance, January 1	P	6,703,664	P	6,328,927
Provision for doubtful accounts		306,634		374,737
Write-offs, net of recoveries		-		-
	P	7,010,298	P	6,703,664

Allowance for uncollectible accounts on consumers account represent amount set aside as provision for uncollectible accounts in accordance with NEA Memoranda dated January 6, 1998 and June 13 2007.

Note 6
Materials and supplies, net

The details of the account are as follow:

<i>December 31</i>		2 0 2 5		2 0 2 4
At net realizable value (NRV)				
Electrical supplies	P	55,530,123	P	54,989,613
Consumable special equipment		68,079,421		47,806,167
Other supplies		24,077,505		26,269,952
	P	147,687,049	P	129,065,731
Less: allowance for inventory obsolescence	P	1,626,742	P	1,626,742
	P	146,060,308	P	127,438,989
At cost				
Office supplies	P	5,191	P	5,191
	P	146,065,499	P	127,444,181

There were no movements in the allowance for inventory obsolescence for the years ended **December 31, 2025 and 2024**.

Critical accounting judgment - write-down of inventories

In determining the NRV of inventories, the Cooperative takes into account the age of materials and supplies based on the most reliable evidence available at the time the estimate is made. The Cooperative reviews the lower of cost and NRV of materials and supplies at each reporting date. As at **December 31, 2025 and 2024**, the allowance for inventory obsolescence amounted to P1.63 million.

Note 7
Other current assets

This account consists of:

<i>December 31</i>		2 0 2 5		2 0 2 4
Input value-added tax (VAT)	P	10,570,548	P	19,492,584
Prepaid insurance		1,849,801		1,881,731
Other prepaid expenses		46,687,847		31,750,081
	P	59,108,195	P	53,124,397

Input VAT represents tax on capital expenditures. This can be offset against future output VAT payable.

Other prepaid expenses consist of prepaid rent, taxes, maintenance contracts and miscellaneous items.

Note 8**Borrowings and other long-term liabilities**

This account consists of:

<i>December 31</i>		2 0 2 5		2 0 2 4
Loans and borrowings	P	401,998,005	P	470,326,978
Real property tax payable	P	9,044,219	P	9,044,219
	P	411,042,225	P	479,371,198
Less: current	P	201,201,111	P	217,325,409
Non-current	P	209,841,114	P	262,045,789

Loans and borrowings consist of obligations as at December 31 to the following:

<i>December 31</i>		2 0 2 5		2 0 2 4
Development Bank of the Philippines	P	115,584,371	P	159,636,143
National Electrification Administration		135,359,980		158,338,063
Rural Electrification Financing Corporation		1,053,655		2,352,773
Rizal Commercial Banking Corporation		150,000,000		150,000,000
	P	401,998,005	P	470,326,978

Note 9**Retirement liability**

The Cooperative has established a funded, non-contributory, defined benefit retirement plan (Retirement Plan) which will provide funds for the payment of retirement benefit and separation of its employees. The Cooperative contributes to the fund at an amount estimated by an actuary based on reasonable actuarial assumptions, which are necessary to provide the funds for the payment of defined benefits. The annual contribution to the retirement fund consists of payment covering the current service cost. Contributions and costs are determined in accordance with the actuarial studies made for the plan.

The Cooperative's latest actuarial valuation date is **December 31, 2025**. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

The retirement benefit obligations recognized in the statements of financial position as of December 31, 2025 and 2024:

<i>December 31</i>		2 0 2 5		2 0 2 4
Present value of defined benefit obligation	P	190,441,204	P	200,387,752
Less: fair value of plan assets		76,355,460		72,819,777
Unfunded (overfunding)	P	114,085,744	P	127,567,975

The roll forward of present value of defined benefit obligation were determined as follows:

<i>December 31</i>	2 0 2 5	2 0 2 4
Opening balance	P 200,387,752	P 291,788,643
Current service cost	14,221,859	21,874,669
Interest cost	12,203,614	17,974,180
Benefits paid from plan assets	-	-
Benefits paid from book reserves	(20,633,301)	(19,520,438)
(Gain) loss arising from changes:		
<i>in demographic assumptions</i>	(9,450,320)	(89,527,477)
<i>in financial assumptions</i>	99,512	(4,642,884)
<i>of experience from assumptions</i>	(6,387,912)	(17,558,941)
	P 190,441,204	P 200,387,752

Fair value of plan assets is determined as follows:

<i>December 31</i>	2 0 2 5	2 0 2 4
Opening balance	P 72,819,777	P 69,769,171
Interest income	4,434,724	4,297,781
Employer's contribution	-	-
Benefits paid from plan assets	-	-
Gain (loss) on plan asset	(899,041)	(1,247,175)
	P 76,355,460	P 72,819,777

The amounts recognized in profit or loss were determined as follows:

<i>December 31</i>	2 0 2 5	2 0 2 4
Current service cost	P 14,221,859	P 21,874,669
Settlement (gain) loss	-	-
Net interest on the net liability (asset)	7,768,890	13,676,399
	P 21,990,749	P 35,551,068

The assumptions used to determine pension benefits for the Cooperative are as follows:

<i>December 31</i>	2 0 2 5	2 0 2 4
Gain (loss) arising from changes:		
<i>in demographic assumptions</i>	P 9,450,320	P 89,527,477
<i>in financial assumptions</i>	(99,512)	4,642,884
<i>of experience from assumptions</i>	6,387,912	17,558,941
Gain (loss) on plan asset	(899,041)	(1,247,175)
	P 14,839,679	P 110,482,127

Sensitivity analysis, year-end defined benefit obligation

1. Decrease in DBO if discount rate + 100 basis points (bps)	(20,944,199) ; (11.0%)
2. Increase in DBO if discount rate – 100 bps	24,948,779 ; 13.1%
3. Increase in DBO if salary increase rate + 100 bps	25,074,807 ; 13.2%
4. Decrease in DBO if salary increase rate – 100 bps	(21,403,155) ; (11.2%)
5. Increase in DBO if no attrition rates	23,249,880 ; 12.2%

Allocation of Plan Assets (%)

<i>December 31</i>	2 0 2 5	2 0 2 4
Cash & Cash Equivalents	12.92%	9.80%
Equity Instruments	0.32%	0.33%
Debt Instruments -Government Bonds	37.27%	40.95%
Debt Instruments -Other Bonds	0.78%	1.86%
Unit Investment Trust Funds	37.97%	36.25%
Other (Accr. Receivables net of Payables etc.)	10.74%	10.81%
	100%	100%

Maturity Profile: Weighted Average Duration of the Defined Benefit Obligation

<i>December 31</i>	2 0 2 5	2 0 2 4
Weighted average duration (years)	12.00	11.90

Expected Contribution to the Fund in the Next Financial Year

<i>December 31</i>	2 0 2 5	2 0 2 4
Expected Contribution in Next Financial Year	P 7,000,000	P 6,000,000

Maturity Analysis: 10-Year Projection of Expected Future Benefit Payments

<i>December 31</i>	2 0 2 5	2 0 2 4
<i>Financial Year</i>		
Year 1	P 10,426,951	P 15,018,369
Year 2	P 2,094,298	P 10,281,863
Year 3	P 11,439,727	P 2,304,589
Year 4	P 10,510,332	P 11,958,837
Year 5	P 20,319,315	P 15,334,094
Year 6 - 10	P 91,543,567	P 77,279,237

Note 10
Consumers' Deposits

This account consists of:

<i>December 31</i>		2 0 2 5		2 0 2 4
Current				
<i>Meter</i>	P	5,788,333	P	5,788,333
	P	5,788,333	P	5,788,333
Non-current				
<i>Energy and power bill</i>	P	49,636,763	P	46,992,663
<i>Construction materials and special equipment</i>		17,545,158		15,703,729
<i>Others</i>		1,341,090		1,341,090
	P	68,523,011	P	64,037,482
	P	74,311,344	P	69,825,815

Energy and power bill deposits

Energy and power bill deposits serve to guarantee payment of bills by a customer which is estimated to equal one month's consumption or bill of the customer. These deposits earn interest equivalent to the prevailing interest rate for savings deposit as approved by the Bangko Sentral ng Pilipinas (BSP). Energy and power bill deposits are refundable, together with accrued interest, only upon termination of the contract at the customer's request and all outstanding accounts in the name of the customer have been paid.

Meter deposits

Meter deposits are noninterest bearing. Pursuant to the "Magna Carta of Residential Electricity Consumers" and DSOAR on June 17, 2004, and in January 2006, respectively, collection of meter deposits for residential consumers was discontinued. In case of loss and/or damage to the electric meter due to the fault of the customer, the latter shall bear the full replacement cost of the meter. The meter deposit will be refunded in accordance with the schedule set by the Cooperative in compliance with the guidelines established in the ERC Resolution No. 8, Series of 2008, "A Resolution Adopting the Rules to Govern the Refund of Meter Deposits to Residential and Non-residential Customers" (the Rule), dated June 4, 2008. The refund of meter deposits for ECs shall commence not later than twenty-four (24) months from the effectivity of the Rule. Upon the prescription of the scheduled period of refund, all unclaimed meter deposits, including all appropriate accrued interest, will be deposited in an escrow account in a bank through the office of the Solicitor General and notice shall be sent to the ERC.

Deposits for construction materials and special equipment

Deposits for construction materials and special equipment, and others are noninterest-bearing. These accounts represent the deposits made by the consumers as a guarantee for payment of electric service bills, wiring and installation of electrical facilities, jobbing and contract work in the consumer's premises. Deposits are refunded or applied against the final bill to consumer upon discontinuance of service.

Note 11
Payable to NEA and
Accrued expenses and other current liabilities

Payable to NEA

Payable to NEA pertains to the subsidies received from NEA to finance the SEP or projects specified in the Memorandum of Agreement.

Accrued expenses and other current liabilities

This account consists of:

<i>December 31</i>		2 0 2 5		2 0 2 4
Power Sector Assets and Liabilities				
Management (PSALM)	P	22,304,426	P	18,871,710
Accrued expenses		49,888,577		52,891,043
Accrued interest payable		9,628,124		8,924,630
	P	81,821,127	P	80,687,383

Payable to PSALM refers to universal charges on missionary electrification, environmental charges and stranded contract costs collected from consumers to be remitted to PSALM.

Note 12
Accounts payable – power

This account represents generation and transmission costs due to power suppliers and National Grid Corporation of the Philippines (NGCP). These are noninterest-bearing and are generally settled within the seven (7) to fifteen (15) day term.

Note 13
Donated capital

This account consists of:

<i>December 31</i>		2 0 2 5		2 0 2 4
National Electrification Administration	P	340,178,852	P	357,653,902
Local Government Units (LGUs) and Countryside Development Fund (CDFs)		106,332,247		102,596,632
Power Sector Assets and Liabilities				
Management (PSALM)		83,962,642		83,335,739
Department of Energy (DOE)		9,892,768		9,892,768
	P	540,366,510	P	553,479,042

National Electrification Administration

Donations from NEA pertain to subsidies granted to the Cooperative relative to government's electrification program in the countryside. This is governed by a MOA entered into by the ECs and NEA. Under the agreement, the released fund shall be treated as accounts payable and will only be

considered as subsidy upon liquidation and after compliance with the conditions provided herein and pursuant to the directive of the Commission on Audit (COA).

The MOA further states that in case the EC will be converted into a stock cooperative, the subsidy funds shall remain intact as donated capital, which shall not be distributed to members-consumers as share capital. In case of dissolution of the EC, said donated capital shall be subject to escheat pursuant to the provision of RA. No. 9520.

Local Government Units (LGUs) and Countryside Development Funds (CDFs)

Donations received from LGUs, CDFs and DOE pertain to the counterpart of local government in the rural energization program of the government and the ECs.

Power Sector Assets and Liabilities Management (PSALM)

Donation from PSALM is primarily composed of condoned loan obligations which were assumed by PSALM and the accumulated value of electrical materials and supplies received from other ECs which were also related to the condonation of loan (*Note 1*).

Note 14

Contributions-in-aid of construction

Contributions-in-aid of construction (CIAC) represents cash, materials, labor and other items provided by customers in the form of donation or contribution to the Cooperative to cover the cost of construction of new distribution lines wherein the donor-customers shall be the primary beneficiaries.

Note 15

Reinvestment fund for sustainable CapEx

RFSC represents contributions from member-consumers that are intended solely for expansion, rehabilitation and upgrading of the existing electric power system of the Cooperative in accordance with the latter's capital expenditure plan as approved by the ERC.

All amounts collected, including interest income earned, shall be maintained in a separate bank account and shall be utilized solely for capital expenditures or any other projects as approved by the ERC.

Note 16

Other income

This account consists of:

<i>December 31</i>		2 0 2 5		2 0 2 4
Forfeited discounts	P	24,612,204	P	22,048,591
Interest income		5,771,314		5,207,331
Miscellaneous income		24,557,199		19,035,131
	P	54,940,718	P	46,291,054

Forfeited discounts refer to collections of disconnection and reconnection fees from consumers.

Miscellaneous income mainly consists of rental income of certain poles and other special equipment owned by the Cooperative.

Note 17**Generation and transmission**

The generation and transmission charges, real property tax, franchise tax, universal charges and other tax components of revenues of sale of energy are pass-through costs that were recovered by the Cooperative through the ERC-approved guidelines.

The generation and transmission cost that pertains to the cost of power purchases from NGCP, PSALM and Independent Power Producers (IPPs) are as follows:

<i>December 31</i>	2 0 2 5	2 0 2 4
Purchased power	P 3,102,883,545	P 2,860,381,334
Prompt payment discount	(19,309,013)	(19,506,459)
	P 3,083,574,532	P 2,840,874,875

A portion of prompt payment discount is given back to the consumers as direct reduction from their power bill through the Generation Rate Adjustment Mechanism and the unbundling of rates.

Note 18**Operations and maintenance**

This account consists of:

<i>December 31</i>	2 0 2 5	2 0 2 4
<u>Operations</u>		
Meters	P 19,780,710	P 16,215,972
Supervision and engineering	7,528,621	7,373,973
Load dispatching	3,864,872	3,170,156
Miscellaneous	4,224,238	4,104,922
<u>Maintenance</u>		
Overhead lines	P 46,901,051	P 44,729,167
Supervision and engineering	14,604,474	14,475,393
Meters	10,123,046	10,074,413
Miscellaneous	660,563	810,847
	P 107,687,576	P 100,954,843

Note 19
Consumers' accounts

This account consists of:

<i>December 31</i>		2 0 2 5		2 0 2 4
Consumers' records and collections	P	18,399,856	P	19,167,705
Meter reading		8,982,844		9,851,847
Supervision		7,377,554		8,671,319
Consumers' prompt payment discount		6,123,081		6,117,674
Uncollectible accounts		306,634		374,737
Miscellaneous		14,919,754		15,009,251
	P	56,109,723	P	59,192,534

Note 20
General and administrative expenses

This account consists of:

<i>December 31</i>		2 0 2 5		2 0 2 4
Administrative and general salaries	P	73,418,901	P	71,764,551
Provision for retirement		21,990,749		35,551,068
Outside services employed		17,603,029		16,099,220
Stationery and office supplies		8,054,677		6,475,643
Repairs and maintenance		3,507,621		2,498,198
Travel and transportation		3,261,205		2,282,920
Franchise and regulatory requirement		2,289,167		2,562,328
Trainings and seminars		2,025,460		1,589,340
Insurance		1,703,128		1,677,876
Representation and entertainment		521,993		319,311
Miscellaneous		18,802,963		16,063,816
	P	153,178,891	P	156,884,270

Outside services employed are expenses for the outsourced security and janitorial services. This also includes legal retainer fee expenses.

Miscellaneous in general and administrative expenses includes cost of fuel, travel and accommodation, mortuary assistance, meals, and other expenses related to Annual General assembly, Coop anniversary and Christmas party.

Note 21
Income tax

Income tax expense recognized pertains to current tax on income derived from other sources not related to electric distribution operation.

Current income tax expense recognized in the statement of comprehensive income relates to non-operating income not covered by the tax exemption.

The reconciliation between the income tax expense based on statutory income tax rate and the effective income tax rate on income before income tax is as follows:

<i>December 31</i>		2 0 2 5		2 0 2 4
Net income (loss) before income tax	P	(53,235,790)	P	(79,515,118)
Income tax expense (benefit) at regular income tax rate	P	(13,308,947)	P	(19,878,779)
Tax effects of:				
Nontaxable income		(855,878,139)		(793,395,407)
Nondeductible expenses		876,769,215		819,334,802
Interest income subject to final tax		(1,442,829)		(1,301,833)
Income tax expense (benefit)	P	6,139,300	P	4,758,783

Note 22

Related party transactions

In the ordinary course of business, the Cooperative has transactions with its related parties, which include its directors, officers, related interests and employees. These transactions were made substantially on the same terms and conditions as with other parties.

None of the transactions incorporate special terms and conditions and no guarantee is given or received. Outstanding balances are usually settled in cash. Moreover, revenues from these related parties are insignificant.

SOCOTECO-I Foundation, Inc.

On May 23, 2017, the Foundation was incorporated mainly to intensify the corporate social responsibility programs of the Cooperative for the development of children, families and communities within the Cooperative's area through education or trainings, livelihood, wellness and environmental protection projects. In 2018, the Cooperative has transactions with the Foundation which includes expense reimbursements for outreach programs, meals, cash gifts and salaries.

There were no transactions between the Cooperative and the Foundation for the years ended **December 31, 2025 and 2024**. As at **December 31, 2025 and 2024**, there are no outstanding receivables and payables from and to the Foundation.

Note 23

Risk management objectives and policies

The Cooperative is exposed to a variety of financial risks in performing its activities. Its risk management is coordinated by its Board of Directors and focuses principally on securing short to medium term cash flows by minimizing exposures to financial markets.

The Cooperative does not actively engage in the trading of financial assets nor does it write options. It has no significant exposure to foreign currency risks as most transactions are denominated in Philippine peso, its functional currency. It likewise has little exposure to interest rate risk as its trade and other receivables and borrowings have fixed interest rates. Its exposure to credit risk is limited to the carrying amount of financial assets recognized at the balance sheet date.

The Cooperative is likewise exposed to liquidity risk, the risk that it will encounter difficulty in meeting its obligation as they become due without incurring unacceptable losses or costs. The Cooperative's

objectives to manage its liquidity profile are: a) to ensure that adequate funding is available at all times; 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. The Cooperative manages its liquidity by carefully monitoring its scheduled servicing payments for financial liabilities as well as its cash flows due on its day-to-day business.

As at **December 31, 2025**, the Cooperative's financial assets are composed of the following:

		Neither past due nor impaired	Past due but not impaired	Past due and impaired	TOTAL
Cash	P	427,803,586	-	- P	427,803,586
Receivables, net		322,430,293	266,556,952	7,010,298	595,997,543
Restricted funds		385,759,010	-	-	385,759,010
Security deposits		2,955,516			2,955,516
Investment in equity securities		12,124,000	-	-	12,124,000
	P	1,151,072,406	266,556,952	7,010,298 P	1,424,639,656

As at **December 31, 2025**, the Cooperative's financial liabilities are composed of:

		Due in 1 year	Due over 1 year	TOTAL
Consumers' deposit	P	5,788,333	68,523,011 P	74,311,344
Due to power suppliers		336,887,536	-	336,887,536
Accrued and current liabilities		81,821,127	-	81,821,127
Income tax payable		5,937,335		5,937,335
Loans and borrowings		201,201,111	209,841,114	411,042,225
Retirement payable		-	114,085,744	114,085,744
	P	631,635,441	392,449,869 P	1,024,085,310

Note 24

Capital management objectives, policies and procedures

The Cooperative manages its capital to ensure that it has the ability to continue as a going concern. The Cooperative's Board of Directors reviews regularly its capital structure on the basis of the carrying amount of equity less cash, as presented on the face of the statement of condition. As a part of this review, the Board of Directors considers the cost of capital and the risks associated with each class of capital. The Cooperative's overall strategy remains unchanged for several years.

Note 25
Summary of significant policies

Statement of Compliance

The Cooperative's financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

New and Amended Standards Adopted by the Cooperative

There are no PFRSs or Philippine Interpretations that are effective for the first time for the financial year beginning on or after **January 1, 2026** that would be expected to have a material impact on the Cooperative.

Basis of Preparation

The financial statements have been prepared under historical cost conventions. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The financial statements are presented in Philippine peso which is the Cooperative's functional and presentation currency and all value are recorded to the nearest peso except when otherwise indicated. The accounting policies used in the preparation of these financial statements have been consistently applied since the previous year. The preparation of the financial statements made use of estimates, assumptions and judgments by management based on management's best knowledge of current and historical facts as at balance sheet date. These estimates and judgments affect the reported amounts of assets and liabilities and contingent liabilities as at balance sheet date, as well as affecting the reported income and expenses for the year. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

Utility plant, property and equipment

Utility plant, property and equipment, except land, is carried at cost less accumulated depreciation and impairment losses, if any. Land is carried at cost less impairment losses, if any.

Initially, an item of utility plant, property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Cooperative. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

	<u>Number of years</u>
Distribution plant	10 – 30 years
General plant	2 – 30 years

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation, amortization and impairment losses, if any, are removed from the accounts and any resulting gain and loss, arising from the retirement or disposal is recognized in the profit or loss.

Construction work in progress (CWIP) represents properties under construction and is stated at cost. This includes cost of construction, utility plant and equipment and other direct costs. Construction work in progress consists of: (a) CWIP-Contract which includes costs incurred for contract on specifically designated projects awarded through bidding process; and (b) CWIP – Force Account which includes costs and expenses incurred for projects done directly by the Cooperative's own force or construction crew. Construction work in progress is not depreciated until such time the relevant assets are completed and put into operational use.

Cash

Cash are carried in the balance sheet at cost. Cash comprise cash on hand, deposits held at call with banks, and time deposits with banks that can be pre-terminated anytime and which are subject to insignificant risk of change in value.

Financial Assets

Financial assets include cash and other financial instruments. Financial assets are classified into categories: trade and other receivables and available-for-sale financial assets.

Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments are required. The designation of financial assets is re-evaluated at every reporting date at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards. Regular purchase and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at fair value through profit or loss are initially recognized at fair value plus transaction costs.

Trade and Other Receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Cooperative provides money, goods or services directly to a debtor with no intention of trading the receivables.

The NEA requires ECs to observe certain criteria and guidelines on recognizing impairment on receivables from member-consumers arising from their monthly electricity consumption based on percentages of the monthly sales. ECs are required to recognize 1% monthly sales as provision for uncollectible accounts, however, shall be adjusted every year end to conform to the following provisioning requirement:

<u>AGE OF RECEIVABLES</u>	<u>ALLOWANCE</u>
Current to 90 days past due	1 %
91 to 180 days past due	2 %
181 to 240 days past due	3 %
241 to 360 days past due	4 %
Over 360 days	5 %

Impairment loss is provided when there is objective evidence that the Cooperative will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows. Impairment is established through an allowance for uncollectible account which is charge to expense. Loans and Receivables are written off against the allowance for impairment when management believes that the collectability is unlikely.

Trade receivables are receivables from consumers arising from the monthly billings of the Cooperative are carried at their original amount less provisions made for the impairment of these

receivables. A provision for impairment losses is established where there is objective evidence that the Cooperative would not be able to collect the amounts due taking into consideration pronouncements made by the regulators and NEA.

Materials and Supplies

Inventories consisting of spare parts, electrical materials and supplies inventories are stated at the lower of cost or net realizable value. Cost is determined by the moving average method. The inventories are regularly reviewed for impairment. The allowance for inventory obsolescence consists of provision based on the aging of inventories and other factors that may affect recoverability of these assets. The allowance is established by charges to income in the form of excess of cost over net realizable value of inventories.

When materials and installation supplies are used or issued to operations, the carrying amount of those inventories is capitalized as part of CWIP. Office supplies and other materials which are used or consumed are recognized as expense in the period the same was incurred.

Prepayments

Prepayments are expenses paid in advance for a future benefit which is then amortized during the period when the benefit is enjoyed.

Intangible Assets

Intangible assets are defined as identifiable non-monetary assets that cannot be seen, touched or physically measured, which are created through time and/or effort and that are identifiable as a separate asset. The cost of intangible assets is amortized throughout its useful life, 10 years as estimated by the Cooperative.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Wherein, a qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (e.g. Power Generation facilities for the Cooperative). Capitalization of borrowing costs commences when the activities for the assets' intended use are already in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until such time that the assets are ready for their intended use or being completed.

If the resulting carrying amount of the assets exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interests' charges and other costs incurred in connection with the borrowing funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects to the extent that they are regarded as an adjustment to the interest cost. All other borrowing costs are expense as incurred.

Impairment of Non-Financial Assets

Assets that are subject to depreciation or amortization are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to income. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits arising from the renovations will flow to the organization. The carrying values of Cooperative property and equipment are reviewed for impairment when changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of Cooperative's property and equipment is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction.

Deferred debits and deferred credits

All unusual and/or extraordinary transactions not included in other specific accounts which the final disposition is uncertain or is permitted by NEA to be amortized or written-off over future periods are recognized as deferred debits and/or credits. ECs are given by NEA 2 months to resolve and transfer all temporarily booked in this account to its appropriate account

Financial Liabilities

Financial liabilities include trade payables and other liabilities, which are measured at amortized cost using effective interest method. Financial liabilities are recognized when the Cooperative becomes a party to the contractual agreement of the instrument. All interest and related charges are recognized as an expense in the income statement under the caption Interest Expense. Other liabilities and trade payables are initially recognized at their nominal value and subsequently measured at amortized cost less settlement payments.

Derecognition of Financial Assets and Liabilities

Financial assets are derecognized when (a) the rights to receive cash flows from the asset have expired; (b) the 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 Cooperative has transferred its rights to receive cash flows from the asset and either has 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. A financial liability is derecognized when the obligation under the liability expires, is discharged or cancelled.

Where 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 derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Members' Equity

Members' Equity is composed of the following:

- **Members' contributions.** Amount received from members as membership fees upon admission to the Cooperative are recognized as members' contributions.
- **Donated Capital.** This represents the accumulated value of contributions, grants or aids received by the Cooperative in the form of cash, equipment, commodities, or services and all other forms of services given by an entity source to the 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 Cooperative to cover the cost of construction of new distribution lines wherein the donor-customers shall be the primary beneficiaries.
- Reinvestment for sustainable CAPEX. The amount collected from the consumer-members will be used for expansion, rehabilitation, or upgrading of electric power system as stated in the rate unbundling decision.
- 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 appropriated as reserves to specific projects and corrections/adjustments for prior period errors, if any.
- Non-operating margin. This represents the cumulative non-operating net income or loss, incurred for the current and prior years as presented in the statement of operations and other comprehensive income which were not appropriated as reserves to specific projects.

Donations and Subsidies

Donations and subsidies received from the government and various entities are stated at cost or fair market value whichever is higher, determined at the time the donations and subsidies were received.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefit will flow to the Cooperative and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

- Sale of Energy. Sales comprise the invoiced value of the sale of energy to consumers' net of value added tax, rebates, discounts and environmental and universal charges. Surcharges and penalties imposed on delinquent consumers are recognized when the surcharges and penalties have accrued.
- Interest. Interest from bank deposits and receivables are recognized as the interest accrues (taking into account the effective yield on the asset).
- Rental. Rental income is recognized based on the term of the lease.
- Miscellaneous. Other sources of revenues are recognized on the accrual method.
- Donations and Subsidies. These are valued at cost or fair market value whichever is higher at the time the donation and subsidies are received. In accordance with the provisions of Philippine Accounting Standards PAS/IAS No. 20, Accounting for Government Grants and Disclosures for Government Assistance, grants from Government and other sources are recognized as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis.

Leases

The Cooperative accounts for its leases as follows:

- Cooperative as Lessee

The lessee will recognize a Right-Of-Use Asset and a Lease Liability for all leases with a term of more than twelve (12) months, unless the underlying asset is of low value.

At year end, the expense recognition is in the form of depreciation expense related to the Right-Of-Use Asset and Interest Expense related to the lease liability.

- **Cooperative as Lessor**

Leases wherein the Cooperative substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Cooperative's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Cooperative's net investment outstanding in respect of the finance lease. Leases which do not transfer to the lessee substantially all the risk and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income in the income statement on a straight-line basis over the lease term.

The Cooperative determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Employee Benefits

The Cooperative employees are provided with the following benefits:

- **Retirement Benefits.** Retirement benefits are provided to employees through a defined benefit plan. A defined benefit plan is a retirement plan that defines an amount of retirement benefit an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for the benefits of the retirement plan remains with the Cooperative, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The cooperative's defined benefit retirement plan covers all regular employees and is unfunded.
- **Termination Benefits.** Termination benefits are payable when employment is terminated by the Cooperative before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Cooperative recognizes termination benefits when it is demonstrably committed to either: (a) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (b) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.
- **Compensated Absences.** Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the balance sheet date. The amounts recognized are included in Trade and Other Payables account in the balance sheet at the undiscounted amount that the Cooperative expects to pay as a result of the unused entitlement.

Provisions and Contingent Liabilities

Provisions are recognized when present obligation will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of related provision. Provisions are reviewed

at each balance sheet date and adjusted to reflect the current best estimate. In those cases, where the possible outflow of the economic resources as a result of present obligation is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Probable inflows of economic benefits that do not yet meet the recognition criteria of the asset are considered contingent assets, hence, are not recognized in the financial statements.

Subsequent Events

Post year-end events that provide additional information about the Cooperative's position at the balance sheet date (adjusting events), are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

Note 26

Significant accounting judgments, estimates, and assumptions

The Cooperative makes judgments and estimates that affect amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

The preparation of the financial statements in accordance with PFRS requires the Cooperative to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable. Estimates and judgments 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 following critical accounting estimates and judgments may be applicable, among many other possible areas not presented in the Cooperative's financial statements:

Impairment Losses on Receivables

The Cooperative reviews its receivables to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the income statement. The Cooperative makes judgment as to whether there is any observable data indicating that there has been measurable decrease in the estimated future cash flows. Management uses estimates based on experience and objective evidence of impairment. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Estimating Useful Lives of Cooperative Utility Plant, Property and Equipment

The Cooperative reviews annually the estimated useful lives of its Cooperative premises, furniture, fixture and equipment based on expected asset utilization. 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 these properties would increase recorded depreciation and amortization expense and decrease the related asset accounts.

Impairment of Non-Financial Assets

The Cooperative assesses the impairment of its non-financial assets whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and the value in use.

The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

For impairment loss on specific asset, the recoverable amount represents the net selling price. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Cooperative is required to make estimates and assumptions that can materially affect the Cooperative's financial statements.

Note 27

Events after balance sheet date

There were no events after balance sheet date that would require disclosures or adjustments on the financial statements of the Cooperative.

Note 28

Reclassification of accounts

The **2024** financial statements have been restated from amounts previously reported to reflect adjustments effected retrospectively. Also, some of the accounts in the **2024** financial statements previously reported have been reclassified to conform to the presentation of accounts in the **2025** financial statements.

Note 29

Financial ratio

The following are the key financial ratios as of December 31, 2025 and 2024.

<i>December 31</i>	2 0 2 5	2 0 2 4
Debt ratio	36%	38%
Liquidity ratio	1.42:1	1.41:1
Profitability	Positive	Positive

Debt ratio

It measures the level of indebtedness or financial leverage of the Cooperative. It is used to measure the proportion of total assets that are financed by creditors.

Quick ratio

This ratio reflects the Cooperative's ability to meet its short-term obligations as they fall due. The result is based on a conservative calculation of quick assets, considering only cash and net consumer receivables.

Result of financial operation

It refers to the amount of revenue and reinvestment fund for sustainable CapEx, after deducting all costs and expenses.

Note 30**Supplementary Information Required by BIR**

The following information on taxes, duties and license fees paid or accrued during the taxable year is presented for purposes of compliance with the disclosure requirement by the Bureau of Internal Revenue as provided for in its Revenue Regulation 15-2010 and is not a required part of the basic financial statements.

- a) The Cooperative's VAT paid or accrued for the year amounted to **P27,413,127**.
- b) Withholding taxes paid or accrued for the year.

Expanded Withholding Taxes	P 35,111,132
Withheld on Compensation	P 10,332,446