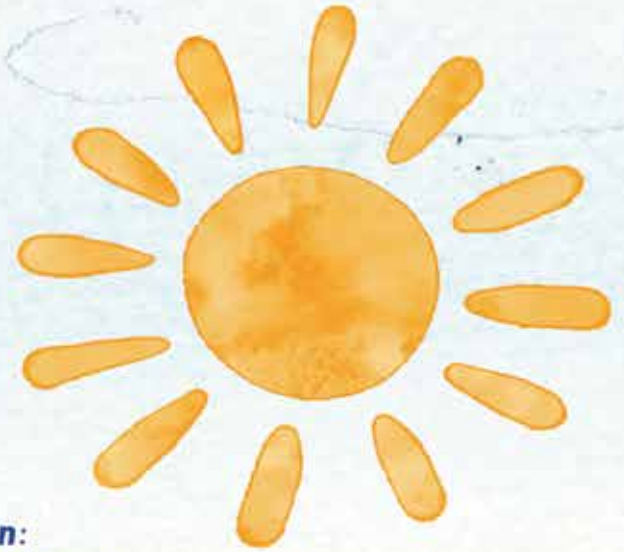




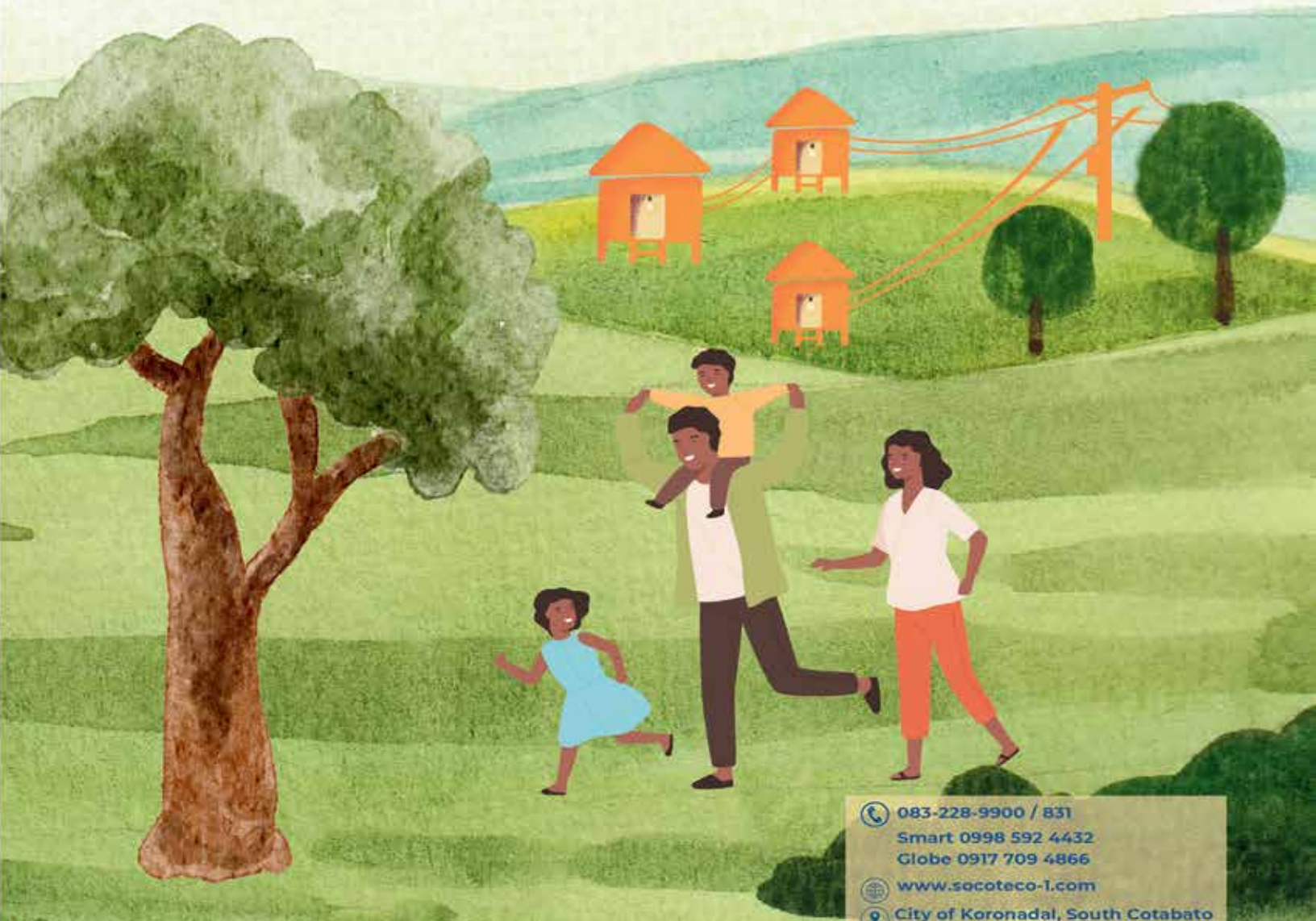
**SOUTH COTABATO I
ELECTRIC COOPERATIVE, INC.**

2023 ANNUAL REPORT



THEME:

*"Achieving the **Goals of Rural Electrification:**
Recognizing the Role of Enhanced MCO Engagement
in **Powering Filipino Communities**"*



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🌐 www.socoteco-1.com
📍 City of Koronadal, South Cotabato

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About the Cover

A heartwarming digital painting of a happy family in a rural setting evokes cherished childhood memories.

Lighted homes connected to electric poles symbolize the transformative impact of rural electrification on national development, calling us to work together as a village to illuminate the future!



Mahal naming mga Member-Consumer-Owners ng SOCOTECO-I,

Isang masayang pagbati!

Ang taong 2023 ay puno ng aral, mga pagbabago at tagumpay para sa ating kooperatiba, at ito'y hindi namin makakamit kung wala ang inyong patuloy na suporta.

Napakahalaga ng inyong papel bilang mga kasapi sa tagumpay ng SOCOTECO-I. Sa bawat hakbang na ating tinatahak, nakikita namin ang inyong aktibong pakikilahok sa mga programa at serbisyo na aming inilalatag.

Sa pagkilala muli sa atin bilang isa sa mga natatanging kooperatiba na nakatanggap ng Triple A (AAA) mula sa National Electrification Administration (NEA), hindi lamang ito tagumpay ng aming pamunuan at mga manggagawa kundi pati na rin ng bawat isa sa inyo. Ito'y patunay ng ating dedikasyon sa kahusayan at kalidad sa lahat ng aspeto ng operasyon, pinatutunayan nito ang ating pagkakaisa bilang isang malakas at nagkakaisang MCOs.

Salamat sa suporta sa ating mahalagang mithiing abutan ng serbisyong elektripikasyon ang mga kanayunan. Sa ilalim ng Sitio Electrification Program nabigyan ng oportunidad ang mga pamilyang maralita na lumiwanag ang pamamahay. Maliban dito ipinag-papatuloy natin ang mga proyektong modernisasyon at teknolohiyang makakatulong sa mas maginhawang transaksyon para sa inyo.

Nais din naming pasalamatan ang aming mga katuwang tulad ng SOCOTECO-I Accredited Electricians Association, Barangay Power Associations (BAPA), Member Consumer Owners Organization (MCOO), at mga lokal na pamahalaan sa ilalim ng ating prangkisa. Ang inyong pagtutulungan at suporta ay nagpapalakas sa ating pangako na magbigay ng dekalidad na serbisyo sa ating mga kasapi.

Hinihikayat namin kayong ipagpatuloy ang inyong pagtitiwala at aktibong pakikiisa sa SOCOTECO-I. Kami'y laging bukas sa inyong mga suhestyon, katanungan, at ulat na maaaring makatulong sa patuloy na pagpapabuti ng ating serbisyo.

Kami'y laging naririto upang makinig at umaksyon sa inyong mga pangangailangan at adhikain.

Maraming salamat po sa inyong walang sawang suporta at pagmamahal sa SOCOTECO-I.

Lubos na nagpapasalamat at naglilingkod,

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.

Certificate of Franchise –Granted on September 5, 1979.

The certificate of franchise 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.



ACCOMPLISHMENTS AND OPERATIONAL HIGHLIGHTS

Performance Rating	:	Triple A (AAA)
Total Connection	:	159, 596
Membership	:	119, 140
Collection Efficiency	:	98.88%
Customer Satisfaction Rating	:	3.88 Very Satisfactory
Length of Distribution Network	:	3, 713.08 kilometres of line
Power Capacity	:	20 MVA Morales Substation
		20 MVA Matulas Substation
		20 MVA Dajay Substation
		10 MVA Banga Substation
		5 MVA Norala Substation
		5 MVA San Roque Substation
		5 MVA KCC Mall Substation
		10 MVA Biotech Dumadalig
		10MVA Biotech Banga
		5 MVA Dole Surallah
		7.5 MVA Surallah Power Gen Inc.
		5MVA Mall of Ace Centerpoint

ACCOMPLISHMENTS AND OPERATIONAL HIGHLIGHTS

Classification	:	Mega Large Cooperative
Sources of Power	:	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)



ACCOMPLISHMENTS AND OPERATIONAL HIGHLIGHTS

- Implemented Rural Electrification Program
- Participated in the Missionary Electrification Development Plan of the National Government
- Enhanced operational Customer Service Center for 24/7 maintenance and emergency services
- ISO 9001-2005 Certified
- Implemented Member-Consumer-Owner Empowerment Program
- Capacitated and Strengthened 134 Barangay Power Associations (BAPAs)
- Conducted Kuryente Tsek: RA 7832, Massive Anti-pilferage Drive
- Upgraded Supervisory Control and Data Acquisition (SCADA) & Geographic Information System (GIS)
- Upgraded Dajay Substation
- Promoted renewable energy - Utilizes Biomass and Solar Energy
- Enhanced Payment Facilities - Online: PNB, RCBC and ECPay (Gcash, Paymaya, Palawan Pay, 7/11, etc.)
- Developed Systems and Applications: GIS Asset Profiling System (GAPS) Enhanced - Integration to Connection, Order System and CSMIS, E-MarKer (EMK) App (android app), Mobile Asset Real-time Tracking System (MARTIS) App (android)
- Strengthened Partnership with SOCOTECO-I Accredited Electricians Association (SAEA)
- Improved drive-thru payment facilities

CORPORATE SOCIAL RESPONSIBILITY PROJECTS/PROGRAMS

In partnership with the SOCOTECO-I Foundation, Inc.

- Adopt-a-Ward Program
- Adopt-a-School Program
- Outreach: DSWD Home for Girls & RSCC
- Medical Dental & Optical Mission
- Sponsored 1st day of the Simbang Gabi
- Easter Sunday Panata
- Tree Planting and Growing
- Mission: Juan Koneksyon



PERFORMANCE ASSESSMENT CRITERIA System Loss Parameter based on Applied Individualized Distribution System Loss Cap

A. FINANCIAL PARAMETERS (40%)

Performance Indicators	Performance Level	Point Score	Actual Performance	Score
1. Leverage				2
Debt Ratio	Up to 0.60	2	0.34	2
2. Liquidity Ratio				2
Working Capital Ratio	At least 1.00	2	1.91	2
3. Efficiency				30
a. Payment to Power Suppliers				
a.1 GENCOs/ Market Operations/ IEMOP/NPC-SPUG	Current	On-Grid ECs 10	Off-Grid Ecs 13	Off-Grid Ecs Current 10
a.2 Payment to Transmission Companies (Main Grid)/ subtransmission)	Current	3	Current	3
b. Payment to NEA	Current	3	Current	3
***Incentive Points	2 quarters advance amortization			2
c. Payment to Banks/ Other Financing Institutions	Current	3	Current	3
d. Collection Efficiency				
d.1 Average	97% and above	5	500.00%	5
d.2 Current to Current	99% and above	4	100.72%	4
4. Result of Financial Operation, inclusive of Reinvestment Fund for Sustainable CAPEX (RFSC)	Positive	3	Postive	3
Sub-Total		35		37
5. NEA Audit Rating	Not less than 90%	5	86.10%	4
TOTAL		40		41

B. INSTITUTIONAL-GOVERNANCE PARAMETERS (20%)

Performance Indicators	Performance Level	Weight	Actual Performance	Score
I. Human Resource: Leadership & Management		7		7
1. Good Governance				
a. Performance Rating of BOD	Very Satisfactory	4	Very Satisfactory	4
b. Performance Rating of GM	Very Satisfactory	3	Very Satisfactory	3
II. Stakeholders		13		13
1. Members' Participation/ Involvement				
a. AGMA	5% of the total billed consumers	3	7.41%	3
b. District Election	5.% Voters Turn out of bona fide member-consumers Unopposed With NEA Approved Deferment Failure of Election	3	26.24%	3
c. Active & Transparent Information and Interaction with Consumer Representatives at District or Barangay Levels	At least three (3) EC activities participated in by consumer representatives	2	with at least 3 activities participated	2
2. Action on Consumer Complaints/Request	Complaint	2	Compliant	2
3. Customer Satisfaction Survey	Very Satisfactory	3	Very Satisfactory	3
TOTAL		20		20



C. TECHNICAL PARAMETERS (20%)

Technical Parameters	Passing Criterion	Point Score	Actual Performance	Score
1. System Loss (Applied distribution system feeder loss cap to ERC based on SOCOTECO I's technical evaluation)	10.57%	6	10.11%	6
System Reliability				20
SAIFI	20 interruptions/consumer	7	17.17	7
SAIDI	2,700 minutes/ consumer	7	672.42	7
TOTAL		20		14

D. LEVEL OF ELECTRIFICATION (20%)

Performance Indicator	Electrification Level (%)	Point Score	Actual Performance	Score
1. Status of Energization	Increase the level of consumer connections 95 to 100	15	81.00%	13
	85 to 94	14		
	75 to 84	13		
	65 to 74	12		
	51 to 64	11		
Below 50	10			
2. Barangay Energization Matrix	Updated level of barangay energization	3	Compliant	3
3. USE Database (Sitio Masterlist)	Updated and complete masterlist of sitios and puroks	2	Compliant	2
TOTAL				18

DEMERIT POINTS

1. REPORTORIAL REQUIREMENTS (3)

A demerit of three (3) points shall be imposed against Ecs for non-submission of any of the following:

1. Financial Reports
2. Institutional Reports
3. Technical Reports
4. Energization Reports
5. Distribution Development Plan

Only the reports submitted on time with complete accurate data shall be considered

The data information shall be sources from the NEA-BIT as provided by the department/office Subject matter experts (SMEs). The compliance of ECS to the DDP shall be provided by the NEA Corporate Planning Office (CPO).

DATA ENTRY	DEADLINE	ACTUAL PERFORMANCE
1. Financial Reports	Every 30th day of the following month	Compliant
2. Institutional Reports	Every 30th day of the following month	Compliant
3. Technical Reports	Every 30th day of the following month	Compliant
4. Energization Reports	Every 15th day of the following month	Compliant
5. Distribution Development Plan	every 25th day of January of each Year	February 8, 2023, with Letter request for extension

2. Show Cause Orders Issued by ERC to Ecs (1)

A demerit of one point shall be imposed against Ecs which received three (3) or more Show Cause Order rendered with final judgements and with imposed monetary penalties issued by the ERC during the year under assessment. Show Cause Orders issued are for validation of ERC rules and regulation.

***Non-receipt of Show Cause Order(s) rendered with final judgments and non-imposition of monetary penalties issued by ERC for the year 2023.

SUMMARY OF PARAMETERS

PERFORMANCE PARAMETERS	TOTAL NUMBER OF PARAMETERS	TOTAL POINT SCORE	ACTUAL PERFORMANCE	TOTAL POINT SCORE
A. FINANCIAL	8	40		41
Leverage	1		0.34	2
Liquidity Ratio	1		1.91	2
Efficiency	4		Current	30
Result of Financial Operation	1		Positive	3
NEA Audit Rating	1		86.10%	4
B. INSTITUTIONAL AND GOVERNANCE	7	20		20
Human Resource	2		Very Satisfactory	7
Stakeholders	5		Compliant	13
C. TECHNICAL	3	20		20
System Loss	1		10.11%	6
System Reliability	2		Compliant	14
D. LEVEL OF ELECTRIFICATION	3	20	18	18
TOTAL	21	100		99

OVERALL PERFORMANCE RATING SCHEME

Performance Rating	Point Score	Actual Performance	Total Point Score
AAA	Highest	95-100	99
AA	High	90-94	
A	Good	85-89	
B	Average	75-84	
C	Low	50-74	
D	Poor	49 and below	

VIII. OTHER CONDITIONS

1. To earn Category AAA, the ECS must have complied with all the standards on the System Loss, Reliability Indices (SAIDI/SAIFI), Collection Efficiency, Result of Financial Operations, Payment to Power Suppliers, conduct of District Election and AGMA. An EC which failed to comply in any of the herein listed parameters shall only be categorized as "AA" notwithstanding its total score of 95 and above.
2. Incentive points shall be given provided that the EC Overall Point Score shall not exceed 100%.

Mandatory Parameters	Standard	Performance	Compliance
System Loss	10.57% (Applied distribution system feeder loss cap to ERC based on SOCOTECO I technical evaluation)	10.11%	C
Reliability Indices	Compliant	Compliant	C
Collection Efficiency	97% and above	97% and above	C
Result of Financial Operations	Positive	Positive	C
Payment to Power Suppliers	Current	Current	C
Conduct of District Election	Compliant	Compliant	C
Conduct of AGMA	Compliant	Compliant	C

SOCOTECO I OVERALL PERFORMANCE RATING (FINAL)

AAA - HIGHEST

Consolidated by:

[Signature]
GEL MAINE M. CONDE
 Document Control and Compliance Specialist

Checked by:

[Signature]
RHANDY F. SIMBAYA
 Strategic Planning Chief

Noted by:

[Signature]
DARREL V. SULTAN
 Corporate Planning Manager



BOARD OF DIRECTORS

President	:	Dir. Andrade F. Lagos District III – Tuntungan
Vice President	:	Dir. Osiel Alexis P. Par District II – Tampakan
Secretary	:	Dir. Jeanly S. Parreño District V – Surallah
Treasurer	:	Dir. Leonard A. Bonzo District – Koronadal I B
Auditor	:	Dir. Ana R. Somido District IX – Lake Sebu
Members	:	Dir. Pedro G. Bolivar III District IV – Banga
		Dir. Myrna G. Langub District VII – Sto. Niño
		Dir. Sharon S. Fermalino District VI – Norala
		Dir. Richard V. Gamo District – Koronadal I A
		Dir. Hilarion G. Octaviano District VIII – T’boli
		Dir. Abdullah Jess B. Mangudadatu District X – Lutayan
		Engr. Raffee Edsel B. Epistola Ex-Officio Member / General Manager



THE EXECUTIVE STAFF

ENGR. RAFFEE EDSSEL B. EPISTOLA
General Manager

ENGR. MICHAEL N. MARCELLA, P.E.E., A.C.P.E.
Technical Services Manager

ENGR. DARREL V. SULTAN
Corporate Planning Manager

MS. AMINA LEE T. GUMAPAC
Institutional Services Manager

MR. FRANCIS JONE B. BRAVANTE, C.P.A
Finance Services Manager

MR. FRANCIS IAN A. FEDOC, C.P.A
Internal Audit Manager

MS. MARY ANN P. MORALES
Area 1 Services Manager

ENGR. WILLY B. SANTANDER JR.
Area 2 Services Manager



MINUTES OF THE VIRTUAL 44TH AGMA



MINUTES OF THE VIRTUAL 44th ANNUAL GENERAL MEMBERSHIP ASSEMBLY OF SOUTH COTABATO I ELECTRIC COOPERATIVE, INC. (SOCOTECO-I) ON SEPTEMBER 02, 2023 AT 9:00 A.M.

ATTENDANCE

PRESENT:

Dir. Hilarion G. Octaviano	DISTRICT VIII, T'BOLI	President
Dir. Pedro G. Bolivar III	DISTRICT IV, BANGA	Vice President
Dir. Myrna G. Langub	DISTRICT VII, STO. NINO	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. Leonard A. Bonzo	DISTRICT I-B, KORONADAL	Member
Dir. Osiel Alexis P. Par	DISTRICT II, TAMPAKAN	Member
Dir. Andrade F. Lagos	DISTRICT III, TANTANGAN	Member
Dir. Jeanly S. Parreño	DISTRICT V, SURALLAH	Member
Dir. Abdullah Jess B. Mangudadatu	DISTRICT X, LUTAYAN	Member
Engr. Raffee Edsel B. Epistola		<i>Ex-Officio/ General Manager</i>
Ms. Imelda I. America		<i>NEA Designated Project Supervisor</i>
Member-Consumers	- 8,712 or 7.41%	

I. BUSINESS PROPER

1. CALL TO ORDER

The Presiding Officer, Dir. Hilarion G. Octaviano called the Annual General Membership Assembly Meeting to order at 11:10 AM. He welcomed all the Member-Consumer-Owners (MCOs) and honored guests.

2. DETERMINATION OF QUORUM

Dir. Langub 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. Hilarion G. Octaviano, T'boli District
- Board Vice President : Dir. Pedro G. Bolivar III, Banga District





SOCOTECO-I

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



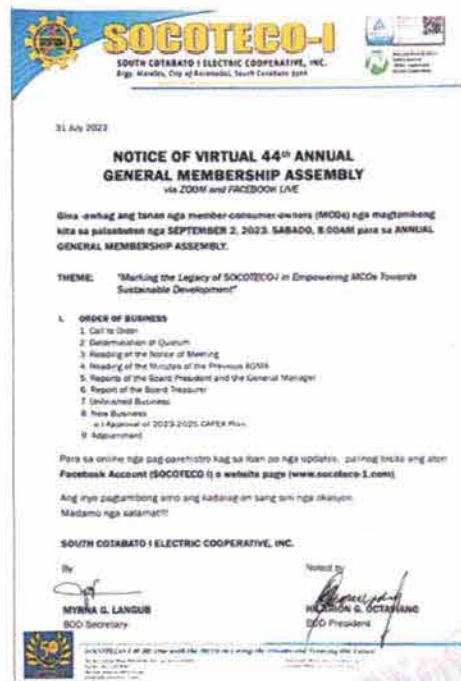
- Board Secretary : Dir. Myrna G. Langub, Sto. Niño District
- Board Treasurer : Dir. Sharon S. Fermalino, Norala District
- Board Auditor : Dir. Ana R. Somido, Lake Sebu District
- Board Members : Dir. Jeanly S. Parreño, Surallah District
Dir. Leonard A. Bonzo, Koronadal 1B District
Dir. Andrade F. Lagos, Tantangan District
Dir. Osiel Alexis P. Par, Tampakan District
Dir. Abdullah Jess B. Mangudadatu, Lutayan District
Dir. Richard V. Gamo of Koronadal 1A District
Ms. Imelda I. America, Project Supervisor and
- Ex-Officio Member : Engr. Raffee Edsel B. Epistola, General Manager

Further, she stated that there are 8, 712 member-consumer-owners in attendance comprising 7.41% of the total membership, 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:



SOCOTECO-I

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



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

Dir. Langub said that copies of the Minutes of the previous AGMA were provided along with the 2022 Annual Report of the Cooperative. Also, copies of such were posted on the Coop's website and FB page.

Ms. Rosalinda Estante from Surallah District stated that since copies of the Minutes of the previous AGMA on August 27, 2022 has been provided ahead, she motioned to dispense the reading and approval of the Minutes of the Previous AGMA which was duly seconded by Mr. Larry Hibaler from Banga District.

5. REPORTS OF THE BOARD PRESIDENT AND THE GENERAL MANAGER

An Audio-Visual Presentation for the Board President and the General Manager was presented.

Mr. Erna Blunto from Lake Sebu District motioned for the appreciation and adoption of the Reports of the Board President and the General Manager. Mr. Edgardo Claudio of Tampakan District likewise appreciated the said report, therefore seconded such motion.

6. REPORT OF THE BOARD TREASURER

Dir. Fermalino presented the Treasurer's Report with an Audio-Visual Presentation (AVP).

Mr. Naniano Bodegas of Tantangan District motioned for the appreciation and adoption of the Treasurer's Report which was duly seconded by Mr. Clarito Silagan from Banga District.

7. OPEN FORUM

The Presiding Officer stated to proceed with the discussion of the following Agendum:

- Approval of the 2023-2025 Capital Expenditures Plan of SOCOTECO-I

Before the discussion of the above-stated Agendum, Mr. Teotico Peliño from Koronadal 1B District moved for the adoption and approval of the Agenda of the AGMA which was duly seconded by Mr. Gerry Gellamucho from Tboli District.

The Presiding Officer stated the proceeding to discuss the Agendum, the Approval of the 2023-2025 Capital Expenditures Plan of SOCOTECO-I.



An Audio-Visual Presentation was played.

SOCOTECO-I's proposed re-filing for the approval of its Capital Expenditure (CAPEX) Projects for years 2023 to 2025 with Energy Regulatory Commission (ERC) pursuant to Republic Act No. 9136, ERC Resolution 26, Series of 2009 and other laws and rules, and in line with its mandate to provide safe, quality, efficient and reliable electric service to its consumers.

The proposed projects aim to meet the Distribution Utility Service Standards as required by the following:

1. Philippine Electrical Code;
2. Philippine Distribution Code; and
3. Philippine Grid Code.

The accompanying application for authority to secure a loan from the National Electrification Administration (NEA) is being filed pursuant to Section 20 (e) of Commonwealth Act No. 146 otherwise known as the Public Service Act, which requires every public service to secure the approval and authorization of the Commission for issuance of any bonds or other evidence of indebtedness payable in more than one year

The summary of the 2023-2025 CAPEX Project is as follows:

PROJECT TYPE	TOTAL PROJECT COST PER IMPLEMENTING YEAR			
	2023	2024	2025	TOTAL
Network Projects	179,178,130.69	120,453,071.02	115,772,295.56	415,403,497.27
Non-network Projects	117,936,568.36	130,846,443.47	37,631,203.73	286,414,215.56
GRAND TOTAL	297,114,699.05	251,299,514.49	153,403,499.29	701,817,712.83

SOCOTECO-I's proposed projects will be financed partly with funds to be acquired through loans from the National Electrification Administration (NEA) and/or other Financial Institutions and with its General Fund through the Reinvestment Fund for Sustainable Capital Expenditure (RFSC).

CAPEX Plan is envisioned to have the least rate impact focusing on a capital expenditure plan that will bring the most value to SOCOTECO-I's customers and Member-Consumer Owners (MCO) at the most reasonable and justifiable electricity rate or at the least cost of service.

The Cooperative further seeks the MCO's approval to retain the existing RFSC rate of Php0.5340/kWh which was imposed by the Cooperative effective January 2013 billing.



Such RFSC will be maximized to cover the financing cost of the proposed CAPEX Projects.

Mr. Raylene Dillo of Sto. Nino District thanked SOCOTECO-I Management for the clear presentation and said that he strongly supports the proposed CAPEX project covering the year 2023-2025, thus moved for the approval of a Resolution approving the application of the Multi-Year Capital Expenditure (CAPEX) Projects of South Cotabato I Electric Cooperative, Inc. (SOCOTECO-I) for Years 2023 to 2025, and Authority to Secure Loan from the National Electrification Administration (NEA) and/or Other Financial Institutions, with Prayer for Issuance of Provisional Authority (PA) which was duly seconded by Mr. Teodoro Gonzales, Jr. from Surallah District.

After the approval of the agendum, the Presiding Officer stated proceeding with the answering of issues of concerns of the MCOs to be facilitated by the floor moderator, Dir. Pedro G. Bolivar, III.

The following issues and concerns were raised by the MCOs:

1. Mr. Oquiño from Koronadal District shared that he received a text from an anonymous sender with contact number 09630791484 against the conduct of Virtual 44th AGMA. He asked why SOCOTECO-I opted to conduct its 44th AGMA virtually when the Provincial Governor offered the use of the Cultural Gym for the said activity for free.
 - General Manager, Engr. Raffee Edsel B. Epistola said that they will verify who the sender of the said messages was considering that all sim cards are now registered. With regards to the concern on the venue, GM said that the planning of the activity and allocation of budget for such was made last year during the time that the state of health emergency of COVID-19 was not yet lifted. With this, SOCOTECO-I considered the health and safety of its MCOs. However, later last year, his Excellency President Ferdinand Marcos Jr., lifted the state of health emergency in the country. If the coop will change the plan, it will take time to ask for a supplemental budget. GM assured that this mode of conducting AGMA would allow MCOs to raise their concerns. Aside from this avenue, the Customer Service Center of the Cooperative is open 24/7 to cater MCOs issues and concerns.
2. Mr. Mark John Tamoy of Norala District queried on the safety precautions of the Cooperative in case that the Nuclear Power that Cong. Peter Miguel mentioned earlier will be implemented considering that Nuclear Power plants may cause harm to nearby residents.
 - GM Epistola said that the Management of SOCOTECO-I will comment on the policy once the use of Nuclear as fuel for power plants is already final. He said that SOCOTECO-I will keep its MCOs updated on its actions relative to this matter.





SOCOTECO-I

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



Having the issues and concerns answered, the Presiding Officer declared that the open forum is closed and thus, suggested proceeding to the raffle of prizes.

8. ADJOURNMENT OF THE ASSEMBLY

There being no other matters to discuss and no further questions or concerns raised, the Presiding Officer then declared the adjournment of the assembly at 12:30 in the afternoon.

Certified Correct:


MYRNA G. LANGUB
Board Secretary

Attested by:


HILARION G. OCTAYIANO
Board President

2023 Audited Financial Statements





Independent Auditor's Report

To the Board of Directors and Members of
South Cotabato I Electric Cooperative Inc.
Brgy. Morales, Koronadal
South Cotabato, Philippines

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of South Cotabato I Electric Cooperative Inc. (the "Cooperative") as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with generally accepted accounting principles in the Philippines for cooperatives registered with the National Electrification Administration (NEA) (Philippine GAAP for NEA-registered Cooperatives).

What we have audited

The financial statements of the Cooperative comprise:

- the statements of financial position as at December 31, 2023 and 2022;
- the statements of comprehensive income for the years ended December 31, 2023 and 2022;
- the statements of changes in members' equity for the years ended December 31, 2023 and 2022;
- the statements of cash flows for the years ended December 31, 2023 and 2022; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Cooperative in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

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Independent Auditor's Report
 To the Board of Directors and Members of
 South Cotabato I Electric Cooperative Inc.
 Page 2

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 Philippine GAAP for NEA-registered Cooperatives, 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 PSA 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 PSA, 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 audits 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 Cooperative's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Independent Auditor's Report
 To the Board of Directors and Members of
 South Cotabato I Electric Cooperative Inc.
 Page 3

- 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 Cooperative's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 the Cooperative to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on the Bureau of Internal Revenue (BIR) Requirement

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information under Revenue Regulation Nos. 15-2010 and 34-2020 in Note 29 to the financial statements is presented for purposes of filing with the BIR and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

Zaldy D. Aguirre
 Partner
 CPA Cert No. 0105660
 P.T.R. No. 0024447, issued on January 12, 2024, Makati City
 NEA A.N 2021-03-00074, issued on March 25, 2021, effective until March 24, 2024
 TIN 221-755-698
 BIR A.N. 08-000745-77-2023, issued on December 22, 2023; effective until December 21, 2026
 BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
 March 22, 2024





**Statements Required by Section 8-A
Revenue Regulation No. V-1**

To the Board of Directors and Members of
South Cotabato I Electric Cooperative Inc.
Brgy. Morales, Koronadal
South Cotabato, Philippines

None of the partners of the firm have any financial interest in South Cotabato I Electric Cooperative Inc. or any family relationships with its president, manager, or principal members.

The supplementary information on taxes and licenses is presented in Note 29 to the financial statements.

Isla Lipana & Co.


Zaldy D. Aguirre
Partner

CPA Cert No. 0105660
P.T.R. No. 0024447, issued on January 12, 2024, Makati City
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Makati City
March 22, 2024

South Cotabato I Electric Cooperative, Inc.

Statements of Financial Position
As at December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Notes	2023	2022
Assets			
Non-current assets			
Utility plant, property and equipment, net	2	1,100,027,391	995,290,784
Investment in equity securities		12,009,932	10,336,932
Other non-current assets	3	458,618,330	296,427,643
Total non-current assets		1,570,655,653	1,302,055,359
Current assets			
Cash	4	473,811,097	411,945,361
Receivables, net	5	412,286,383	490,329,400
Materials and supplies, net	6	54,739,458	72,088,270
Other current assets	7	35,774,320	24,445,554
Total current assets		976,611,258	998,808,585
Total assets		2,547,266,911	2,300,863,944
Liabilities and Members' equity			
Non-current liabilities			
Borrowings and other long-term liabilities, net of current portion	8	263,176,812	242,037,498
Retirement liability	9	222,019,472	179,696,827
Consumers' deposits, net of current portion	10	66,152,639	57,683,612
Total non-current liabilities		551,348,923	479,417,937
Current liabilities			
Accounts payable - power	11	255,322,353	339,880,472
Accrued expenses and other current liabilities	12	88,210,199	41,727,244
Current portion of borrowings and other long-term liabilities	8	257,927,517	65,562,024
Current portion of consumers' deposits	10	5,788,333	5,788,333
Income tax payable		4,598,967	3,945,803
Total current liabilities		611,847,369	456,903,876
Total liabilities		1,163,196,292	936,321,813
Members' equity			
Members' contributions		2,773,313	2,572,043
Donated capital	13	528,986,014	538,230,115
Contributions-in-aid of construction	14	35,982,319	35,982,319
Reinvestment fund for sustainable capital expenditures	15	1,776,814,391	1,612,587,987
Accumulated losses		(960,485,418)	(824,830,333)
Total members' equity		1,384,070,619	1,364,542,131
Total liabilities and members' equity		2,547,266,911	2,300,863,944

(The notes on pages 1 to 29 are an integral part of these financial statements.)

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South Cotabato I Electric Cooperative, Inc.

Statements of Comprehensive Income
For the years ended December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Notes	2023	2022
Revenue from sale of energy			
Residential		1,706,914,703	1,702,224,960
High voltages		1,194,907,610	1,294,461,468
Low voltages		452,663,529	447,752,223
		3,354,485,842	3,444,438,651
Cost of services			
Generation and transmission	17	3,114,702,376	3,312,969,075
Distribution	18	243,397,674	239,834,735
		3,358,100,050	3,552,803,810
Gross loss		(3,614,208)	(108,365,159)
General and administrative expenses	20	(140,007,298)	(148,660,753)
Loss from operations		(143,621,506)	(257,025,912)
Other income, net			
Other income	16	57,250,051	51,956,950
Finance cost	8	(17,350,231)	(19,578,845)
		39,899,820	32,378,105
Loss before income tax		(103,721,686)	(224,647,807)
Income tax expense	21	(4,300,861)	(3,894,162)
Net loss for the year		(108,022,547)	(228,541,969)
Other comprehensive (loss) income			
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Remeasurement (loss) gain on retirement benefit obligation	9	(27,632,538)	102,427,144
Total comprehensive loss for the year		(135,655,085)	(126,114,825)

(The notes on pages 1 to 29 are an integral part of these financial statements.)



South Cotabato I Electric Cooperative, Inc.

Statements of Changes in Members' Equity
For the years ended December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Members' contributions	Donated capital (Note 13)	Contributions-in-aid of construction (Note 14)	Reinvestment fund for sustainable capital expenditures (Note 15)	Accumulated losses	Total
Balances as at January 1, 2022	2,553,648	521,862,061	35,982,319	1,453,058,264	(698,715,508)	1,314,740,784
Total comprehensive loss						
Net loss for the year	-	-	-	-	(228,541,969)	(228,541,969)
Other comprehensive income	-	-	-	-	102,427,144	102,427,144
Total comprehensive loss for the year						
Transactions with members of the cooperative and government agencies						
Contributions during the year	18,395	2,782,037	-	159,529,723	-	162,330,155
Completed projects from the National Electrification Administration (NEA)	-	29,273,807	-	-	-	29,273,807
Close-out of house-wiring materials, labor and overhead	-	(1,175)	-	-	-	(1,175)
Donated capital disallowed by NEA	-	(948,728)	-	-	-	(948,728)
Reclassification of NIHE subsidy from liability	-	1,637,180	-	-	-	1,637,180
Income from government grant	-	(16,375,067)	-	-	-	(16,375,067)
	18,395	16,368,054	-	159,529,723	-	175,916,172
Balances as at December 31, 2022	2,572,043	538,230,115	35,982,319	1,612,587,987	(824,830,333)	1,364,542,131
Total comprehensive loss						
Net loss for the year	-	-	-	-	(108,022,547)	(108,022,547)
Other comprehensive loss	-	-	-	-	(27,632,538)	(27,632,538)
Total comprehensive loss for the year						
Transactions with members of the cooperative and government agencies						
Contributions during the year	201,270	5,767,796	-	164,226,404	-	170,195,470
Income from government grant	-	(15,011,897)	-	-	-	(15,011,897)
	201,270	(9,244,101)	-	164,226,404	-	155,183,573
Balances as at December 31, 2023	2,773,313	528,986,014	35,982,319	1,776,814,391	(960,485,418)	1,384,070,619

(The notes on pages 1 to 29 are an integral part of these financial statements.)



South Cotabato I Electric Cooperative, Inc.

Statements of Cash Flows
For the years ended December 31, 2023, and 2022
(All amounts in Philippine Peso)

	Notes	2023	2022
Cash flows from operating activities			
Loss before income tax		(103,721,686)	(224,647,807)
Adjustments for:			
Depreciation	2	87,224,473	100,576,533
Interest expense	8	17,350,231	19,578,845
Retirement benefits expense	9	30,851,209	41,196,176
Provision for impairment on receivables	5	3,207,697	931,131
Interest income	3,4	(3,338,619)	(1,711,152)
Income from government grant	16	(15,011,897)	(16,375,067)
Operating income (loss) before changes in working capital		16,561,408	(80,451,341)
(Increase) decrease in:			
Receivables, net		74,835,320	(87,615,549)
Materials and supplies, net		17,348,812	18,775,115
Other current assets		(14,976,463)	12,119,711
Increase (decrease) in:			
Accounts payable - power		(7,061,321)	(13,559,550)
Accrued expenses and other current liabilities		8,469,027	11,329,920
Consumers' deposit		(84,558,119)	66,130,190
Net cash generated from (used in) operations		10,618,664	(73,271,504)
Retirement benefits paid	9	(16,161,102)	(25,794,614)
Net cash flows used in operating activities		(5,542,438)	(99,066,118)
Cash flows from investing activities			
Interest received		3,338,619	1,711,152
Additions to investment fund		(1,673,000)	(1,558,932)
Additions to utility plant, property and equipment	2	(191,961,080)	(71,551,934)
Change in other non-current assets		(162,190,687)	34,461,369
Net cash used in investing activities		(352,486,148)	(36,938,345)
Cash flows from financing activities			
Collection of reinvestment fund	15	164,226,404	159,529,723
Proceeds from borrowings and other long-term liabilities	8	291,863,635	35,810,400
Subsidy from NEA	12	53,544,276	-
Donations received	13	5,767,796	2,782,037
Members' contributions		201,270	18,395
Reclassification of NIHE subsidy to liability		-	1,637,180
Reclassification of NEA subsidy to liability		-	(948,728)
Payments of:			
Interest		(17,350,231)	(19,578,845)
Borrowings and other long-term liabilities	8	(78,358,828)	(60,056,628)
Net cash from financing activities		419,894,322	119,193,534
Net increase (decrease) in cash		61,865,736	(16,810,929)
Cash at January 1		411,945,361	428,756,290
Cash at December 31	4	473,811,097	411,945,361

(The notes on pages 1 to 29 are an integral part of these financial statements.)



South Cotabato I Electric Cooperative, Inc.

Notes to the Financial Statements
As at and for the years ended December 31, 2023 and 2022
(In the notes, all amounts are in Philippine Peso unless otherwise stated)

1 General information

1.1 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, 2023 and 2022 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.

1.2 Approval of the Cooperative's financial statements

The accompanying financial statements were authorized by the Board of Directors (BOD) and approved for issue on March 22, 2024.



2 Utility plant, property and equipment, net

Details of the account at December 31 follow:

	Distribution plant	General plant	Land	Construction in-progress	Total
Cost					
January 1, 2023	1,517,214,210	344,762,011	36,387,848	241,580,249	2,139,944,318
Additions	35,021,460	13,818,884	7,000,000	136,120,736	191,961,080
Completed projects	16,855,277	625,747	-	(17,481,024)	-
Retirement	-	(619,882)	-	-	(619,882)
December 31, 2023	1,569,090,947	358,586,760	43,387,848	360,219,961	2,331,285,516
Accumulated depreciation					
January 1, 2023	799,891,523	344,762,011	-	-	1,144,653,534
Depreciation	72,779,842	14,444,631	-	-	87,224,473
Retirement	-	(619,882)	-	-	(619,882)
December 31, 2023	872,671,365	358,586,760	-	-	1,231,258,125
Net book value	696,419,582	-	43,387,848	360,219,961	1,100,027,391
Cost					
January 1, 2022	1,493,927,500	335,648,978	36,387,848	203,687,375	2,069,651,701
Additions	12,840,833	8,863,468	-	49,847,633	71,551,934
Completed projects	10,566,432	1,387,152	-	(11,953,584)	-
Retirement	(120,555)	(1,137,587)	-	-	(1,258,142)
Transfer to donated capital (Note 13)	-	-	-	(1,175)	(1,175)
December 31, 2022	1,517,214,210	344,762,011	36,387,848	241,580,249	2,139,944,318
Accumulated depreciation					
January 1, 2022	724,940,943	320,394,200	-	-	1,045,335,143
Depreciation	75,071,135	25,505,398	-	-	100,576,533
Retirement	(120,555)	(1,137,587)	-	-	(1,258,142)
December 31, 2022	799,891,523	344,762,011	-	-	1,144,653,534
Net book value	717,322,687	-	36,387,848	241,580,249	995,290,784

Depreciation expense for the year ended December 31 is allocated to the following accounts:

	Notes	2023	2022
Cost of services - distribution	18	72,779,842	75,071,135
General and administrative expenses	20	14,444,631	25,505,398
		87,224,473	100,576,533

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, property and equipment but shall be charged to Donated Capital - NEA. There are no completed house wiring materials, labor and overhead as at December 31, 2023 (2022 - P1,175) (Note 13).

Construction in-progress as at December 31, 2023 and 2022 pertains to electric capital projects involving construction of new distribution-related facilities and the upgrade and rehabilitation of existing electrical facilities.

There were no utility plant, property and equipment pledged as security for the Cooperative's borrowings as at December 31, 2023 and 2022.



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, 2023 and 2022.

3 Other non-current assets

This account as at December 31 consists of:

	2023	2022
Restricted funds		
Reinvestment Fund for Sustainable Capital Expenditures (RFSC)	282,309,225	127,836,005
Energy deposits	30,103,190	29,884,686
Power bill deposit	39,786,878	39,298,779
Retirement fund	66,905,621	65,961,703
Sitio electrification project (SEP)	11,248,098	12,908,783
Fuel compensating charges over billing refund	3,156,849	3,146,505
Membership fund	2,674,835	2,666,550
Other restricted fund	19,432,515	11,804,372
	455,617,211	293,507,383
Security deposit	2,912,920	2,832,061
Others	88,199	88,199
	458,618,330	296,427,643

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).



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 (Note 12).

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.

Other restricted fund

Other restricted fund is mainly composed of restricted bank deposits reserved for the support of joint power supply contract initiative in Mindanao.

As at December 31, 2023 and 2022, the carrying amount of restricted funds approximates their fair value.

For the year ended December 31, 2023, interest income earned from restricted funds amounting to P2,022,749 (2022 - P669,238), was recognized as part of "Other income" in the statement of comprehensive income (Note 16).

4 Cash

The details of the account are as follow:

	2023	2022
Cash on hand	32,493,950	40,821,269
Cash in banks	441,317,147	371,124,092
	473,811,097	411,945,361

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.

For the year ended December 31, 2023, interest income earned amounting to P1,315,870 (2022 - P1,041,914), was recognized as part of "Other income" in the statement of comprehensive income (Note 16).

5 Receivables, net

The details of the account are as follow:

	2023	2022
Consumer receivables	315,024,785	395,210,950
Other receivables	103,590,525	101,748,041
	418,615,310	496,958,991
Less: allowance for doubtful accounts	(6,328,927)	(6,629,591)
	412,286,383	490,329,400

Consumer receivables pertain to amounts due from customers for electric service including surcharges. Billed receivables which are non-interest bearing are generally due 30 days after bill date.



The Cooperative's consumer receivables amounting to P17.4 million and P38.43 million as at December 31, 2023 and 2022 were assigned as security for the Cooperative's borrowings from Rural Electrification Financing Corporation (REFC) and Development Bank of the Philippines (DBP), respectively (Note 8).

Other receivables include recoveries on lifeline subsidy, systems loss and inter-class cross subsidy rates of the Cooperative from its consumers based on the guidelines approved by the ERC and are normally collectible on demand.

Movements in the allowance for doubtful accounts are as follows:

	Note	2023	2022
January 1		6,629,591	5,698,460
Provision for doubtful accounts	19	3,207,697	931,131
Write-offs, net of recoveries		(3,508,361)	-
December 31		6,328,927	6,629,591

Provision for doubtful accounts is included in Consumers' records and collection under Consumers' accounts expenses (Note 19).

Critical accounting estimate - Calculation of allowance for doubtful accounts

The Cooperative follows the guidelines of NEA to measure doubtful accounts. To calculate for the allowance, the percentages of are applied to the unpaid power bills as at year-end depending on the age of the consumer receivable. The prescribed percentages of allowance by NEA are discussed in Note 28.1.

6 Materials and supplies, net

The details of the account are as follow:

	2023	2022
At net realizable value (NRV)		
Electrical supplies	29,717,859	28,002,353
Consumable special equipment	25,497,191	42,604,731
Other supplies	1,145,958	3,102,736
	56,361,008	73,709,820
Less: allowance for inventory obsolescence	(1,626,742)	(1,626,742)
	54,734,266	72,083,078
At cost		
Office supplies	5,192	5,192
	54,739,458	72,088,270

There were no movements in the allowance for inventory obsolescence for the years ended December 31, 2023, and 2022.

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, 2023 and 2022, the allowance for inventory obsolescence amounted to P1.63 million.



7 Other current assets

This account as at December 31 consists of:

	2023	2022
Input value-added tax (VAT)	8,404,877	3,974,997
Prepaid interest	6,208,270	6,208,270
Prepaid insurance	1,727,713	556,426
Other prepaid expenses	19,433,460	13,705,861
	35,774,320	24,445,554

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.

8 Borrowings and other long-term liabilities

This account as at December 31 consists of:

	2023	2022
Loans and borrowings	513,964,157	298,555,303
Real property tax payable	7,140,172	9,044,219
	521,104,329	307,599,522
Current portion	(257,927,517)	(65,562,024)
Non-current portion	263,176,812	242,037,498

Movement of the borrowings and other long-term liabilities for the year ended December 31, 2023:

	2023	2022
Balance at beginning of year	307,599,522	331,845,750
Additions	291,863,635	35,810,400
Payments	(78,358,828)	(60,056,628)
Balance at end of year	521,104,329	307,599,522

Loans and borrowings

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

	Interest rates	2023	2022
DBP	5.25%	236,755,470	145,966,085
NEA	6.00% - 9.00%	116,843,738	132,193,199
REFC	6.25% - 8.75%	8,620,934	16,292,913
Land Bank of the Philippines (LBP)	6.00%	1,744,015	4,103,106
Rizal Commercial Banking Corporation (RCBC)	7.37%	150,000,000	-
		513,964,157	298,555,303

DBP loans

In 2020, the Cooperative was granted a long-term loan from DBP amounting to P150 million to finance the Cooperative's various capital expenditure projects. In 2023 and 2022, additional loan of P134 million and 35.8 million, respectively, was granted to the Cooperative. The loan is secured by assignment of receivables amounting to P38.43 million (Note 5).



NEA loans

NEA loan agreements provide certain restrictions such as incurrence of indebtedness other than accounts in the ordinary course of business and maintenance of certain financial ratios, among others. In 2023, an additional loan of P85.66M was granted to the cooperative to finance the construction of ASD 1 building. As at December 31, 2023 and 2022, the Cooperative is in compliance with these restrictions and key performance indicators (Note 24).

REFC loans

The Cooperative obtained various loans from REFC in 2013 and 2016 which are payable in monthly amortizations for a period of ten (10) years. The loan agreements with REFC contains, among others, provisions relating to maintenance of financial ratios based on NEA's key performance standards. As at December 31, 2023 and 2022, the Cooperative is in compliance with these requirements (Note 24). Certain consumer receivables of the Cooperative amounting to P17.4 million were assigned as security for REFC loans (Note 5).

LBP loan

In October 2015, LBP bought out the loan from TRANSCO which bears six percent (6%) interest rate per annum and mature on September 30, 2024. This loan obligation with TRANSCO represents the Lease Purchase Agreement signed between the Cooperative and TRANSCO for the purchase of the Cooperative's 69 kilovolt sub-transmission lines from Tacurong to Koronadal and Koronadal to Surallah.

RCBC Loan

In December 2023, the cooperative received the proceeds of loan from RCBC amounting to P150 million with 7.37% interest p.a. The loan principal is payable at once in June 2024. This is a working capital loan to fully fund the CAPEX. This loan is secured by customer accounts receivable amounting to P150M.

For the year ended December 31, 2023 and 2022, finance cost recognized in the statements of comprehensive income amount to P17.35 million and P19.58 million in 2023 and 2022, respectively.

Real property tax payable

This pertains to the cumulative unpaid real property taxes since 1997 onwards for real property tax assessments by the Provincial Government of South Cotabato (PGSC). In August 2012, the Cooperative executed a compromise agreement with the PGSC fixing the schedule of payments. As per the Annual Membership General Assembly (AGMA) Resolution No. 1 series of 2012, the Cooperative was allowed by its member-consumers to recover the real property tax from its members. Based on the compromise agreement, the cumulative unpaid real property taxes amounted to P73.10 million comprising of P44.50 million basic tax and P28.60 million accumulated penalties. As of December 31, 2023, the outstanding real property tax payable amounted to P7,140,172 (2022 - P9,044,219).

As per Rules for Setting the Electric Cooperatives' Wheeling Rates (RSEC-WR), the Cooperative is allowed to bill and recover from member-consumers the basic real property tax. As at December 31, 2023 and 2022, the Cooperative was able to bill and recover a total of P2.71 million and P3.71 million, respectively.

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, 2023. 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.

(a) *Retirement benefit obligation*

The amount of retirement benefit obligation recognized in the statements of financial position as at December 31 is determined as follows:

	2023	2022
Present value of defined benefit obligation	291,788,643	245,654,132
Fair value of plan assets	(69,769,171)	(65,957,305)
Retirement liability	222,019,472	179,696,827

The components of retirement benefit expense under salaries and employee benefits are as follows:

	Note	2023	2022
Current service cost		17,661,462	27,379,955
Net interest cost		13,189,747	13,816,221
	23	30,851,209	41,196,176

The retirement benefit expense, recorded under salaries and employees benefits, are further allocated as follows:

	Note	2023	2022
Cost of services		12,792,617	16,102,391
Administrative expenses		18,058,592	25,093,785
	23	30,851,209	41,196,176

The components of remeasurement loss (gain) on retirement benefit obligation for the year are as follows:

	2023	2022
Actuarial loss (gain)	26,603,138	(106,378,806)
Remeasurement loss - plan assets	1,029,400	3,951,662
	27,632,538	(102,427,144)

(b) *Defined benefit obligation*

The movements in the present value of defined benefit obligation follow:

	2023	2022
January 1	245,654,132	333,188,436
Current service cost	17,661,462	27,379,955
Interest cost	18,031,013	17,259,161
Benefits paid	(16,161,102)	(25,794,614)
Actuarial loss (gain) from:		
Changes in financial assumptions	41,549,004	(82,327,683)
Changes in demographic assumptions	857,563	(784,868)
Experience adjustments	(15,803,429)	(23,266,255)
At December 31	291,788,643	245,654,132

As at December 31, 2023, the average duration of the retirement benefit liability is 13.6 years (2022 - 12.6 years).

(c) *Plan assets*

The movements in the fair value of plan assets for the years ended December 31 follow:

	2023	2022
January 1	65,957,305	66,466,027
Interest income	4,841,266	3,442,940
Remeasurement loss on plan assets	(1,029,400)	(3,951,662)
At December 31	69,769,171	65,957,305

The plan assets are being managed by a trustee-bank who is authorized to invest the fund as it deems proper in accordance with the trust agreement. As at December 31, 2023 and 2022, the retirement plan assets are invested in the following:

	2023	2022
Cash and cash equivalents	13,732,466	9,240,618
Unit Investment Trust Fund	26,373,287	26,185,050
Government bonds	20,655,742	23,085,057
Debt instruments	7,639,875	1,345,529
Equity instruments	232,500	244,042
Others	1,135,301	5,857,009
	69,769,171	65,957,305

Maturity analysis

Shown below is the maturity analysis of expected future benefit payments as at December 31:

	2023	2022
Within 1 year	10,528,754	6,616,674
Between 1 to 5 years	49,571,349	51,859,912
More than 5 years	101,329,247	122,500,643

Critical accounting estimate - Calculation of defined benefit obligation

The present value of retirement liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining retirement cost include the discount rate, future salary increases and future mortality rates. Any changes in these assumptions will impact the carrying amount of the retirement obligations. Assumptions regarding future mortality and disability are set based on advice from published statistics and experience in the Philippines.

The principal assumptions used at December 31 were as follow:

	2023	2022
Discount rate	6.16%	7.34%
Salary rate increase	8.00%	8.00%

The discount rate assumption is based on the theoretical spot yield curve calculated from the Bankers Association of the Philippines (BAP) PHP Bloomberg BVAL Reference Rates (BVAL) benchmark reference curve for the government securities market (previously the PDEX (PDST-R2) market yields on benchmark government bonds) by stripping the coupons from government bonds to create virtual zero coupon bonds as of the valuation date, and considering the estimated timing and amount of projected benefit payments.



The sensitivity analysis below has been determined based on a method that extrapolates the impact on net retirement benefit liability as a result of reasonable damages in key assumptions as at December 31:

	Impact on defined benefit obligation	
	2023	2022
Discount rate		
+100 basis points	(35,788,275)	(28,212,847)
-100 basis points	43,361,077	33,917,300
Salary increase rate		
+100 basis points	42,119,996	33,351,305
-100 basis points	(35,532,645)	(28,294,672)

Each sensitivity analysis on the significant assumptions was prepared by remeasuring the retirement benefit liability at the end of each reporting date after adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged.

10 Consumers' deposits

This account as at December 31 consists of:

	2023	2022
Current		
Meter	5,788,333	5,788,333
Non-current		
Energy and power bill	44,745,106	42,258,844
Construction materials and special equipment	20,066,443	14,083,678
Others	1,341,090	1,341,090
	66,152,639	57,683,612
	71,940,972	63,471,945

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.

11 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.

12 Accrued expenses and other current liabilities

This account as at December 31 consists of:

	2023	2022
Payable to NEA	55,951,974	9,224,035
Power Sector Assets and Liabilities Management(PSALM)	21,085,289	14,762,836
Accrued expenses	5,593,788	11,426,880
Accrued interest payable	5,579,148	6,313,493
	88,210,199	41,727,244

Payable to NEA pertains to the subsidies received from NEA to finance the SEP or projects specified in the Memorandum of Agreement MOA (Note 13).

Movements in the account are as follows:

	Note	2023	2022
January 1		9,224,035	37,549,114
Subsidies during the year		53,544,276	-
Return of unexpended fund received		(6,816,337)	-
Completed projects	13	-	(29,273,807)
Donated capital disallowed by NEA		-	948,728
December 31		55,951,974	9,224,035

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

13 Donated capital

This account consists of donations from:

	2023	2022
NEA	337,029,708	352,041,605
PSALM	83,335,739	83,335,739
Local Government Units (LGUs) and Countryside Development Fund (CDFs)	98,727,799	92,958,003
DOE	9,892,768	9,894,768
	528,986,014	538,230,115



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) in COA MOA No. 2009-006 dated April 21, 2009 (Note 12).

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.

Movements in Donated capital - NEA for the years ended December 31 are as follows:

	Notes	2023	2022
January 1		352,041,605	340,092,768
Income from government grant	16	(15,011,897)	(16,375,067)
Completed projects from NEA subsidy	12	-	29,273,807
Close-out of house-wiring materials, labor and overhead	2	-	(1,175)
Donated capital disallowed by NEA		-	(948,728)
		337,029,708	352,041,605

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).

Donations received amounting to P5.8 million and P2.7 million in 2023 and 2022, respectively, from LGUs, CDFs and DOE pertain to the counterpart of local government in the rural energization program of the government and the ECs.

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.

15 Reinvestment Fund for Sustainable Capital Expenditures (RFSC)

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. This is equivalent to a fixed rate of P0.2904 per kWh pursuant to the Rules for Setting the Electric Cooperatives' Wheeling Rates (RSEC-WR) issued by the ERC in 2009.

Movement for the years ended December 31 is as follows:

	2023	2022
January 1	1,612,587,987	1,453,058,264
Collections during the year	164,226,404	159,529,723
At December 31	1,776,814,391	1,612,587,987

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.

16 Other income

This account consists of:

	Notes	2023	2022
Forfeited discounts		21,571,000	18,294,083
Income from government grant	13	15,011,897	16,375,067
Interest income	3, 4	3,338,619	1,711,152
Miscellaneous income		17,328,535	15,576,648
		57,250,051	51,956,950

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.

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:

	2023	2022
Purchased power	3,139,020,180	3,338,354,903
Prompt payment discount	(24,317,804)	(25,385,828)
	3,114,702,376	3,312,969,075

The effect 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.

Details of kWh sold and purchased for the years ended December 31 are as follows:

	2023	2022
kWh sold	307,540,082	298,744,800
kWh purchased	356,590,792	348,857,445

18 Distribution

This account consists of:

	Notes	2023	2022
Depreciation	2	72,779,842	75,071,135
Consumers' accounts expenses	19	61,006,303	57,799,139
Salaries and employee benefits	23	56,134,984	54,674,066
Maintenance and repairs		33,498,539	32,398,984
Meters		10,029,668	9,575,981
Supervision and engineering		7,625,847	7,350,215
Load dispatching		2,322,491	2,965,215
		243,397,674	239,834,735



19 Consumers' accounts expenses

This account consists of:

	Notes	2023	2022
Consumers' records and collection		24,685,998	20,805,762
Salaries and employee benefits	23	20,315,364	19,821,218
Meter reading		9,066,004	9,731,395
Supervision		6,938,937	7,440,764
	18	61,006,303	57,799,139

20 General and administrative expenses

This account consists of:

	Notes	2023	2022
Salaries and employee benefits	23	79,651,044	79,919,899
Outside services employed		15,076,046	13,283,700
Depreciation	2	14,444,631	25,505,398
Stationery and office supplies		7,264,563	8,262,645
Franchise and regulatory requirement		2,250,392	895,175
Travel and transportation		1,972,025	2,142,097
Maintenance and repairs		1,656,390	1,074,676
Insurance		1,635,976	2,132,992
Trainings and seminars		947,702	356,712
Annual general membership meeting		365,000	290,200
Taxes and licenses		497,099	201,090
Representation and entertainment		226,014	596,760
Rent		121,743	32,143
Miscellaneous		13,898,673	13,967,266
		140,007,298	148,660,753

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.

21 Income taxes

As stated in Note 1, the Cooperative's income from electrical operations are exempt from 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:

	2023	2022
Loss before income tax	(103,721,686)	(224,647,807)
Income tax benefit at regular income tax rate of 25%	(25,930,422)	(56,161,952)
Tax effects of:		
Nontaxable income	(847,767,184)	(869,776,951)
Nondeductible expenses	878,833,122	930,260,853
Interest income subject to final tax	(834,655)	(427,788)
Income tax expense	4,300,861	3,894,162

22 Related party transactions

The Cooperative's related parties include SOCOTECO-I Foundation, Inc. (the Foundation) which is under common control, its key management personnel (KMP) and the employee retirement fund.

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, 2023 and 2022. As at December 31, 2023 and 2022, there are no outstanding receivables and payables from and to the Foundation.

Employee retirement fund

Information about the Cooperative's employee retirement fund is disclosed in Note 9. There were no transactions between the Cooperative and the employee retirement fund during the years ended December 31, 2023 and 2022.

Key management personnel

Compensation of key management personnel are as follows:

	2023	2022
Short-term employee benefits	10,974,355	9,454,499
Post-employment benefits	1,722,588	1,483,557
	12,696,943	10,938,056

23 Personnel expenses

This account consists of:

	Note	2023	2022
Salaries and wages		98,136,547	88,353,363
Other short-term benefits		27,113,636	24,865,644
Retirement benefit expense	9	30,851,209	41,196,176
		156,101,392	154,415,183



Salaries and employee benefits are presented in the statement of comprehensive income as follows:

	Notes	2023	2022
Cost of services			
Distribution	18	56,134,984	54,674,066
Consumers' accounts expenses	19	20,315,364	19,821,218
		76,450,348	74,495,284
General and administrative	20	79,651,044	79,919,899
		156,101,392	154,415,183

24 Key performance standards

On January 25, 2018, NEA issued Memorandum No. 2018-005, *Enhanced EC Overall Performance Assessment Criteria*, which updated, among others, the indicators and guidelines for measuring financial performance.

The KPIs of the Cooperative as at and for the years ended December 31 are as follows:

	2023		2022	
	Standard	Actual	Standard	Actual
Leverage				
Debt service cover	At least 1.20x	1.77	At least 1.20x	0.70
Debt ratio	Up to 0.60x	0.43	Up to 0.60x	0.40
Liquidity				
Quick ratio	At least 1.00x	1.74	At least 1.00x	2.19
Efficiency				
Payment to power suppliers	Current	Current	Current	Current
Payment to NEA	Current	Current	Current	Current
Payment to banks and other financing institution	Current	Current	Current	Current
Collection efficiency	Not less than 97%	98.76%	Not less than 97%	97.63%
Result of financial operation	Positive	Positive	Positive	Negative

25 Universal charges

Universal charges include missionary electrification, environmental charges, stranded contract costs and stranded debt costs. Missionary electrification refers to the provision of basic electricity service in unviable areas with the ultimate aim of bringing the operations in these areas to viable levels. Environmental charges will accrue to an environmental fund to be used solely for watershed rehabilitation and management by NPC under existing arrangements.

Details on universal charges for the years ended December 31 are as follows:

	2023	2022
Billings	80,462,783	62,557,083
Collections	76,448,749	61,583,951
Remittances	74,140,330	61,183,252

Universal charges include missionary electrification, environmental charges, stranded contract costs and stranded debt costs. Missionary electrification refers to the provision of basic electricity service in unviable areas with the ultimate aim of bringing the operations in these areas to viable levels. Environmental charges will accrue to an environmental fund to be used solely for watershed rehabilitation and management by NPC under existing arrangements.

26 Financial risk management

26.1 Financial risk management objectives and policies

Objective and policies

The Cooperative has exposures to the following financial risks primarily, credit risk, liquidity risk and market risk. The Cooperative's BOD has overall responsibility for the establishment and oversight of the risk management framework.

The Cooperative's risk management policies are established to identify and analyze the risks faced by the Cooperative, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions products and services offered. The Cooperative, through its training and management standards and procedures aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The following information discusses the Cooperative's exposure to each of the above risks and the objectives, policies and processes for measuring and managing risk.

Credit risk

Credit risk is the risk of financial loss to the Cooperative if consumers or counterparties to financial instruments fail to meet their contractual obligations, and arises principally from receivables from consumers. For risk management reporting purposes, the Cooperative considers and consolidates all elements of credit risk exposure (such as individual obligor default risk and sector risk).

In monitoring consumers' credit risk, consumers are grouped according to their credit characteristics, including whether they are individual or legal entity, geographic location, industry, aging profile and maturity. Disconnection notice is given to the consumers a week after the due date of their accounts and actual disconnection will be made if no payment is made two days after the receipt of the notice.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at December 31 are as follows:

	Notes	2023	2022
Cash in banks	4	441,317,147	371,124,092
Receivable, gross	5	418,615,310	496,958,991
Other non-current assets*	3	458,530,131	296,339,444
Investment in equity securities		12,009,932	10,336,932
		1,330,472,520	1,174,759,459

*excluding 'Others'

Impairment losses

An analysis of the net amounts of cash in banks, receivables and other non-current assets by risk grade as at December 31 are set out below:

	High grade	Standard grade	Substandard grade	Total
<i>At December 31, 2023</i>				
Cash in banks	441,317,147	-	-	441,317,147
Receivable (gross)	352,066,887	7,782,433	58,765,990	418,615,310
Other non-current assets*	458,530,131	-	-	458,530,131
Investment in equity securities	12,009,932	-	-	12,009,932
	1,263,924,097	7,782,433	58,765,990	1,330,472,520

*excluding 'Others'



	High grade	Standard grade	Substandard grade	Total
<i>At December 31, 2022</i>				
Cash in banks	371,124,092	-	-	371,124,092
Receivable (gross)	465,460,110	4,158,161	27,340,720	496,958,991
Other non-current assets*	296,339,444	-	-	296,339,444
Investment in equity securities	10,336,932	-	-	10,336,932
	1,143,260,578	4,158,161	27,340,720	1,174,759,459

*excluding 'Others'

The credit grades used by the Cooperative in evaluating the credit quality of its financial assets are the following:

- High grade* - represents bank deposits, investment in equity securities and receivables which have a high probability of collection. The counterparty has the apparent ability to satisfy its obligation. These also include deposits with reputable institutions from where the deposits may be withdrawn and recovered with certainty.
- Standard grade* - represents receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay.
- Substandard grade* - include impaired receivables. Substandard grade receivables are those where the counterparties are, most likely, not capable of honoring their financial obligations.

The aging details of receivables as at December 31 are as follows:

	2023		2022	
	Gross	Impairment	Gross	Impairment
Current - 90 days past due	349,665,771	3,927,813	463,950,187	5,119,668
91 - 180 days past due	4,874,915	87,085	3,189,394	63,788
181 - 240 days past due	3,086,083	91,479	1,064,490	31,935
241 - 360 days past due	4,602,296	172,265	2,354,558	94,182
Over one (1) year	56,386,245	2,050,285	26,400,362	1,320,018
	418,615,310	6,328,927	496,958,991	6,629,591

Liquidity risk

Liquidity risk is the risk arising from potential inability to meet all payment obligations when they become due. The BOD and key officers of the Cooperative safeguard the ability of the Cooperative to meet all payment obligations when they become due. To limit this risk, management arranges for diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a monthly basis.

The Finance Services Division Manager is responsible for the management of liquidity risk. The Cooperative's liquidity risk management framework is designed to identify, measure and manage the liquidity risk position. The underlying policies are reviewed on a regular basis by the key officers of the Cooperative and finally approved by the BOD.

The following tables summarize the maturity of the Cooperative's financial assets and liabilities as at December 31 based on contractual repayment arrangements:

December 31, 2023	Notes	Carrying amount	Contractual cash flows	Current	Non-current
Assets					
Cash in banks	4	441,317,147	441,317,147	441,317,147	-
Receivables	5	412,286,383	418,615,310	418,615,310	-
Investment in equity securities		12,009,932	12,009,932	-	12,009,932
Other noncurrent assets, net*	3	458,530,131	458,530,131	-	458,530,131
Total assets		1,324,143,593	1,330,472,520	859,932,457	470,540,063
Liabilities					
Accounts payable - power	11	255,322,353	255,322,353	255,322,353	-
Accrued expenses and other current liabilities**	12	16,195,811	16,195,811	16,195,811	-
Borrowings and other long-term liabilities***	8	584,757,282	584,757,282	281,651,384	303,105,898
Consumers' deposits	10	71,940,972	71,940,972	71,940,972	-
Total liabilities		928,216,418	928,216,418	625,110,520	303,105,898
Net liquidity gap		395,927,175	402,256,102	234,821,937	167,434,165

*excluding 'Others'

**excluding statutory payables and payable to NEA

***excluding real property tax payable but including estimated future interest payments

December 31, 2022	Notes	Carrying amount	Contractual cash flows	Current	Non-current
Assets					
Cash in banks	4	371,124,092	371,124,092	371,124,092	-
Receivables	5	490,329,400	496,958,991	496,958,991	-
Investment in equity securities		10,336,932	10,336,932	-	10,336,932
Other noncurrent assets, net*	3	296,339,444	296,339,444	-	296,339,444
Total assets		1,168,129,868	1,174,759,459	868,083,083	306,676,376
Liabilities					
Accounts payable - power	11	339,880,472	339,880,472	339,880,472	-
Accrued expenses and other current liabilities**	12	16,313,114	16,313,114	16,313,114	-
Borrowings and other long-term liabilities***	8	385,724,637	385,724,637	81,938,233	303,786,404
Consumers' deposits	10	63,471,945	63,471,945	63,471,945	-
Total liabilities		805,390,168	805,390,168	501,603,764	303,786,404
Net liquidity gap		362,739,700	369,369,291	366,479,319	2,889,972

*excluding 'Others'

**excluding statutory payables and payable to NEA

***excluding real property tax payable but including estimated future interest payments

Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Cooperative's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control risk exposures within acceptable parameters, while optimizing the return on risk.



Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of financial assets and liabilities will fluctuate because of changes in market interest rates. The Cooperative's borrowings are exposed to cash flow interest rate risk as these are subject to variable interest rates. The details of the Cooperative's borrowings are discussed in Note 8.

26.2 Capital management

The Cooperative's capital is composed of members' contributions and accumulated losses. The primary objective of the Cooperative's capital management is to ensure its ability to continue as a going concern and that it maintains a strong credit and healthy equity ratios in order to support its business. The Cooperative's overall capital management objectives, policies and strategies remain unchanged.

The Cooperative manages its equity structure and makes adjustments to it, in light of changes in economic conditions. Also, the Cooperative charges an additional reinvestment cost to the consumers to support its capital expenditure requirements.

The Cooperative is not subject to externally imposed capital requirements except for the restriction provided in the loan agreements which the Cooperative has complied with (Note 8).

27 Significant accounting judgments and estimates

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

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

The preparation of financial statements in conformity with generally accepted accounting principles in the Philippines for cooperatives registered with NEA requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Cooperative's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are the following:

- (a) Estimated useful lives of utility plant, property and equipment (Note 2)
- (b) Asset impairment (Note 2)
- (c) Calculation of allowance for impairment losses (Note 5)
- (d) Write-down of inventories (Note 6)
- (e) Retirement benefit obligation (Note 9)
- (f) Provisions and contingencies (Note 29.2)

28 Summary of significant accounting policies and financial reporting policies

28.1 Basis of preparation

These financial statements have been prepared in accordance with generally accepted accounting principles in the Philippines for cooperatives registered with NEA (Philippine GAAP for NEA-registered cooperatives) which are primarily based on Philippine Financial Reporting Standards (PFRSs) with the exception of the accounting treatment of grants and subsidies received from NEA and other government agencies and computation and adjustment of allowance for impairment losses.

In accordance with NEA's Memorandum No. 2009-015 dated May 13, 2009, and with the Memorandum of Agreement (MOA) entered into with NEA, grants and subsidies are:

- recognized as a liability upon receipt; and
- donated capital from NEA as discussed in Note 2.



These financial statements have been prepared using the historical cost basis of accounting, except for retirement liability - plan assets which is measured at fair value.

28.2 Changes in accounting policies and disclosures

New standards and amendments to existing standards adopted by the Cooperative

There are no new standards and interpretations effective on or after December 31, 2023 not yet adopted by the Cooperative

28.3 Financial assets

The Cooperative's financial assets comprise mainly cash (Note 4), receivables (Note 5), restricted funds (Note 3) and investment in equity securities.

Recognition and initial measurement

Financial assets are recognized in the Cooperative's financial statements when the Cooperative becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets, except for financial assets classified as at fair value through profit or loss (FVTPL).

A financial asset or financial liability is measured initially at fair value plus, for an item not at financial asset at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Classification and subsequent measurement

At initial recognition, the Cooperative measures the above-mentioned financial assets at fair value plus transaction costs, if any. Subsequently, these financial assets are held at amortized cost based on the Cooperative's business model (e.g. hold-to collect) and cash flow characteristics of these assets (solely payment of principal and interest).

There are no financial assets measured at fair value through other comprehensive income.

Equity instruments

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

The Cooperative subsequently measures all equity investments at (fair value through profit or loss (FVTPL), except where the Cooperative's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Cooperative's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss, even on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Cooperative's right to receive payments is established. Gains and losses on equity investments at FVTPL are included in the statement of comprehensive income.

Derecognition

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



On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

Impairment

Consumer receivables

The Cooperative adopted the requirements of NEA Memorandum to all ECs dated January 6, 1998 which sets the percentages of allowance that should be applied to the inventory of power bills as at yearend depending on the age of the consumer receivable.

Financial assets other than receivables

At each reporting date, the Cooperative assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss (FVTPL) are impaired. A financial asset is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

28.4 Financial liabilities

The Cooperative's financial liabilities comprise mainly of accounts payable - power (Note 11), accrued expenses and other current liabilities (excluding statutory payables and payable to NEA) (Note 12), borrowings and other long-term liabilities (excluding real property tax payable) (Note 8) and consumers' deposits (Note 10).

Recognition and measurement of financial liabilities

The Cooperative's financial liabilities as mentioned above are recognized when it becomes a party to the contractual provision of the instrument and initially measured at fair value plus transaction costs. Subsequently, these financial liabilities are measured at amortized cost using effective interest method.

The Cooperative has no financial liabilities measured at fair value through profit or loss.

Derecognition of financial liabilities

Financial liabilities are derecognized when the obligation is settled, discharged, cancelled or has expired.

28.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Cooperative currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

28.6 Fair value measurements

The Cooperative uses the following hierarchy for determining the fair values of the financial instruments by valuation technique:

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



The specific methods and assumptions used by the Cooperative in estimating the fair values of its financial instruments are as follows:

Cash, receivables, accounts payable - power, accrued expenses and other current liabilities excluding statutory payables and accounts payable - NEA - carrying amounts approximate their fair value as of reporting dates due to their short-term maturities.

Investment in equity securities - These are carried at cost less allowance for impairment losses. Fair values cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate fair value.

Other non-current assets - Fair values of other non-current assets approximate carrying amounts as at December 31, 2023 and 2022 because they are not subject to a significant risk of change in value.

Consumers' deposits - The carrying amount of consumers' deposits approximates fair value as at reporting date because these bear interest rates equivalent to savings account interest rate of the Land Bank of the Philippines.

Borrowings and other long-term liabilities excluding real property tax payable - The fair value of borrowings approximate carrying amounts as of reporting dates because these bear interest rates that approximate market rates.

28.7 Materials and supplies

Initially, materials and supplies are recognized at cost at the time of their purchase. Cost comprises all cost of purchase and other direct costs incurred in bringing the materials and supplies to their present location and condition.

Materials and supplies are stated at the lower of cost and NRV. Cost is determined using the weighted-average method. NRV is the current replacement cost less estimated obsolescence provided for slow-moving, defective or damaged materials and supplies based on analyses and physical inspection.

28.8 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:

	Number of years
Distribution	10 - 30
General plant	2 - 30

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-in-progress which represents properties under construction is stated at cost and is depreciated only when the relevant assets are completed and put into operational use. Upon completion, these properties are classified to the specific utility plant, property and equipment accounts.

28.9 Impairment of non-financial assets

The carrying amounts of the Cooperative's nonfinancial assets which include utility plant, property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the assets recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of the asset's fair value less costs of disposal and value in use. Fair value less costs of disposal is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, less the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognized whenever the carrying amount of an asset or its CGU exceeds its recoverable amount.

Assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

28.10 Income taxes

Income tax for the year comprises current and deferred tax. Income tax is recognized in the profit or loss except to the extent that it relates to items recognized directly in other comprehensive loss, in which case it is recognized in other comprehensive loss.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The deferred tax assets are reviewed at each reporting date and reduced, if appropriate.



Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or either tax assets and liabilities will be realized simultaneously.

28.11 Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Cooperative has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined benefit obligation

The Cooperative maintains a funded non-contributory, defined benefit retirement plan covering all of its regular full-time employees. The fund is tax-qualified and is administered by a trustee. Its net obligation in respect of the defined benefits plan is calculated by estimating the amount of the future benefit that the employees have earned in the current and prior periods, discounting that the amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Cooperative, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in the future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognized immediately in other comprehensive income. Remeasurements are not reclassified to profit or loss in subsequent periods. The Cooperative determines the net interest expense or income on the net defined benefit liability or asset for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the then-net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the year as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Cooperative recognizes gain and losses on the settlement of a defined benefit plan when the settlement occurs.

28.12 Equity

RFSC

As authorized by the ERC to collect the fund from member-consumers, these are recognized by the Cooperative as direct credit to "Reinvestment Fund for Sustainable Capital Expenditures" account as part of equity upon billing. Such is envisioned to fund the amortization or debt service of its indebtedness associated with expansion, rehabilitation, or upgrading of the existing electric power system of the ECs in accordance with their ERG-approved CAPEX Plan.

CIAC

Contributions received from members-consumers are recognized in the year received as a direct credit to "Contributions-in-aid of construction" account presented as part of equity.



Donated capital

Donated capital includes grants and subsidies from NEA and other government agencies. In accordance with NEA's Memorandum No. 2009-015 dated May 13, 2009, and with the MOA entered into with NEA, grants and subsidies are:

- recognized as a liability upon receipt; and
- transferred to donated capital upon liquidation of the grants and subsidies and completion of the intended purpose.

Members' contribution

Members' contribution is recognized in the year received and is presented as part of equity.

Accumulated losses

Accumulated losses includes the loss attributable to the equity holders of the Cooperative. It may also include changes in accounting policy to the extent practicable except when the transition provisions in other standards require otherwise, restatements to correct errors, all current and prior period results as disclosed in the statement of profit or loss and comprehensive income.

28.13 Revenue recognition

Revenue from contracts with customers or members

The Cooperative recognizes revenue when it transfers control over a product or service to a customer. Revenue is measured based on the consideration specified in a contract with a customer.

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

The following is a description of principal activities from which the Cooperative generates its revenue:

Sale of energy

Revenue from sale of energy is recognized in the period energy is consumed by consumers. These also include energy that were consumed after the meter reading cut-off dates, which will be billed to consumers in the immediately following billing period.

Interest income

Interest income on bank deposits is recognized when earned and is presented net of the related final tax.

Other income

Other income includes, forfeited discounts, rental income from equipment, sale of materials and supplies which is recognized when earned.

28.14 Cost and expense recognition

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distribution to equity participants. Costs and expenses, included under "Cost of services" and "Administrative expenses," in the statement of comprehensive income are recognized as incurred.

28.15 Borrowing costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset, specifically major capital projects; otherwise they are recognized as an expense in the period they occur. Capitalization of borrowing costs commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

28.16 Provisions and contingencies

Provisions are recognized when the Cooperative has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Cooperative expects some or all of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time value of money is material, the estimated future cash flows are discounted using current pre-tax rates that reflect current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

28.17 Related party transactions

A related party relationship exists when one party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise and its KMP, directors or its members. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

28.18 Events after the reporting date

The Cooperative identifies post year-end events as events that occurred after the reporting date but before the date when the separate financial statements were authorized for issue. Any post year-end events that provide additional information about the Cooperative's financial position or performance at the end of a reporting period (adjusting events) are recognized in the separate financial statements. Events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

29 Supplementary information required by the Bureau of Internal Revenue (BIR)

In addition to the disclosures mandated under Philippine GAAP for NEA-registered cooperatives, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the basic financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the notes to the basic financial statements which were prepared in accordance with Philippine GAAP for NEA-registered cooperatives.



29.1 Revenue Regulations (RR) No. 15-2010

Below is the additional information required by RR No. 15-2010:

(i) Output value-added tax (VAT)

Output VAT declared for the year ended December 31, 2023 and the revenues upon which the same was based consist of:

	Gross amount of revenues	Output VAT
VATable sales	51,368,865	6,164,264
Zero rated sales	255,468	-

(ii) Input VAT

The amount of VAT input taxes claimed are broken down as follows:

	Amount
Current year's domestic purchases/payments	
Input tax deferred on capital goods exceeding P1 million from previous period	-
Purchase of goods not exceeding P1 million	53,571
Purchase of capital goods exceeding P1 million	2,203,033
Domestic purchase of goods other than capital goods	619,503
Domestic purchase of services	1,870,824
VAT withheld on sales to government	2,138,511
At December 31	6,885,442

(iii) Taxes and licenses

	Amount
Real Property Tax	331,896
Business Permit	165,203
At December 31	497,099

(iv) Withholding taxes

The amount of withholding taxes paid/accrued for the year ended December 31, 2023 amounted to:

	Paid	Accrued	Total
Tax on compensation and benefits	7,626,137	808,143	8,434,280
Expanded withholding taxes	18,720,814	3,196,142	21,916,956
	26,346,951	4,004,285	30,351,236

(v) Tax assessments and tax cases

As of December 31, 2023, the Cooperative has no pending tax court cases nor has received tax assessment notice from BIR.

29.2 RR No. 34-2020

On December 18, 2020, BIR issued RR No. 34-2020, Prescribing the Guidelines and Procedures for the Submission of BIR Form No. 1709, Transfer Pricing Documentation (TPD) and other Supporting Documents, Amending for this Purpose the Pertinent Provisions of RR Nos. 19-2020 and 21-2002, as amended by RR No. 15-2010, to streamline the guidelines and procedures for the submission of BIR Form No. 1709, TPD and other supporting documents by providing safe harbors and materiality thresholds. Section 2 of the RR provides the list of taxpayers that are required to file and submit the RPT Form, together with the Annual Income Tax Return.

The Cooperative is not covered by the requirements and procedures for related party transactions provided under this RR as it does not meet any criteria of taxpayers prescribed in Section 2 of the RR. The same has been clarified under Revenue Memorandum Circular (RMC) 54-2021 wherein taxpayers who are exempt from income tax under Section 30 or similar provisions of the Tax Code or special laws are not required to file an RPT form.



