

LANECO



43rd ANNUAL GENERAL
MEMBERSHIP ASSEMBLY

47th FOUNDATION
ANNIVERSARY

ANNUAL
REPORT
2018

THEME
PRESERVING
the **GAINS**
of *Rural*
ELECTRIFICATION
PROGRAM



Contents

VISION STATEMENT

Through the guidance of the Divine Providence, LANECO will be a first-class electric distribution utility ready to serve all types of consumers by 2020.

MISSION STATEMENT

A distribution utility committed to deliver quality electric service at reasonable rates to the member-consumers towards social progress and countryside development.

7 Corporate Values

- God-fearing
- Teamwork
- Commitment
- Honesty and Integrity
- Hard work
- Excellence
- Discipline

| | |
|---|----|
| Programme of Activities..... | 2 |
| Messages | 5 |
| Cooperative Profile | 20 |
| Report on the Technical Accomplishments | 21 |
| Report on the Financial Performance | 28 |
| Report on the Institutional Achievements | 82 |
| The Policymaking Body | 90 |
| The Coop's Stewards | 92 |
| The Management Staff | 94 |
| Events & Activities | 96 |

THE ANNUAL REPORT

to the 92,907 Member-Consumer-Owners
on the PERFORMANCE / ACHIEVEMENTS OF



May 26, 2019
Mindanao Civic Center Gymnasium
Sagadan, Poblacion, Tubod, Lanao del Norte

PROGRAMME

PART ONE – 6:30 – 11:30 A.M.

PRE-ASSEMBLY ACTIVITIES

Registration of Attending Members
Distribution of Raffle Tickets & Annual Report
Open House (LANECO Energy Center)

PART TWO – 10:30 – 12:00 noon

OPENING PROGRAM

I. Processional March

Guests, Board of Directors, Former Officials
Management Staff, Employees, Associates
Multi-Sectoral Electrification Advisory Council (MSEAC)
Lanao del Norte Electricians Association, Inc. (LANEA)
Maranding Electricians Association
Kapatagan Electricians Association
LANECO Retirees

II. Invocation

Rev. Fr. Enrique Lacostales
Parish Priest, San Isidro Labrador Parish
Tubod, Lanao del Norte

III. National Anthem

IV. LANECO Hymn

V. Lanao del Norte Hymn

LANECO Power Voices

VI. Welcome Address

Elmira G. Olavides, Ed. D.
Board President

VII. Welcome Message

Hon. Leoncio C. Bagol
Mayor
Municipality of Tubod, LDN

VIII. Acknowledgment of Guests &
Visitors & Presentation of
Coop Officials

Sherwin C. Mañada, CPA
Project Supervisor/ Acting General Manager

IX. Messages

Hon. Mohamad Khalid Q. Dimaporo
Congressional Representative – 1st District, Lanao del Norte

Hon. Abdullah D. Dimaporo
Congressional Representative – 2nd District, Lanao del Norte

Hon. Imelda Q. Dimaporo
Provincial Governor, Lanao del Norte

X. Intermission Number

LANECO B5

XI. Introduction of the Guest Speaker

Sherwin C. Mañada, CPA
Project Supervisor/ Acting General Manager

XII. Address

Guest Speaker: Edgardo R. Masongsong
Administrator
National Electrification Administration

XIII. Awarding of Certificate/Plaques of
Appreciation to the Guest of Honor
Former Board Directors &
Other Recipients

Pres. Elmira G. Olavides, Ed. D.
PS/AGM Sherwin C. Mañada, CPA
Board of Directors

of ACTIVITIES

XIV. Closing Remarks

Dir. Geromias G. Velasco
Baroy District

XV. RAFFLE DRAW OF DOOR PRIZES

Emcee: Ms. Mary Edeline O. Cortez

PART THREE – 1:00 – 4:00 P.M.

BUSINESS MEETING

Presiding Officer: President Elmira G. Olavides

- I. Determination of Quorum & Reading of Proof of Due Publication of Notice of the 43rd Annual General Membership Assembly
- II. Reading of Minutes of the 42nd Annual General Membership Assembly Held Last May 27, 2018
- III. Taking of Necessary Action on the Minutes
- IV. Presentation of Reports

Dir. Jhonny N. Landiza
Board Secretary

Karen Rose E. Caramba
Executive Secretary/Board Recorder

Technical Accomplishments
by Engr. Marlon L. Gapol
OIC-Technical Services Department

Financial Performance
by Angelina G. Estrologo, MBA
Finance Services Department Manager

Institutional Achievements
by Zenaida M. Fabunan, MBA
Institutional Services Department Manager

V. Consideration of Reports

VI. New Business

Agenda:

1. EC registration and Franchise Renewal
2. Updates and Status of Power Supply
3. Updates on Real Property Tax & Franchise Tax & its Rate Impact
4. Capital Expenditure Projects
5. Other Matters

VII. Open Forum

Moderator: Atty. Leo M. Zaragoza
Legal Counsel

VIII. Adjournment of the Meeting

PART FOUR – 3:00 – 4:00 P.M.

RAFFLE DRAW OF DOOR PRIZES

LANECO Prayer

Intro. Oh Lord we pray

Oh Lord we pray

I. Oh Lord we come to you
To ask your guidance for our lives
For us to be a good light bearer
Of hope to those around us

Cho: You have made LANECO
The channel of your love
That thru her service, blessings
Flow from above
Then the people will learn to
Love you more
By the blessings they receive
Thru LANECO, and everything
She can give

II. We are asking for your help
To obtain absolute honesty
To work in total solidarity
And thru your help we'll gain
Maximum efficiency

III. So please Lord bless LANECO
Oh we pray
That she can reflect your love
To the people whom she serves
Obviously you have blessed
her in the past
Bless her today and
Forever we pray

IV. You have made LANECO the
Channel of your love
That thru her service,
Blessings flow from above
Then the people will learn to love
You more by the blessings
They receive
Thru LANECO, and
Everything she can give

Bless LANECO
(Oh lord we pray)
Bless LANECO
(Oh lord we pray)
Amen...

LANECO Hymn

Sa matahum probinsya
sa Lanao del Norte
Sa amihanang Mindanao
May kahayag nga midan-ag
Nga nagdala ug paglaum
Paglaum alang sa kalambuan
Kalambuan alang sa tanan
Sa kinasingkasing nga serbisyo
Sa buhatan sa LANECO

(Chorus)

LANECO mosagubang sa hagit
Sa kalibutanong tigi
Pinaagi sa dekalidad nga pagpangalagad
Buligan ikaw sa kahitas-an
Tungod sa Diyosnon mong katuyoan
Ipasigarbo ko ang ngalan mo
Mahal namo nga LANECO

(Repeat Chorus)

Buligan ka sa kahitas-an
Mahal namo
Mahal namo nga LANECO

Panunumpa

Nangangako ako, bilang tagapagpalaganap
ng programang elektripikasyon na
pagsisilbihan ko ang aking inang bayan;

Gagampanan ko ang tungkuling ito upang
maitaas ang antas ng kabuhayan sa
pagbibigay ng liwanag;

Isusulong ko ang kaunlaran ng aking
bayan; at taos puso akong nangangako
na tatahakin ko ang landas na tama at
matuwid at laging isasaisip ang kapakanan
ng kapwa ko Pilipino.

Kasiyahan nawa ako ng Diyos.

MESSAGES
FROM THE
PILLARS OF THE

**RURAL
ELECTRIFICATION
PROGRAM**



MALACAÑAN PALACE
MANILA



My warmest greetings to Lanao del Norte Electric Cooperative, Inc. as it holds its **43rd Annual General Membership Assembly** and celebrates its **47th Foundation Anniversary**.

The cooperative's continuing commitment to establish a sustainable and reliable rural electrification program in Lanao del Norte has brought about the benefits of quality power supply for its member-consumers and stakeholders.

I congratulate you for your unceasing efforts towards greater improvement as you mark another year of energy service. It is my hope that this gathering will encourage you to continuously adhere to the organization's principles of excellence, hard work and integrity even as you sustain the gains of your development over the past years.

May you continue to realize viable programs that empower your member-consumers in your coverage area and work steadfastly with us in achieving social progress and growth in the countryside.

I wish you successful event.

RODRIGO ROA DUTERTE
President

THE PRESIDENT OF THE PHILIPPINES



Republic of the Philippines
Office of the Vice President



My warmest greetings to Lanao del Norte Electric Cooperative (LANECO) as you gather for your 43rd Annual General Membership Assembly and your 47th Foundation Anniversary.

We, at the Office of the Vice President, are fully committed to our partnership with Lanao del Norte as we broaden our cooperation under our anti-poverty program, Angat Buhay. As an organization with a limited budget that is pushing for rural development, we believe in the power of collaboration and partnership, like what we have been doing in Tangcal, where we provided livelihood trainings and subsidies to some residents in the area. Through the program, we also remain in constant communication with other municipalities such as Balo-i, Tangcal, Tubaran and Kauswagan in the pursuit of our shared vision of inclusive growth. Such is the power of convergence that even the smallest assistance can go a long way, if it is well-placed and monitored, so that it becomes sustainable.

While our efforts in rural development continue, it is our hope that your organization will also discover innovative means to reach out to our fellow Filipinos outside of your regular services under the cooperative. There are no small deeds when it comes to helping our country. Our efforts, no matter how little, can bring positive change if we start now, one person at a time.

For this, we are truly grateful to have LANECO as an ally in our efforts towards inclusive growth. Through your initiative directed towards delivering affordable and reliable power, we are hopeful - now more than ever – that a brighter future is ahead of us.

May you have a productive and meaningful assembly.


LENI ROBREDO
Vice President



NATIONAL ELECTRIFICATION ADMINISTRATION

"The 1st Performance Governance System-Institutionalized National Government Agency"
57 NIA Road, Government Center, Diliman, Quezon City 1100



My warmest greetings to the Member-Consumer-Owners (MCOs), Board of Directors, Officials and Employees of Lanao del Norte Electric Cooperative, Inc. (LANECO) as you celebrate your 43rd Annual General Membership Assembly.

As the Rural Electrification (RE) Program marks its 50 Years of being catalyst of progress, we are glad that LANECO remains focused in the continuing mission of providing reliable and quality electric service to all Filipinos. Through the RE Program is confronted with a lot of challenges, LANECO's dauntless dedication and persistent hard work have stirred it to prevail and succeed.

NEA acknowledges LANECO's efforts in accomplishing 100% barangay energization and its gradual climb to the top with its attainment of an A Key Performance Standard (KPS) rating. However, with the present power industry posing new and more complex issues as well as the call of the present administration for the acceleration of the unserved and underserved areas by 2020, it is vital for LANECO to continuously aspire for a wider, more proactive and consumer-based management that ensure attainment of these concerns. Also, let these serve as inspiration to move forward and institute programs that support the national government's thrust of social and economic advancement.

Today as you celebrate the fruits of your labor, may this occasion anchored on the unity theme: **Sustaining the Strategic Partnership of the NEA-ECs-MCOs Towards Rural Development and Nation Building**, be the proper venue to consolidate our efforts toward achieving our shared goal of providing electricity access to every Filipino. Let this be a forum in mapping out responsive plans and programs that will elevate you to higher performance platform. NEA, on the other hand, will always be behind you as you carry-out the aspiration for a strong nation.

I wish LANECO all the best. *Mabuhay!*


EDGARDO R. MASONGSONG
Administrator



Republic of the Philippines
ENERGY REGULATORY COMMISSION



My warmest felicitations to the officials and member-consumer-owners (MCOs) of Lanao del Norte Electric Cooperative, Inc. (LANECO) as you hold your 43rd Annual General Membership Assembly (AGMA) and 47th Foundation Anniversary.

Your theme, “Preserving the Gains of Rural Electrification Program” is reflective of your desire to promote sustainable development in the Province of Lanao del Norte and, thereby, uplift the socio-economic statures of your MCOs.

Congratulations is apt to LANECO for being one of the very few electric cooperatives that do not charge Bill Deposit to its MCOs. This action does not only manifest your unwavering concern and commitment to better the lives of your MCOs, but also increases their purchasing power by channeling savings from electricity to other more crucial needs such as food and wellness.

Seize AGMA as an auspicious event to boost teamwork and unity as you ensure a reliable and reasonably-priced electric service. The Energy Regulatory Commission (ERC) is one with you in this endeavor. Working together, we will uphold our country’s economic growth towards the realization of our dream to provide adequate electricity access to every Filipino.

I wish you a productive assembly. Padayon, LANECO!


AGNES VST DEVANADERA
Chairperson & CEO



**ASSOCIATION OF MINDANAO RURAL
ELECTRIC COOPERATIVE, INC.**

Gaerlan St, Cagayan de Oro City



Amidst the different challenges Electric Cooperatives had to face every year, I am so pleased to see you stand still. You have sailed on and still accomplished great things.

Let us continue to unite as one to conquer all the challenges that may come our way. No matter how hard it may be let us remain rock solid. Never allow anyone to divide us, break us and discredit us. Always be steadfast to go on our mandate of total rural electrification and help trigger significant changes especially in the socio-economic development of your area of responsibility. Lasting progress is not done overnight, it is through constant revisions, consider each day as another opportunity for transformation.

AMRECO is so confident working on our advocacies drawing strength from you, moving forward together with all other allied organizations and electric cooperatives.

We are on our arduous climb to preserve our gains in the total rural electrification. Take my hand and the hands of AMRECO, PHILRECA, EC Allied Organizations and the hand of that one person given to us by the Almighty God. Let's do our share of work and we will succeed.

Congratulations on your well-deserved success. Keep going!

CORAZON D. CULLANTES
AMRECO President



NATIONAL CENTER OF ELECTRIC COOPERATIVE CONSUMERS, INC.
No. 21F, SCT BORROMEO STREET, SOUTH TRIANGLE, QUEZON CITY 1103
SEC Registration Number CN2017 03949



I am pleased that Lanao del Norte Electric Cooperative, Inc. (LANECO) will hold its 47th Foundation Anniversary on May 26, 2019, with the theme ‘Preserving the Gains of Rural Electrification Program.’

It is truly indeed that ECs and MCOs must safeguard the gains realized by the Rural Electrification Program through the years in partnership with the NEA.

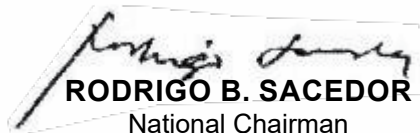
The ECs and MCOs must sustain and ensure the continuity of the EC’s existence and always remain as major players in the power industry through and primarily because of NCECCO with an internalized “corporative culture”, institutionalized awareness, and a high level of cooperative/corporate excellence resulting to total consumers and community satisfaction.

A united and empowered, resolute cooperative are steering our populace further closer to future of prosperity and stability for all. We challenge you to double your efforts and deepen your engagement with our Member-Consumer-Owners, the MCOs as together, and we will break the shackles of poverty and rise to even greater heights.

Hence, we are looking forward to a continuous partnership with the cooperative in serving our MCOs with utmost dedication, sincerity and efficiency...

Again, my sincerest congratulations to all! More power LANECO Family!

God bless us all and Mabuhay tayong lahat!


RODRIGO B. SACEDOR
National Chairman



Republic of the Philippines
Region X
PROVINCE OF LANA DEL NORTE
Gov. Arsenio A. Quibranza
Provincial Government Center
Pigcarangan, Tubod, Lanao del Norte



Extending my warmest greetings and felicitations to Lanao del Norte Electric Cooperative, Inc. for holding the 43rd Annual General Membership Assembly and at the same time celebrating the 47th Foundation Anniversary on May 26, 2019.

With this year's theme, "Preserving the Gains of Rural Electrification Program," provides us the opportunity to sustain the socio-economic development of our province. As a province that primarily relies on Agriculture and Fisheries, Rural Electrification Program answers the increasing demand of energy not only to the above-mentioned sector but as well as to other businesses that are thriving in the Municipalities of Lanao del Norte.

The consistency of LANECO in improving its services to supply enough electricity to the constituents, especially to far-flung barangays of the province yields more opportunities to improve the quality of life, greater access to basic services and better infrastructure for rural development in support of the Government's effort to alleviate poverty.

As esteemed partner of the Provincial Government and the two Congressional District Offices of 1st District Congressman Mohamad Khalid Quibranza Dimaporo and 2nd District Congressman Abdullah Dimakuta Dimaporo, we will always be supportive to all the programs and activities which promote the welfare of the people of the Province of Lanao del Norte, "The Land of Beauty and Bounty."

Congratulations and Mabuhay!

IMELDA QUIBRANZA-DIMAPORO
Provincial Governor



Republic of the Philippines
Region X
PROVINCE OF LANA DEL NORTE
Gov. Arsenio A. Quibranza
Provincial Government Center
Pigcarangan, Tubod, Lanao del Norte



On this auspicious occasion of celebrating the 47th Anniversary of the Founding of the Lanao del Norte Electric Cooperative, Inc. (LANECO) and its 43rd Annual General Membership Assembly, I wish, on behalf of the Sangguniang Panlalawigan of the Provincial Government of Lanao del Norte, to extend my warmest greetings and congratulations to the board and management and the member-owners of LANECO on your continuing success and capability in delivering quality electric services to our constituency.

With this year's theme "**Preserving the Gains of Rural Electrification Program**" it is my ardent hope that you will continue to provide an opportunity to devise innovative ways to reach more households in the remote communities to enjoy the benefits of electrification which will lead to greater production, better health and socio-economic development.

Rest assured that we are here to support you all the way in the policy-making to improve the living condition, efficiency of work and comfort of home life in rural areas through the Rural Electrification Program.

We are looking forward with excitement to the promising future of the Lanao del Norte Electric Cooperative, Inc. (LANECO) to be among the first-class electric distribution utility in the country.

Once again, my best wishes and congratulations! God bless.


MARIA CRISTINAN. ATAY
Provincial Vice Governor



Republic of the Philippines
Region X
PROVINCE OF LANA DEL NORTE
Municipality of Lana



My warmest and sincerest felicitations to the officials and members of Lanao del Norte Electric Cooperative, Inc. (LANECO) as you commemorate your 43rd Annual General Membership Assembly and 47th Foundation Anniversary.

Our energy infrastructure is the base upon which we establish equitable progress, enabling individuals and communities to obtain the promise of development by engaging in industries and increasing productivity. Electric cooperatives such as yours maintain the upward trajectory of our development by ensuring the steady supply of electricity that powers our households and industries in this era of renewal. May LANECO spread the yields of revitalization to the broader spectrum of society and marshal our collective efforts in the pursuit of inclusive growth.

As you all strive to building better services to the member-consumer-owners, may you not forget that the future is within your reach. May you continue this challenge as you further impart and fulfill your mission and vision for the betterment of the community by establishing rural electrification towards rural development.

May this gathering strengthen your cooperative's resolve to provide quality, affordable services to your constituents, and may you always stand together in the spirit of innovation and genuine public service.

MABUHAY LANECO!


ALLAN J. LIM
Municipal Mayor



Republic of the Philippines
Region X
PROVINCE OF LANA DEL NORTE
Municipality of Bacolod



Greetings of Good Local Governance!

Padayon Pagsidlak LANECO sama sa pagsidlak namo diri sa lungsod sa Bacolod, Lanao del Norte!

As we celebrate with you for your 43rd ANNUAL GENERAL MEMBERSHIP ASSEMBLY and 47th FOUNDATION ANNIVERSARY. We support your theme "PRESERVING THE GAINS OF RURAL ELECTRIFICATION PROGRAM".

LANECO is a strong support to the development direction that the Municipality of Bacolod, Lanao del Norte has established. We will preserve the gains of our success so that the next generation could enjoy our achievements and sustain our momentum.

To the LANECO Family God bless you more and more!


ENGR. JOSELITO E. MIQUIABAS
Municipal Mayor



Republic of the Philippines
Region X
PROVINCE OF LANA DEL NORTE
Municipality of Tubod

My warmest greetings and congratulations to Lanao del Norte Electric Cooperative, Inc. (LANECO) on the occasion of its 43rd General Assembly and 47th Foundation Anniversary on May 26, 2019.

Over the years, LANECO has been a valuable ally of the Local Government Unit of Tubod, Lanao del Norte for its commitment to community service and social welfare. I truly admire your active role in the pursuit of progress and development and your socio-civic projects within your coverage area. May your cooperative continue to flourish and uplift more of our people from poverty towards a brighter and empowered tomorrow.

This year's theme: "Preserving the Gains of Rural Electrification Program" embodies how well you have carried your mandate in promoting equity and economic development and ensuring the quality of life of the people.

MABUHAY ANG LANECO!!!




LEONCIO C. BAGOL
Municipal Mayor



Republic of the Philippines
Region X
PROVINCE OF LANA DEL NORTE
Municipality of Baroy

My sincerest congratulations to the General Manager, Board of Directors, Officers, Employees, and Member-Consumers of **Lanao del Norte Electric Cooperative, Inc. (LANECO)** as you hold your **43rd Annual General Membership Assembly** and celebrate your **47th Foundation Anniversary**.

Amidst the challenges pose by modernization, LANECO has continuously made a difference in the lives of the people of Lanao de Norte by providing quality and reliable electricity. With this year's theme "**Preserving the Gains of Rural Electrification Program**" indicates our shared goal of rural electrification. You have strengthened your drive to provide electricity to every family especially those living in the far-flung areas of the province. LANECO has always been the partner of every Local Government Unit in ensuring that every household has a safe and adequate power to enjoy. You have exerted all efforts in finding ways to lower the cost of electricity to provide affordable supply of electricity and most importantly to fast track rural electrification in the entire Province.

May you continue to stand by your theme "Preserving the Gains of Rural Electrification Program" and serve with passion and commitment to uplift the lives of the member-consumers.

I wish you a productive assembly.




ROSA D. OLAFSSON
Municipal Mayor



Republic of the Philippines
Region X
PROVINCE OF LANA DEL NORTE
Municipality of Poona Piagapo



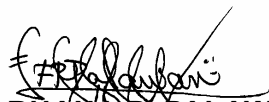
In behalf of the Local Officials of the Local Government Unit (LGU) of Poona Piagapo, Lanao del Norte, I convey my congratulations to the Lanao del Norte Electric Cooperative, Inc. (LANECO) and its 43rd Annual General Membership Assembly (AGMA) and 47th Foundation Anniversary with the theme, "Preserving the Gains of Rural Electrification Program".

On the part of the LGU as the Municipal Chief Executive of this Municipality, we are proud to say that we have in placed which gives real energization service despite of the remoteness of our locality.

Again, congratulations to the LANECO and its personnel for the excellent efforts to the continued expansions of energization of our Municipality. I may not be able to attend the celebration, however, my best wishes are always with you.

Thank you and more power.

With regards,


FARHANA R. PALAWAN
Municipal Mayor



Republic of the Philippines
Region X
PROVINCE OF LANA DEL NORTE
Municipality of Sultan Naga Dimaporo



My warmest felicitations and earnest greetings to the dynamic celebrants of Lanao del Norte Electric Cooperative, Inc. (LANECO) on the occasion of their 43rd Annual General Membership Assembly in anticipation of the inter-mutual commemoration of the 47th Foundation Anniversary of the cooperative on May 26, this year, with the theme "Preserving the Gains of Rural Electrification Program."

As we aspire to pursue global competitiveness, we encourage our valued member-consumers to actively support the projects of LANECO that will strengthen the cooperative and be guided to serve the people with deep commitment.

We firmly believe that in order to achieve viability and sustainability of the EC, the member-consumers should be involved, well informed and most especially be empowered.

Thank you very much, peace and prosperity be with.


ULWAN M. DIMAPORO
Municipal Mayor



Republic of the Philippines
Region X
PROVINCE OF LANA DEL NORTE
Municipality of Linamon



As far as we can discern, the sole purpose of human existence is to kindle a light in the darkness of mere being.

-Carl Jung-

In this era, we depend on resources that make us prolific in achieving daily and long-term goals. Electrical energy, as one of the most important resources, is substantial in performing tasks day and night. Thus it is not limited to developed towns and cities but also to rural areas to facilitate sustainable economic and social growth.

The partnership of LANECO and the Municipality of Linamon has invested on giving significant access of electricity to remote households. More than just basic provision of light, our province has seen improvements in the consumers' quality of life such as increase in student's literacy capabilities, yielding new income – generating opportunities, increase in community security, promotion of employment and new business growth, diminished household/ community isolation and greater business productivity and efficiency.

To my fellow LANECO member-consumers, be with me in supporting this pursuit of rural electrification. And with consumer education to its proper conservation, we will be together to reap socio-economic advancement that will benefit our community as a whole while preserving a healthy and safe environment.


RANDY J. MACAPIL
Municipal Mayor



Republic of the Philippines
Region X
PROVINCE OF LANA DEL NORTE
Municipality of Kolambugan



Kudos to the 47th Annual General Membership Assembly and 43rd Foundation Anniversary of the Lanao del Norte Electric Cooperative, Inc. (LANECO). You deserved to be praised. Theme for any occasion is not just a requirement to be complied, but there is a hidden wisdom to be treasured as part of the memories for the special event. LANECO's "Rural Electrification Program" has been gaining success by steps and bounds. Time will come when even the remotest barrio in our province will experience no more darkness like in the old days. The young and old alike will be all smiles as they watch TV in their living room in that remote but lighted place. Positively, I say that LANECO will continue to preserve the gains of rural electrification programs.

In behalf of the Local Government Unit of the Municipality of Kolambugan, congratulations to the LANECO, Inc. management and staff as well as to the member-consumers of this institution for another tremendous achievement.

Mabuhay po kayo, and more power LANECO!


LORENZO V. MAÑIGOS
Municipal Mayor

President's Message



Peace and God's abundant blessings be upon us all!

Our warmest welcome to everyone as we hold and celebrate our 43rd Annual General Membership Assembly and 47th Foundation Anniversary.

Words are not enough to express how thankful and blessed we are for getting this far. These two anticipated events bolster the significant milestones of LANECO.

This year's theme, "PRESERVING THE GAINS OF RURAL ELECTRIFICATION PROGRAM" is inspired from the long partnership of LANECO and the National Electrification Administration, our mother agency, in carrying out our paramount role of providing reliable, safe, efficient and affordable electric service geared towards achieving socio-economic development at the countryside in more than four decades.

2019 marks as well the Golden Anniversary of NEA and its celebration is centered on the triumphs of Rural Electrification amidst the overwhelming challenges and manifold issues in the power sector these days. Let us be reminded that we are all part of this celebration. We have significant contributions in carrying the noble goals of Rural Electrification.

Our strong point is you, our empowered member-consumer-owners. You have been with us in promoting our advocacies and in responding to the challenges and threats. We hope that you continue to stand with us in protecting the gains and fruits of our sacrifices and be involved in helping your electric cooperative in all of its undertakings.

Not to mention the unity and solidarity between and among the Board of Directors, Management and Staff and with the unceasing support and cooperation from the MCOs which resulted to bountiful accomplishments of LANECO.

Let us be persistent in performing our mandate, striving for excellence and ask God's help to obtain ABSOLUTE HONESTY, work in TOTAL SOLIDARITY and gain MAXIMUM EFFICIENCY!

In all the things we do, we hope God may be glorified!

Thank you.

ELMIRA G. OLAVIDES, Ed. D
Board President

Project Supervisor Acting General Manager's Message

Let's welcome another year to gather and celebrate the 43rd Annual General Membership Assembly and 47th Foundation Anniversary of LANECO!

LANECO has been providing electric service in the Province of Lanao del Norte for more than four decades and I am honored to be part of this significant milestones having been appointed by the National Electrification Administration (NEA) as its Project Supervisor-Acting General Manager for five years now.

Our primary mandate is the promotion and continued implementation of the Rural Electrification Program for a sustainable rural development which is also true to other electric cooperatives in the country. This is a priority thrust of President Rodrigo Roa Duterte, enforcing electricity access for all Filipinos.

This year's celebration theme, "PRESERVING THE GAINS OF RURAL ELECTRIFICATION PROGRAM" is in line with the Golden Anniversary of the National Electrification Administration, the mother agency of the 121 electric cooperatives in the country; highlighting the unprecedented achievements of the Rural Electrification Program over the years.


With the prevailing development in the Province of the Lanao del Norte, LANECO is prompt in addressing the immediate needs to deliver and provide sustainable supply of electricity. The complete construction of the 18km 69kv Subtransmission Line from Kapatagan to Tubod which serves the new 10MVA Tubod Power Substation in 2018 balances the power distribution within the franchise area. Aside that the project has improved power system efficiency and prepared for future load requirements, it has also relevantly helped reduce the system loss of the cooperative.


It is also worth mentioning that LANECO is vigorous in continuously implementing the Nationwide Intensification Household Electrification (NIHE), a subsidy funded program by the Department of Energy as an ardent support to the national government and noble goals of the Rural Electrification Program benefiting thousands of households within the franchise area.

The collaborative efforts of the Board of Directors, Management Staff and Employees and our empowered member-consumer-owners, with the strong partnership to NEA, prove that LANECO remains steadfast to its definite role in eliminating poverty, extending opportunities in the countryside and sustainable rural development. Our accomplishments are living proof that we have embattled the daunting challenges of time.

Join us in moving forward as your strong support will bring us to a better, bigger and brighter LANECO.

All praises to the Heavenly Father as we continue to serve from the heart. LONG LIVE LANECO!




SHERWIN C. MAÑADA, CPA
PS/ Acting General Manager

COOPERATIVE PROFILE

(As of December 31, 2018)

| | |
|---|---|
| Seat of Headquarters/ Main Office | Sagadan, Poblacion, Tubod, Lanao del Norte |
| Coop Headquarters Site Donor | The Heirs of Don Rufo Lao dela Cruz |
| Founding Father of LANECO | Provincial Governor Arsenio A. Quibranza |
| First Board President | Manuel V. Pangilinan |
| First General Manager | Demosthenes B. Dingcong |
| Provincial Electric Cooperative Team Chairman | Jose A. Camacho, Jr. |
| Year of Completion of Feasibility Studies | 1971 |
| Date of Registration & Incorporation | May 27, 1972 |
| Sources of Power | <ul style="list-style-type: none"> • FILINVEST Development Corporation: Coal • San Miguel Consolidated Power Corporation • Power Sector Assets and Liabilities Management Corporation • King Energy Generation Incorporated • Total Power Incorporated |
| Date of Start of Operation | January 1, 1973 |
| Date of First Backbone Line Construction | September 16, 1974 |
| Date of First Energization Ceremony | December 30, 1974 |
| Venue of First Energization Ceremony | Poblacion, Bacolod, Lanao del Norte |
| First Municipalities Energized | Linamon, Kauswagan and Bacolod |
| Date of Completion of Backbone Line Construction | March 1, 1977 |
| Date of First District Election | April 19, 1977 |
| Date of First Annual General Membership Assembly (AGMA) | May 27, 1977 |
| First AGMA Guest of Honor | Honorable Emmanuel N. Pelaez Father of Philippine Rural Electrification Program |
| Date of First Amortization of First Loan | March 1980 |
| Date of First Amortization of Second Loan | February 1982 |
| Sister Electric Cooperative in Prosser, Washington, U.S.A. | Benton Rural Electric Association (Benton REA) |
| Date of Endorsement of the Sister Coop Relationship Between LANECO & Benton REA by the National Rural Electric Cooperatives Association (NRECA) of U.S.A. | December 30, 1982 |
| Date of Provisional Registration with the CDA | March 29, 1993 |
| Coop Categorization | A |
| Coop Classification | Mega Large |
| No. of Branch Offices Established | 6 |
| No. of Service Centers | 2 |
| No. of Districts Served | 12 |
| No. of Employees | 150 |
| No. of Consumers Served Per Employee | 661 |
| No. of Municipalities Within the Franchise Area | 18 |
| No. of Energized Municipalities Within the Franchise Area | 18 |
| No. of Potential Connections | 125,780 |
| No. of Connections Served | 99,186 |
| Percentage of Accomplishment | 79% |
| No. of Potential Barangays | 410 |
| No. of Energized Barangays | 401 |
| No. of Barangays Served Outside the Franchise Area | 6 |
| Percentage of Accomplishment | 98% |
| No. of Members | 91,032 |
| Average Rate per KWH | 7.78 |
| Collection Efficiency | 100% |
| Power Cost In Pesos | 774,330,304.00 |
| Energy Sales | 937,613,659.00 |
| Kilowatt-hours Purchased | 105,791,491.00 |
| Kilowatt-hours Sold | 88,715,260.30 |
| System Loss | 15.27% |
| Kilometers of Lines Built | 3,830.278 |
| Megawatt Load (Averaging) | 20.546 |
| Load Factor (%) | 65.75% |
| Power Factor (%) | 99.48% |
| Substation Capacity | 35 MVA |
| Total No. of National Recognitions Garnered | 66 |



REPORT on the **TECHNICAL** **ACCOMPLISHMENTS**

HIGHLIGHTS

LENGTH OF LINES

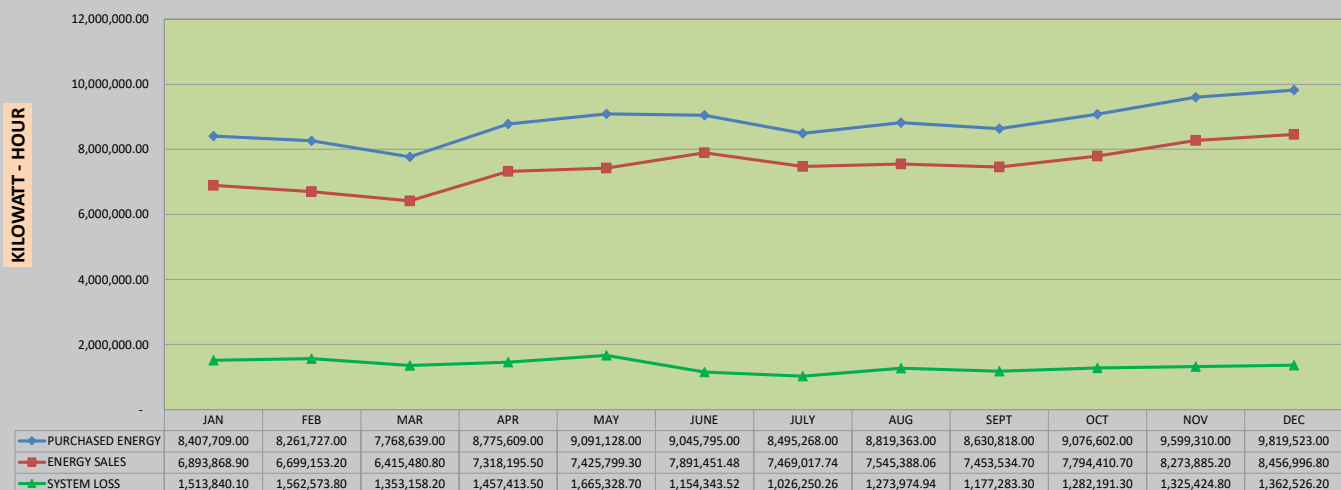
| | Kilometers | 2017 | 2018 | | 2017 | 2018 |
|------------------------------|------------|------------------|------------------|--------------------------------------|---------------|----------------|
| Sub-transmission Line (69kV) | | - | 18 | | | |
| Primary Lines | | | | | | |
| Three Phase | | 201.787 | 207.937 | Total Coop Kilowatt-hour Consumption | 366,235.10 | 387,217.90 |
| Vee Phase | | 185.931 | 185.931 | Total Kilowatt-hour Purchased | 95,102,073.00 | 105,791,491.00 |
| Single Phase | | 1067.38 | 1079.45 | Total Kilowatt-hour Sold | 77,079,865.50 | 89,637,182.38 |
| Double Circuit | | 5.880 | 5.880 | System Loss in Percentage | 18.95% | 15.27% |
| Total | | 1,458.128 | 1,479.198 | System Load Factor in Percent | 66.83% | 65.75% |
| | | | | System Power Factor In Percent | 99.86% | 99.48% |
| | | | | No. of NGCP Metering Points | 3 | 4 |
| | | | | Substation Capacity (MVA) | 25 | 35 |
| Secondary Lines | | | | | | |
| | Kilometers | | | | | |
| Underbuilt | | 993.29 | 999.63 | | | |
| Open | | 1,318.585 | 1,333.450 | | | |
| Total | | 2,311.875 | 2,333.080 | | | |
| Over-all Total | | 3,770.003 | 3,830.278 | | | |

| No. of Units | Capacity | Location |
|--------------|----------|---------------------------|
| 1 | 5 MVA | Curvada, Kapatagan, LN |
| 1 | 10 MVA | Curvada, Kapatagan, LN |
| 1 | 10 MVA | Bagumbayan, Kauswagan, LN |
| 1 | 10 MVA | Sagadan, Tubod, LN |

2018 System Loss Report

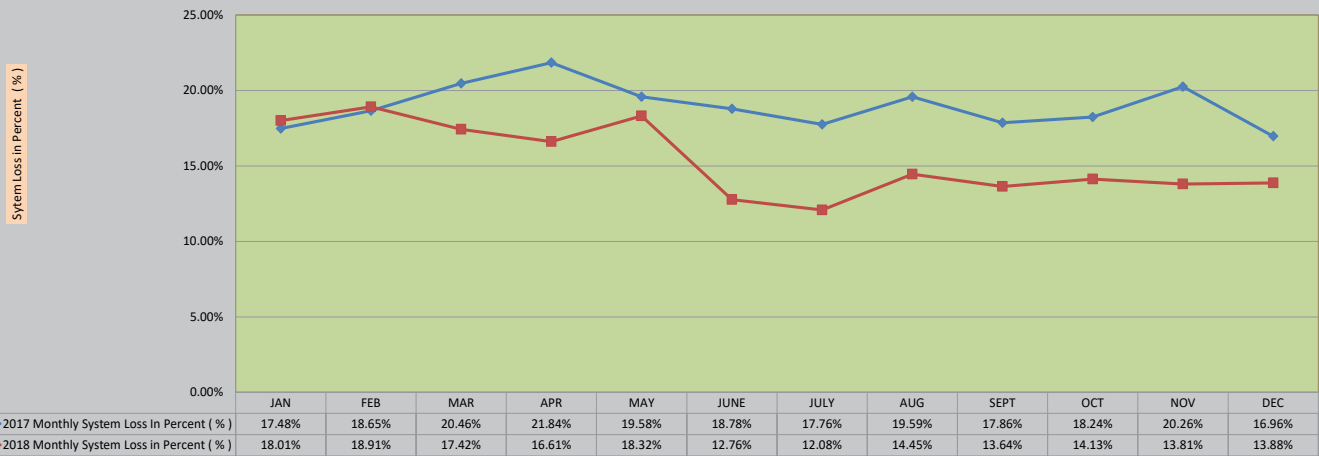
| Month | Purchased Energy (KWhr) | Energy Sales (KWhr) | Coop Consumption (KWhr) | Total Energy Sales (KWhr) | System Loss (KWhr) | System Loss (%) |
|--------------|------------------------------|--------------------------|------------------------------|--------------------------------|-------------------------|----------------------|
| JANUARY | 8,407,709.00 | 6,864,141.10 | 29,727.80 | 6,893,868.90 | 1,513,840.10 | 18.01% |
| FEBRUARY | 8,261,727.00 | 6,668,725.90 | 30,427.30 | 6,699,153.20 | 1,562,573.80 | 18.91% |
| MARCH | 7,768,639.00 | 6,384,760.10 | 30,720.70 | 6,415,480.80 | 1,353,158.20 | 17.42% |
| APRIL | 8,775,609.00 | 7,287,064.00 | 31,131.50 | 7,318,195.50 | 1,457,413.50 | 16.61% |
| MAY | 9,091,128.00 | 7,390,383.10 | 35,416.20 | 7,425,799.30 | 1,665,328.70 | 18.32% |
| JUNE | 9,045,795.00 | 7,540,040.60 | 31,292.40 | 7,891,451.48 | 1,154,343.52 | 12.76% |
| JULY | 8,495,268.00 | 7,120,562.40 | 31,189.50 | 7,469,017.74 | 1,026,250.26 | 12.08% |
| AUGUST | 8,819,363.00 | 7,229,184.60 | 31,665.70 | 7,545,388.06 | 1,273,974.94 | 14.45% |
| SEPTEMBER | 8,630,818.00 | 7,423,267.40 | 30,267.30 | 7,453,534.70 | 1,177,283.30 | 13.64% |
| OCTOBER | 9,076,602.00 | 7,758,054.40 | 36,356.30 | 7,794,410.70 | 1,282,191.30 | 14.13% |
| NOVEMBER | 9,599,310.00 | 8,239,176.50 | 34,708.70 | 8,273,885.20 | 1,325,424.80 | 13.81% |
| DECEMBER | 9,819,523.00 | 8,422,682.30 | 34,314.50 | 8,456,996.80 | 1,362,526.20 | 13.88% |
| TOTAL | 105,791,491.00 | 88,328,042.40 | 387,217.90 | 89,637,182.38 | 16,154,308.62 | 15.27% |

2018 PURCHASED ENERGY, ENERGY SALES AND SYSTEM LOSS IN KILOWATT - HOUR

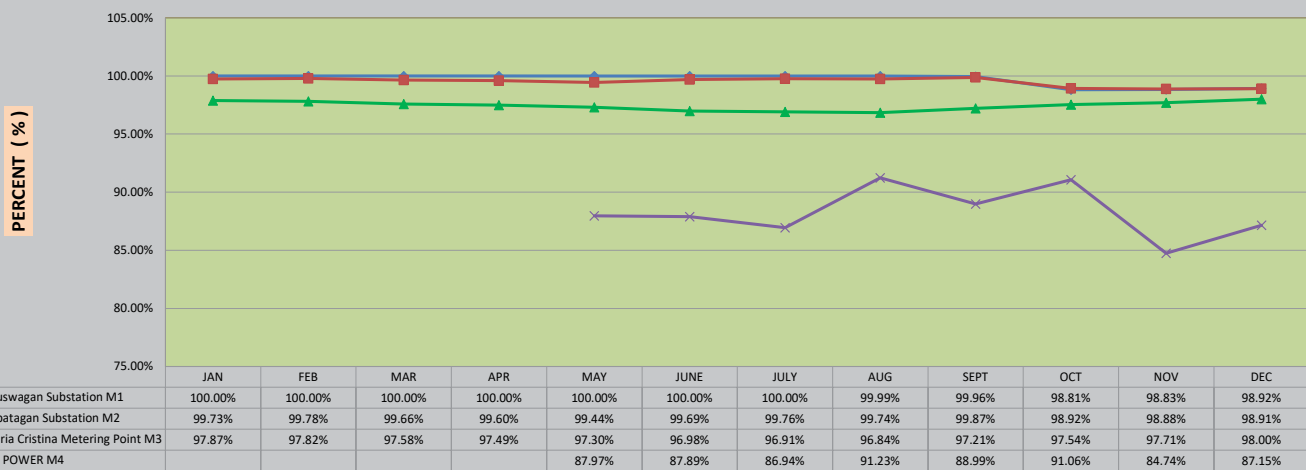


2017 & 2018 COMPARATIVE MONTHLY SYSTEM LOSS IN PERCENT (%)

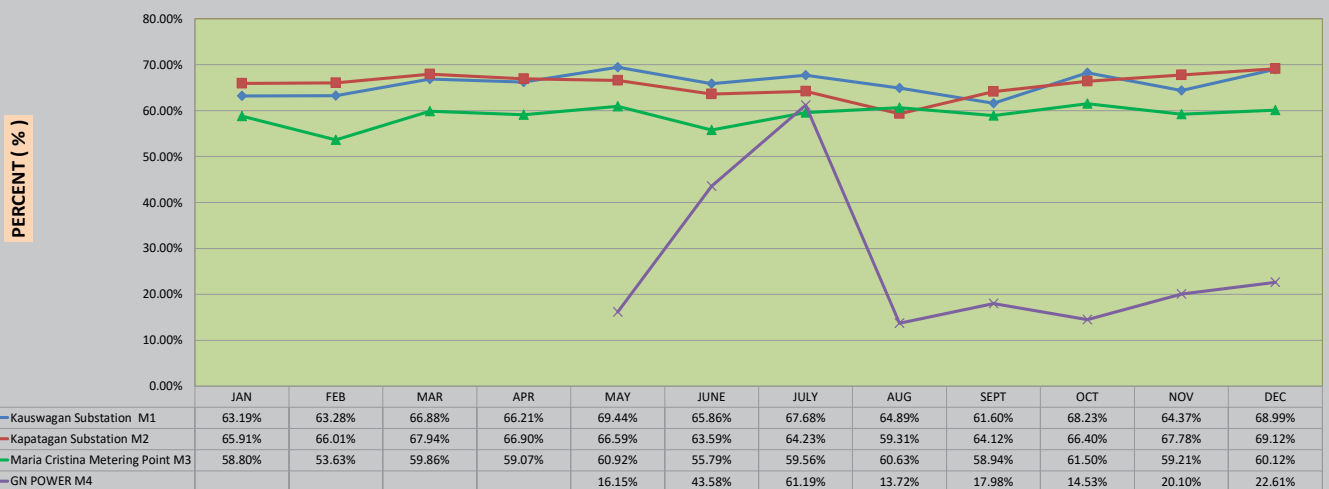
AVERAGE : 2017 = 18.95% * 2018 = 15.27%



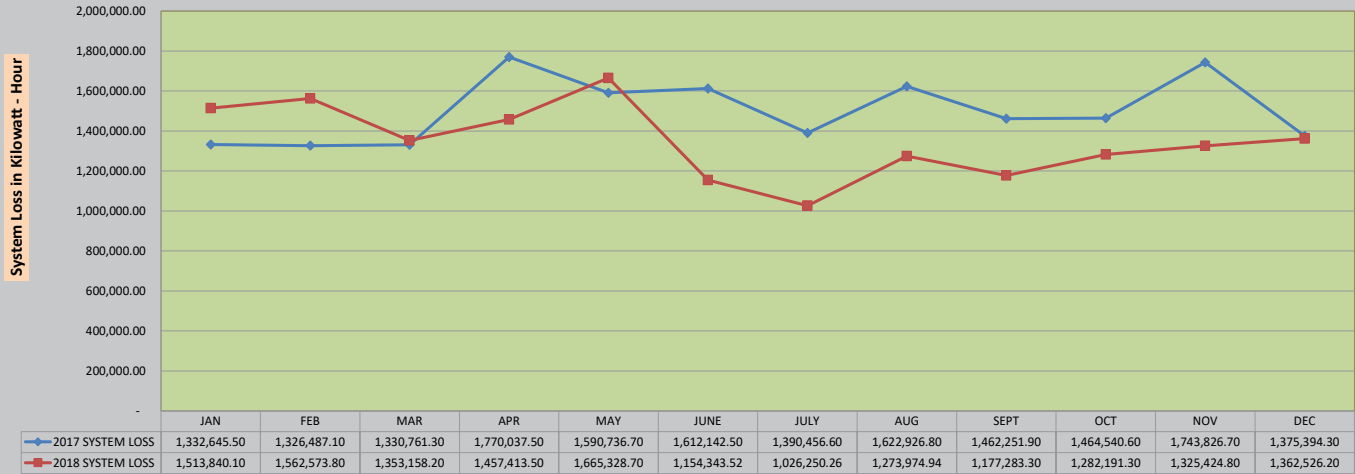
2018 POWER FACTOR PER METERING POINT IN PERCENT (%)



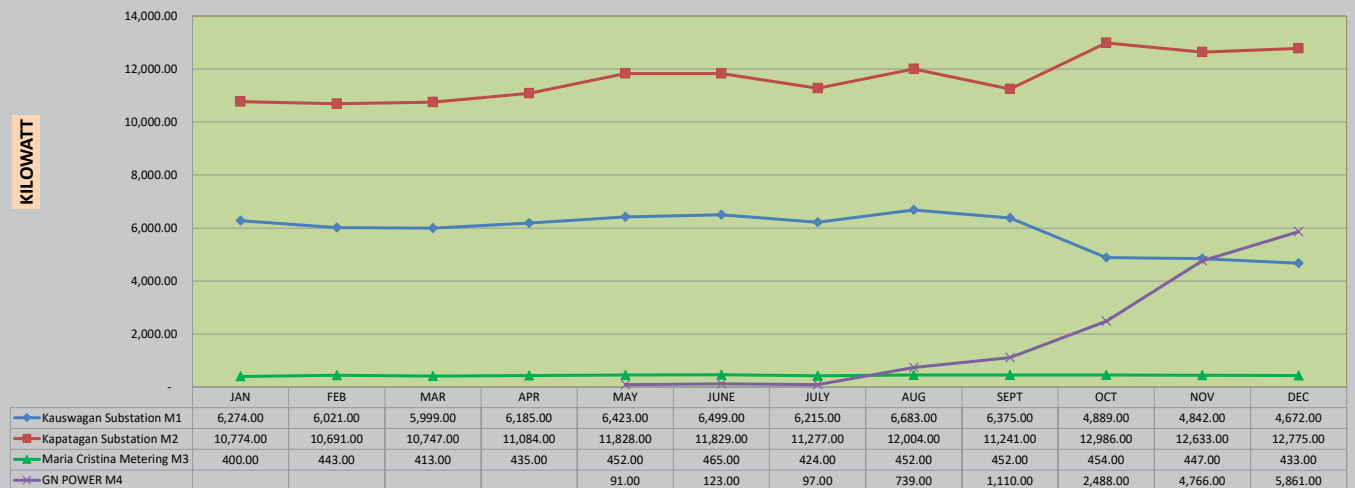
2018 LOAD FACTOR PER METERING POINT IN PERCENT (%)



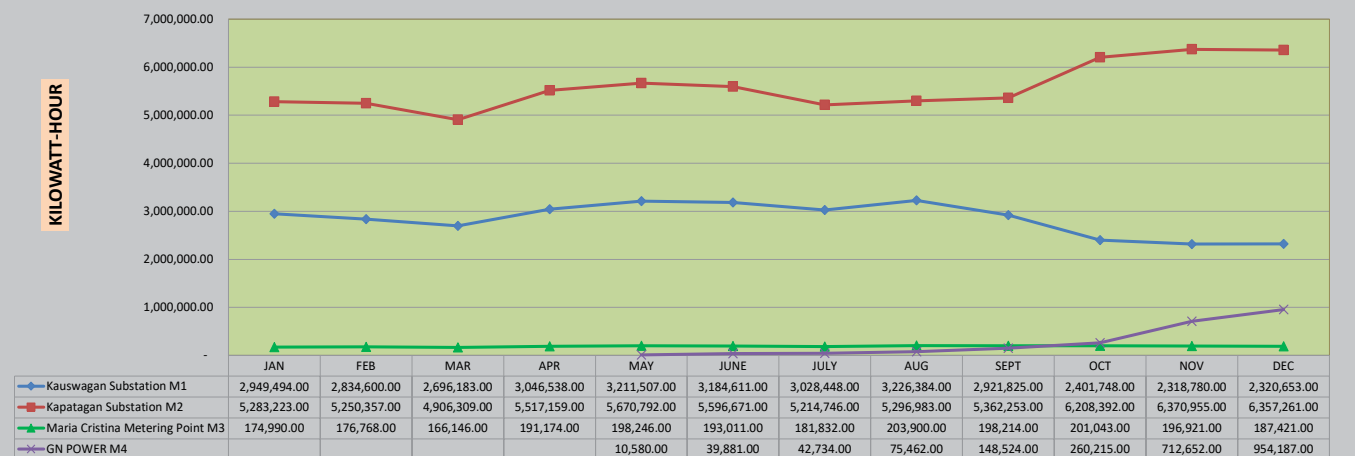
2017 & 2018 COMPARTIVE MONTHLY SYSTEM LOSS IN KILOWATT - HOUR



2018 MAXIMUM DEMAND PER METERING POINT IN KILOWATTS

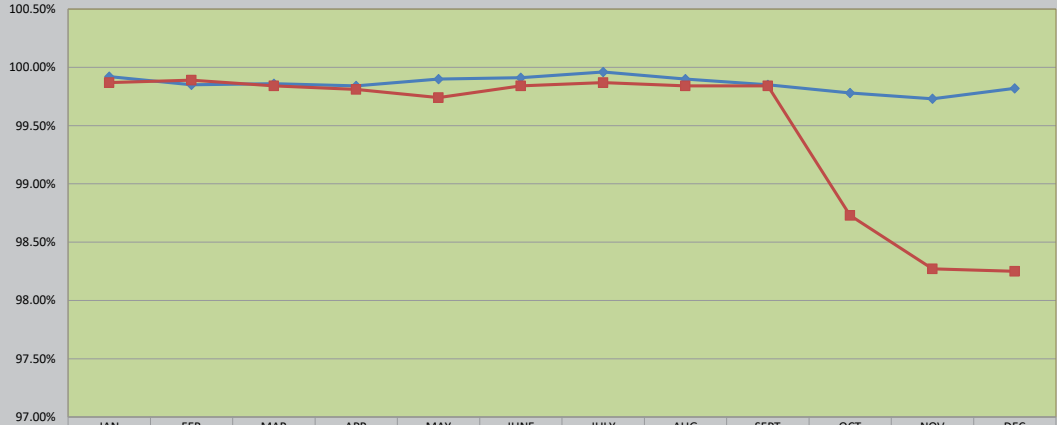


2018 PURCHASED ENERGY PER METERING POINT IN KILOWATT - HOUR



2017 & 2018 AVERAGE POWER FACTOR IN PERCENT (%)

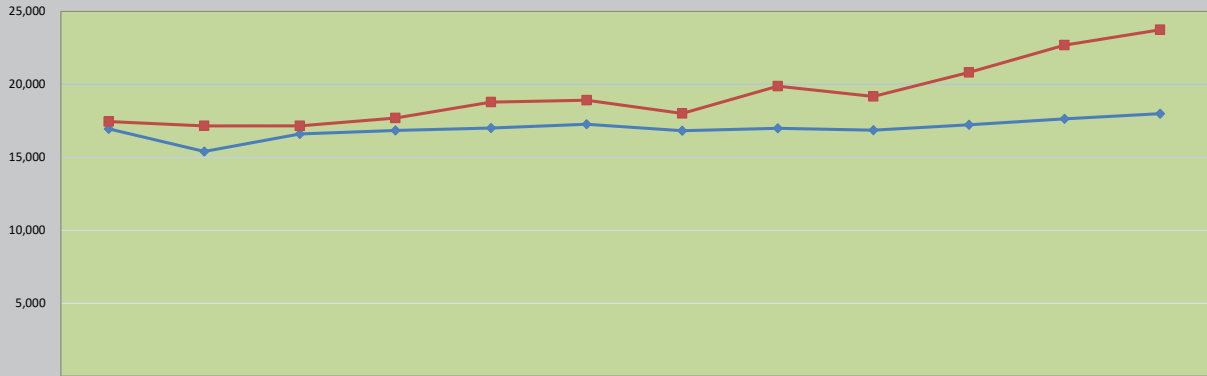
PERCENT (%)



| | JAN | FEB | MAR | APR | MAY | JUNE | JULY | AUG | SEPT | OCT | NOV | DEC |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 2017 Monthly Average Power Factor in Percent (%) | 99.92% | 99.85% | 99.86% | 99.84% | 99.90% | 99.91% | 99.96% | 99.90% | 99.85% | 99.78% | 99.73% | 99.82% |
| 2018 Monthly Average Power Factor in Percent (%) | 99.87% | 99.89% | 99.84% | 99.81% | 99.74% | 99.84% | 99.87% | 99.84% | 99.84% | 98.73% | 98.27% | 98.25% |

2017 & 2018 COMPARATIVE MAXIMUM DEMAND IN KILOWATTS

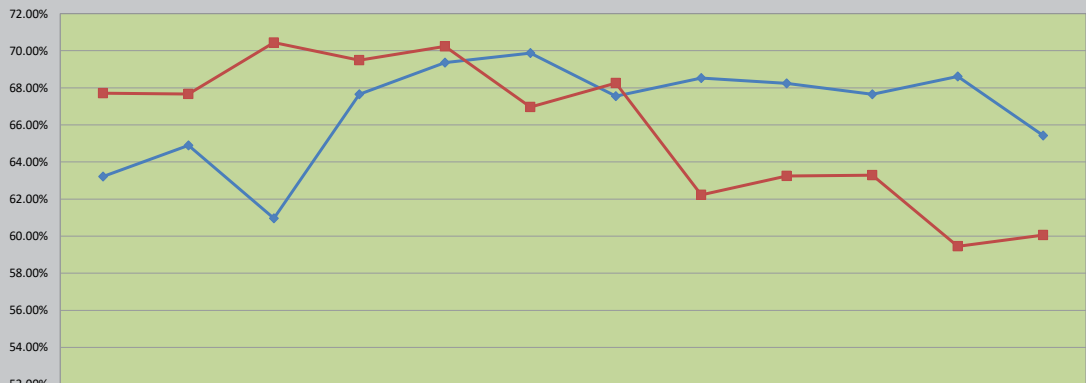
KILOWATTS



| | JAN | FEB | MAR | APR | MAY | JUNE | JULY | AUG | SEPT | OCT | NOV | DEC |
|---------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 2017 Maximum Demand | 16,949 | 15,405 | 16,597 | 16,836 | 17,008 | 17,263 | 16,833 | 16,992 | 16,858 | 17,232 | 17,631 | 17,994 |
| 2018 Maximum Demand | 17,448 | 17,155 | 17,158 | 17,704 | 18,795 | 18,916 | 18,013 | 19,879 | 19,177 | 20,815 | 22,689 | 23,741 |

2017 & 2018 AVERAGE LOAD FACTOR IN PERCENT (%)

PERCENT (%)

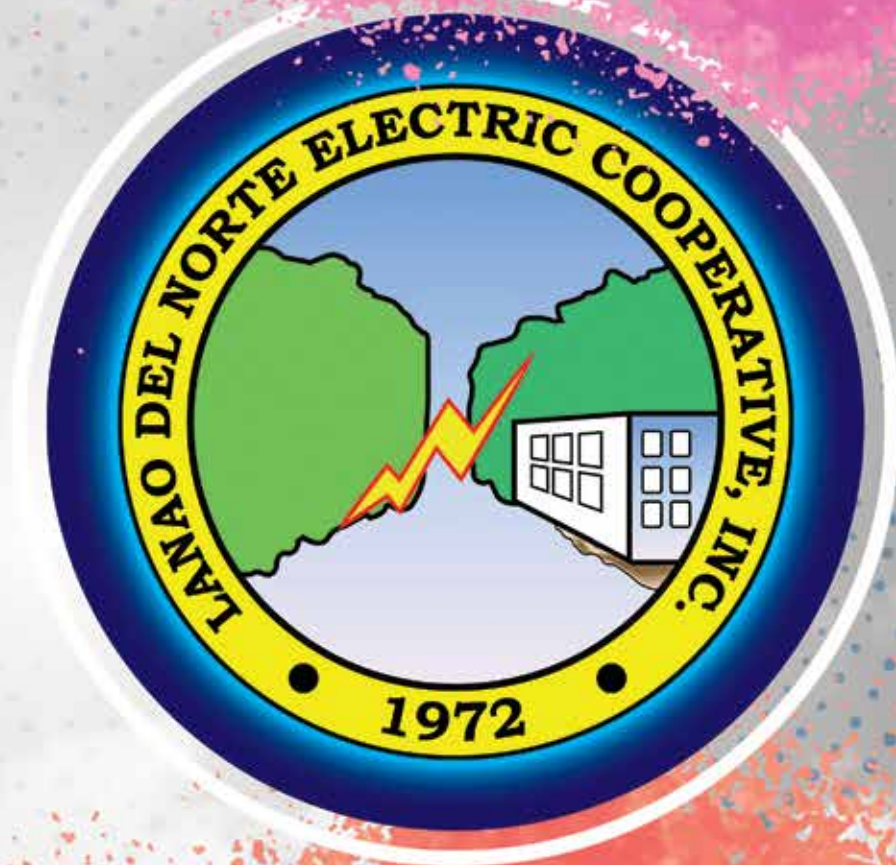


| | JAN | FEB | MAR | APR | MAY | JUNE | JULY | AUG | SEPT | OCT | NOV | DEC |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 2017 Monthly Average Load Factor in Percent (%) | 63.22% | 64.89% | 60.96% | 67.65% | 69.36% | 69.87% | 67.55% | 68.52% | 68.24% | 67.65% | 68.61% | 65.43% |
| 2018 Monthly Average Load Factor in Percent (%) | 67.71% | 67.67% | 70.44% | 69.49% | 70.24% | 66.96% | 68.26% | 62.23% | 63.24% | 63.28% | 59.45% | 60.06% |

| KILOMETERS OF LINES COMPLETED (ENERGIZED) | | | | | | | | | | |
|---|--|-----------|----------------|----------------|---------|---------|---------|--------------|-----|--------------|
| REHABILITATION | | | | | | | | | | |
| | LINE | WORK PLAN | DATE COMPLETED | REHABILITATION | | | | | | TOTAL |
| | | | | DC | 3-PHASE | V-PHASE | 1-PHASE | O.S | U.B | |
| 1 | Line rehabilitation at Purok Aquino Magsaysay, Lanao del Norte | | 1/23/2018 | | | | | 0.040 | | 0.040 |
| 2 | Secondary line rehabilitation at Purok 3, Lanipao, Lala, Lanao del Norte | | 2/10/2018 | | | | | 0.130 | | 0.130 |
| 3 | Secondary line rehabilitation at Purok 7, Poblacion, Baroy, Lanao del Norte | | 2/27/2018 | | | | | 0.130 | | 0.130 |
| 4 | Secondary line rehabilitation at Purok 2, Bagong Dawis, Baroy, Lanao del Norte | | 3/8/2018 | | | | | 0.160 | | 0.160 |
| 5 | Line rehabilitation at Purok 7, Simpak, Lala, Lanao del Norte (service pole) | | 4/11/2018 | | | | | 0.090 | | 0.090 |
| 6 | Secondary line rehabilitation at Purok 5, Patudan, Tubod, Lanao del Norte (service pole) | | 5/17/2018 | | | | | 0.040 | | 0.040 |
| 7 | Line rehabilitation at Purok 5, Raw-an Point, Baroy, Lanao del Norte (service pole) | | 5/18/2018 | | | | | 0.050 | | 0.050 |
| 8 | Line rehabilitation at Purok 2, Pigcarangan, Tubod, Lanao del Norte (Service Pole) | | 5/30/2018 | | | | | 0.040 | | 0.040 |
| 9 | Line rehabilitation at Purok 4 TCES, Poblacion, Tubod, Lanao del Norte (service pole) | | 6/6/2018 | | | | | 0.025 | | 0.025 |
| 10 | Secondary line rehabilitation at Purok 4, Bualan, Tubod, Lanao del Norte | | 6/18/2018 | | | | | 0.080 | | 0.080 |
| 11 | Line rehabilitation at Purok 2, Pigcarangan, Tubod, Lanao del Norte (service pole) | | 6/18/2018 | | | | | 0.040 | | 0.040 |
| 12 | Line rehabilitation at Purok 2, Andil, Baroy, Lanao del Norte (service pole) | | 6/27/2018 | | | | | 0.060 | | 0.060 |
| 13 | Line rehabilitation at Purok 5, Pigcarangan, Tubod, Lanao del Norte (service pole) | | 6/27/2018 | | | | | 0.050 | | 0.050 |
| 14 | Secondary line rehabilitation at Purok 1, Bualan, Tubod, Lanao del Norte | | 7/6/2018 | | | | | 0.080 | | 0.080 |
| 15 | Secondary line rehabilitation at Purok 1, Bagong Dawis, Baroy, Lanao del Norte | | 7/11/2018 | | | | | 0.160 | | 0.160 |
| 16 | Secondary line rehabilitation at Purok 5, Malinagao, Tubod, Lanao del Norte | | 7/19/2018 | | | | | 0.160 | | 0.160 |
| 17 | Secondary line rehabilitation at Purok 5, Butadon, Kapatagan, Lanao del Norte | | 7/20/2018 | | | | | 0.160 | | 0.160 |
| 18 | Secondary line rehabilitation at Purok Balayong, Maranding, Lala, Lanao del Norte | | 7/21/2018 | | | | | 0.120 | | 0.120 |
| 19 | Secondary line rehabilitation at Purok 3, San Vicente, Kapatagan, Lanao del Norte | | 8/5/2018 | | | | | 0.240 | | 0.240 |
| 20 | Secondary line rehabilitation at Purok 3, Maliwanag, Baroy, Lanao del Norte | | 8/23/2018 | | | | | 0.160 | | 0.160 |
| 21 | Secondary line rehabilitation at Purok 5, Malingao, Tubod, Lanao del Norte | | 8/24/2018 | | | | | 0.070 | | 0.070 |
| 22 | Secondary line rehabilitation at Purok 3, RCMS, Poblacion, Tubod, Lanao del Norte | | 9/5/2018 | | | | | 0.200 | | 0.200 |
| 23 | Secondary line rehabilitation at Purok 1, Kulasihan, Kolambugan, Lanao del Norte | | 9/7/2018 | | | | | 0.180 | | 0.180 |
| 24 | Secondary line rehabilitation at Purok 5, Nangka, Balo-i, Lanao del Norte (near Balo-i Municipal Hall) | | 9/20/2018 | | | | | 0.050 | | 0.050 |
| 25 | Secondary line rehabilitation and relocation at Brgy. Maranding Annex, Kapatagan, Lanao del Norte | | 10/2/2018 | | | | | 0.480 | | 0.480 |
| 26 | Secondary line rehabilitation at Purok 1, Bualan, Tubod, Lanao del Norte | | 10/2/2018 | | | | | 0.120 | | 0.120 |
| 27 | Secondary line rehabilitation at Purok 6B, TCES, Poblacion, Tubod, Lanao del Norte (near Dela Vega Res.) | | 10/9/2018 | | | | | 0.100 | | 0.100 |
| 28 | Secondary line rehabilitation at Purok 4, Esperanza, Bacolod, Lanao del Norte | | 10/16/2018 | | | | | 0.150 | | 0.150 |
| 29 | Secondary line rehabilitation at Purok 1, Maria Cristina, Balo-i, Lanao del Norte | | 11/9/2018 | | | | | 0.160 | | 0.160 |
| 30 | Secondary line rehabilitation at Purok 6, Balagasa, Maigo, Lanao del Norte | | 11/10/2018 | | | | | 0.280 | | 0.280 |
| 31 | Secondary line rehabilitation at Purok 4, Balagatasa, Maigo, Lanao del Norte | | 11/11/2018 | | | | | 0.380 | | 0.380 |
| 32 | Secondary line rehabilitation at Purok 5, Mate, Bacolod, Lanao del Norte | | 11/13/2018 | | | | | 0.260 | | 0.260 |
| 33 | Secondary line rehabilitation at Brgy. Big Banisilon, Tangkal, Lanao del Norte | | 11/13/2018 | | | | | 0.160 | | 0.160 |
| 34 | Secondary line rehabilitation at Purok 3, Baroy Dacu, Baroy, Lanao del Norte | | 11/14/2018 | | | | | 0.050 | | 0.050 |
| 35 | Secondary line rehabilitation at Purok 3, Baroy Dacu, Baroy, Lanao del Norte (near health center) | | 11/23/2018 | | | | | 0.050 | | 0.050 |
| 36 | Secondary line rehabilitation at Purok 6A, TCES Poblacion, Tubod, Lanao del Norte | | 11/23/2018 | | | | | 0.040 | | 0.040 |
| 37 | Secondary line rehabilitation at Purok 5, San Isidro Upper, Lala, Lanao del Norte | | 11/30/2018 | | | | | 0.080 | | 0.080 |
| 38 | Secondary line rehabilitation at Purok 3, San Isidro Lower, Lala, Lanao del Norte | | 11/30/2018 | | | | | 0.080 | | 0.080 |
| 39 | Line rehabilitation at Purok 6, Robocon, Linamon, Lanao del Norte (service pole) | | 12/6/2018 | | | | | 0.060 | | 0.060 |
| 40 | Secondary line rehabilitation at Purok 1, Lower, Sapad, Lanao del Norte | | 12/10/2018 | | | | | 0.080 | | 0.080 |
| 41 | Line rehabilitation at Purok 5, Poblacion, Sapad, Lanao del Norte (service pole) | | 12/10/2018 | | | | | 0.050 | | 0.050 |
| 42 | Line rehabilitation at Purok 3, Balagasa, Maigo, Lanao del Norte (service pole) | | 12/13/2018 | | | | | 0.050 | | 0.050 |
| 43 | Secondary line rehabilitation at Purok 6, Curva Miagao, Salvador, Lanao del Norte | | 12/13/2018 | | | | | 0.400 | | 0.400 |
| 44 | Line rehabilitation at Purok 3, San Antonio, Tubod, Lanao del Norte (service pole) | | 12/13/2018 | | | | | 0.040 | | 0.040 |
| 45 | Secondary line rehabilitation at Purok 11, Simpak, Lala Lanao del Norte | | 12/21/2018 | | | | | 0.160 | | 0.160 |
| | TOTAL | | | | | | | 5.745 | | 5.745 |

KILOMETERS OF LINES COMPLETED (ENERGIZED)

| EXPANSION | | | | | | | | | | |
|-----------|--|----------------|-----------|--------------|--------------|---------------|---------------|--------------|-------|---------------|
| LINE | WORK PLAN | DATE COMPLETED | EXPANSION | | | | | | | TOTAL |
| | | | DC | 3-PHASE | V-PHASE | 1-PHASE | O.S | U.B | | |
| 1 | Secondary line extension at Purok 1, Barakanas, Tubod, Lanao del Norte | 1/31/2018 | | | | | | 0.210 | | 0.210 |
| 2 | Secondary line extension at Purok 5, Austin Heights, Kolambugan, Lanao del Norte | 2/17/2018 | | | | | | 0.200 | | 0.200 |
| 3 | Conversion of line from single phase to three phase primary line at Sitio Telapas, Pob. Linamon, LDN. (Provincial Corn | 2/9/2018 | | 0.480 | | | | | | 0.480 |
| 4 | Conversion of line from open secondary to single phase primary line at Purok 8, Simpak, Lala, Lanao del Norte | 2/9/2018 | | | | | | | | 0.000 |
| 5 | Secondary line extension at Purok 4, Maguindanao, Sultan Naga Dimaporo, Lanao del Norte | 2/16/2018 | | | | | | 0.130 | | 0.130 |
| 6 | Single phase primary line extension at Purok Apitong, Maranding, Lala, Lanao del Norte (AQUAGEM) | 2/27/2018 | | | | | 0.040 | | | 0.040 |
| 7 | Secondary line extension at Purok 4, Bel-is, Kapatagan, Lanao del Norte | 3/10/2018 | | | | | | 0.270 | | 0.270 |
| 8 | Secondary line extension at Brgy. Paiton, Kauswagan, Lanao del Norte | 3/24/2018 | | | | | | 0.300 | | 0.300 |
| 9 | Secondary line extension at Purok 3, Darumawang Ilaya, Lala, Lanao del Norte | 4/28/2018 | | | | | | 0.400 | | 0.400 |
| 10 | Secondary line extension at Purok 2, Limuag, Baroy, Lanao del Norte (Archer Undag) | 4/27/2018 | | | | | | 0.320 | | 0.320 |
| 11 | Single phase primary line extension at Purok 2, Cabasagan, Baroy, Lanao del Norte | 4/20/2018 | | | | | 0.300 | | | 0.300 |
| 12 | Conversion of line from open secondary to single phase primary line at Purok 11, Poblacion, Sapad, LDN | 4/18/2018 | | | | | 0.500 | | | 0.500 |
| 13 | Secondary line extension at Purok 6A, Kalilangan, Tubod, Lanao del Norte | 5/2/2018 | | | | | | 0.180 | | 0.180 |
| 14 | Secondary line extension at Purok 2, Labu-ay, Maigo, Lanao del Norte | 5/11/2018 | | | | | | 0.140 | | 0.140 |
| 15 | Secondary line extension at Purok 4, Samburon, Linamon, Lanao del Norte | 6/20/2018 | | | | | | 0.120 | | 0.120 |
| 16 | Single phase primary line extension at Purok 1, Kakai Renabor, Tubod, Lanao del Norte (D.A) | 6/25/2018 | | | | | 0.050 | | | 0.050 |
| 17 | Conversion of line from open secondary to single phase primary line extension at Purok 2, Lala, Proper, Lanao del Norte (Ms. Elsa Alquizola Res.) | 6/26/2018 | | | | | 0.355 | | | 0.355 |
| 18 | Single phase primary line extension at Brgy. Mapantao, Salvador, Lanao del Norte (water system) | 6/27/2018 | | | | | 0.120 | | | 0.120 |
| 19 | Secondary line extension at Purok 2, Mala Salug, Sapad, Lanao del Norte | 7/7/2018 | | | | | | 0.160 | | 0.160 |
| 20 | Conversion of line from open secondary to single phase primary line at Purok6, San Vicente, Patudan, Tubod Lanao del Norte (water system) | 7/9/2018 | | | | | 0.160 | | | 0.160 |
| 21 | Secondary line extension at Purok 3, Samburon, Linamon, Lanao del Norte | 7/9/2018 | | | | | | 0.160 | | 0.160 |
| 22 | Secondary line extension at Purok 3, Upper Bacolod, Lanao del Norte | 7/6/2018 | | | | | | 0.560 | | 0.560 |
| 23 | Secondary line extension at Purok Star Apple, Rebe, Lala, Lanao del Norte | 7/22/2018 | | | | | | 0.380 | | 0.380 |
| 24 | Single phase primary line extension at Purok 1, Cabongbongan, Sultan Naga Dimaporo, Lanao del Norte (water system) | 8/2/2018 | | | | | 0.640 | | | 0.640 |
| 25 | Secondary line extension at Brgy. Mentring, Maigo, Lanao del Norte | 8/3/2018 | | | | | | 0.400 | | 0.400 |
| 26 | Seconadry line extension at Elina Village, Poblacion, Kapatagan, Lanao del Norte | 8/13/2018 | | | | | | 0.080 | | 0.080 |
| 27 | Seconadry line extension at Purok 1A, Lala Proper, Lala, Lanao del Norte | 8/18/2018 | | | | | | 0.160 | | 0.160 |
| 28 | Additional Under Built extension at Lala Proper, Lanao del Norte | 8/18/2018 | | | | | | | | |
| 29 | Seconadry line extension at Purok 5, Esperanza, Bacolod, Lanao del Norte | 8/29/2018 | | | | | | 0.240 | 0.160 | 0.240 |
| 30 | Single phase primary line extension at Purok 3, Poblacion, Bacolod, Lanao del Norte | 9/4/2018 | | | | | 0.090 | | | 0.090 |
| 31 | Seconadry line extension at Purok 1, Dalama, Tubod, Lanao del Norte | 9/18/2018 | | | | | 0.290 | | | 0.290 |
| 32 | Single phase primary line extension at Brgy. Lininding, Munai, Lanao del Norte (BLEP) | 9/20/2018 | | | | | 8.575 | 3.930 | 6.180 | 18.685 |
| 33 | Conversion of line from single phase to three phase primary line at Brgy. Maliwanag, Maigo, LDN (Henson Crusher) | 9/19/2018 | | 5.480 | | | | | | 5.480 |
| 34 | Seconadry line extension at Purok 1, Mabugnao, Sapad, Lanao del Norte | 9/24/2018 | | | | | | 0.290 | | 0.290 |
| 35 | Three phase primary line extension at Poblacion, Kapatagan, Lanao del Norte (Prince Hypermart) | 10/4/2018 | | 0.110 | | | | | | 0.110 |
| 36 | Additional Under Built at Purok 4, Poblacion, Maigo, Lanao del Norte | 11/12/2018 | | | | | | | 0.510 | 0.510 |
| 37 | Additional Under Built at Brgy. Pagayawan, Bacolod, Lanao del Norte | 11/14/2018 | | | | | | | 0.500 | 0.500 |
| 38 | Conversion of line from open secondary to single phase primary line at Purok 2, Poblacion, Maigo, Lanao del Norte | 11/17/2018 | | | | | 0.120 | | | 0.120 |
| 39 | Secondary line extension at Lower batal, Matungao, Lanao del Norte | 11/27/2018 | | | | | | 0.680 | | 0.680 |
| 40 | Secondary line extension at Purok 5, San Isidro Upper, Lala, Lanao del Norte | 11/29/2018 | | | | | | 0.080 | | 0.080 |
| 41 | Single phase primary line extension at Poblacion, Kapatagan, LDN (Landbank Kapatagan Branch) | 11/29/2018 | | | | | 0.080 | | | 0.080 |
| 42 | Single phase primary line extension at Poblacion, Maigo, Lanao del Norte (Landbank Maigo Branch) | 12/5/2018 | | | | | 0.020 | | | 0.020 |
| 43 | Three phase primary line extension at Poblacion, Kapatagan, Lanao del Norte (Benny Baguio New Bldg.) | 11/6/2018 | | 0.070 | | | | | | 0.070 |
| 44 | Secondary line extension at Purok 2, Darumawang Ilaya, Lanao del Norte | 11/22/2018 | | | | | | 0.300 | | 0.300 |
| 45 | Additional Under Built at Purok 6, Manga, Kolambugan, Lanao del Norte | 12/4/2018 | | | | | | 0.350 | | 0.350 |
| 46 | Single phase primary line extension at Purok 2, Cabasagan, Lala, Lanao del Norte (water system) | 12/21/2018 | | | | | 0.070 | | | 0.070 |
| 47 | Three phase primary line extension at Poblacion, Bacolod, Lanao del Norte (New Bacolod LGU BLDG.) | 12/19/2018 | | 0.010 | | | | | | 0.010 |
| | TOTAL | | | 6.150 | 0.000 | 11.410 | 10.040 | 7.350 | | 34.950 |

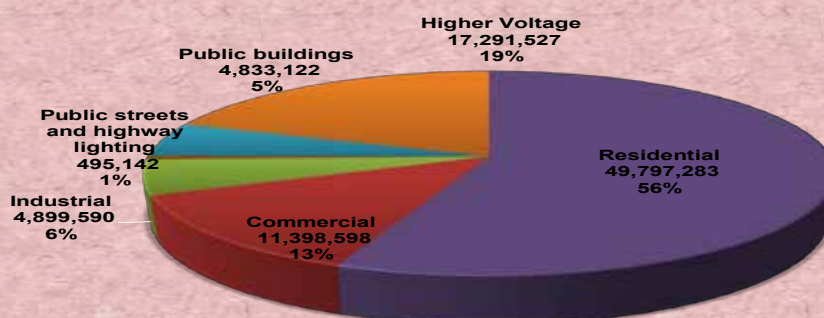


REPORT on the **FINANCIAL** **PERFORMANCE**

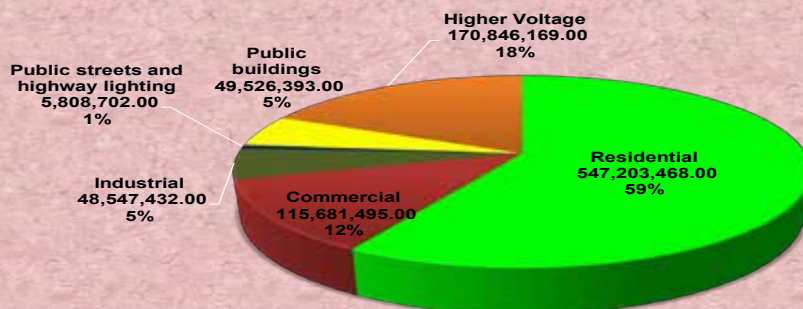
2018 FINANCIAL HIGHLIGHTS

| | |
|----------------------------------|----------------|
| ENERGY SALES (In Pesos) | 937,613,659.00 |
| POWER COST (In Pesos) | 774,330,304.00 |
| Kwh SOLD | 88,715,260.30 |
| Kwh PURCHASED | 105,791,491.00 |
| AVERAGE RATE PER KWH | 7.78 |
| OPERATING EXPENSES & OTHERS | 171,592,687.00 |
| COLLECTION EFFICIENCY | 100% |
| PROMPT PAYMENT DISCOUNT TO PSALM | 453,654.04 |
| PAYMENT TO SUPPLIER / NEA | CURRENT |

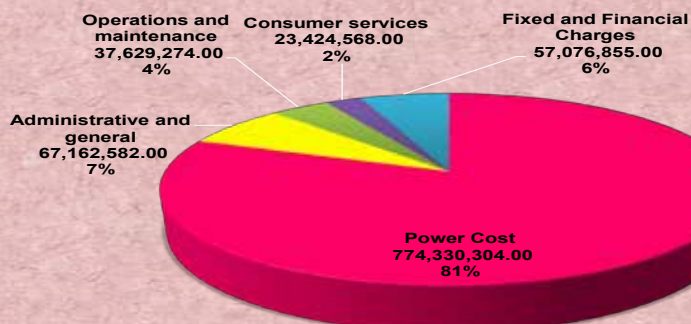
2018 Kwh Sales Per Consumer Type



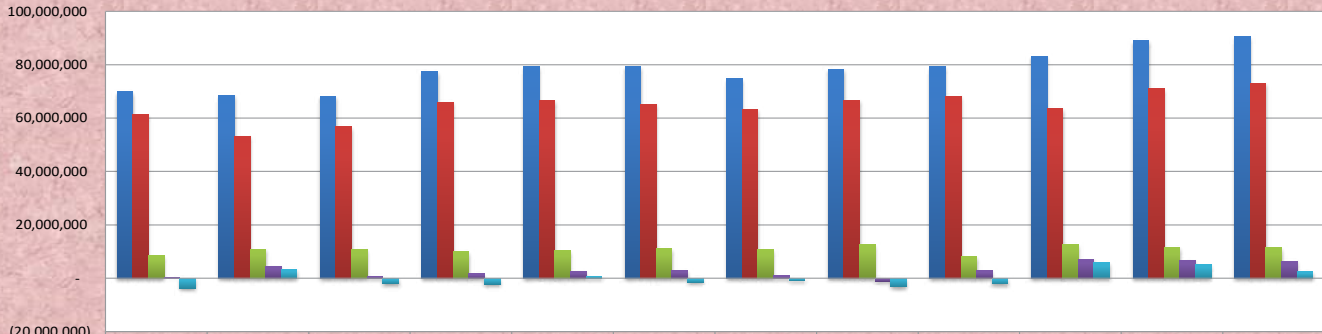
2018 Sales (In Pesos) Per Consumer Type



2018 Revenue Uses

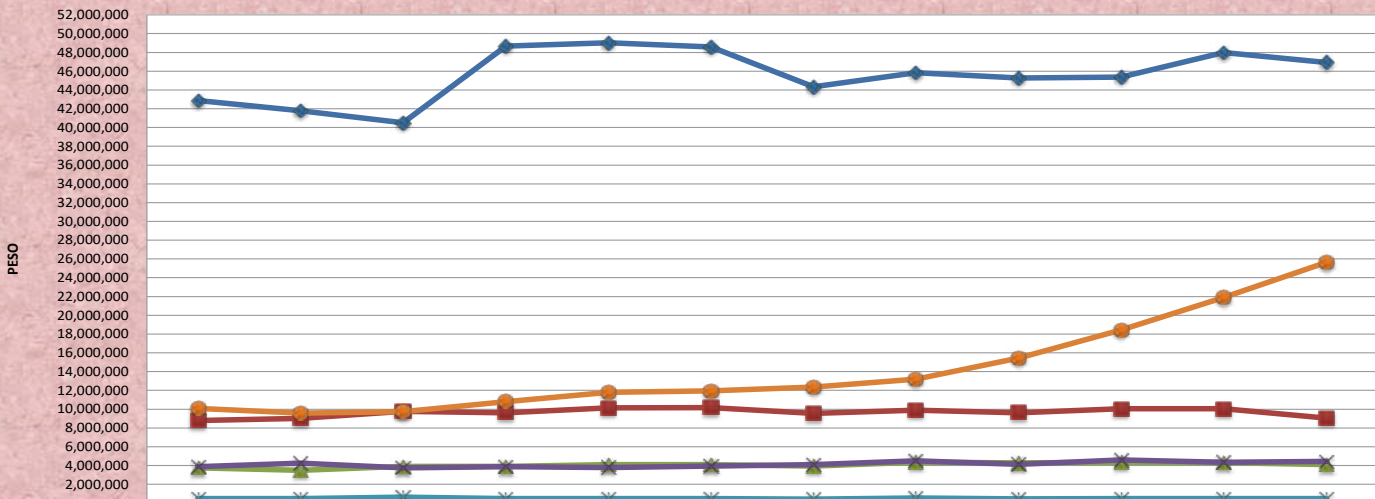


2018 OPERATING REVENUE, POWER COST, NON-POWER COST, OPERATING MARGIN / (LOSS) & NET MARGIN (LOSS)



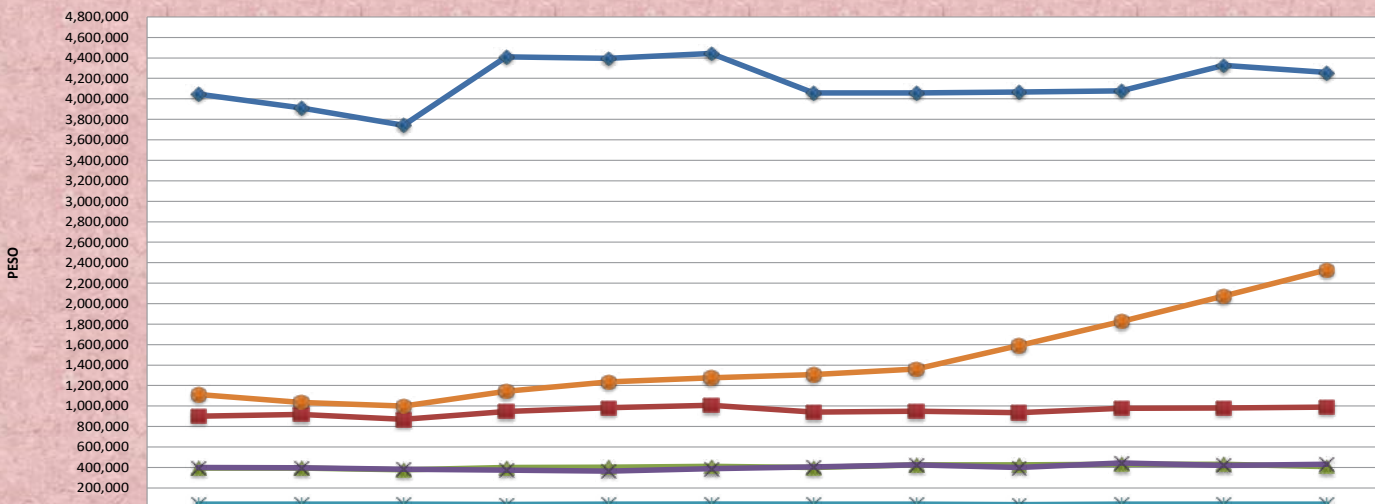
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------------------|-------------|------------|-------------|-------------|------------|-------------|------------|-------------|-------------|------------|------------|------------|
| Total Operating Revenue | 69,844,426 | 68,592,290 | 68,270,779 | 77,341,879 | 79,331,052 | 79,206,394 | 74,717,330 | 78,294,300 | 79,147,035 | 83,216,394 | 89,045,599 | 90,606,181 |
| Power Cost | 61,359,880 | 53,270,101 | 56,677,054 | 65,870,146 | 66,437,658 | 65,150,607 | 63,243,159 | 66,746,551 | 68,181,806 | 63,534,022 | 70,929,852 | 72,929,468 |
| Non-Power Cost | 8,418,405 | 10,918,730 | 10,868,025 | 9,825,943 | 10,334,557 | 11,143,059 | 10,616,323 | 12,628,408 | 8,159,303 | 12,594,185 | 11,375,910 | 11,333,576 |
| Operating Margin/(Loss) | 66,141 | 4,403,460 | 725,699 | 1,645,789 | 2,558,837 | 2,912,728 | 857,848 | (1,080,658) | 2,805,926 | 7,088,187 | 6,739,837 | 6,343,137 |
| Net Margin/(Loss) | (3,703,706) | 3,191,539 | (1,896,110) | (2,181,158) | 797,075 | (1,499,598) | (751,335) | (3,028,011) | (1,972,446) | 5,790,088 | 5,152,694 | 2,490,590 |

2018 MONTHLY OPERATING REVENUE FROM KWH SALES PER CONSUMER TYPE



| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|----------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Residential | 42,876,650 | 41,784,683 | 40,505,549 | 48,684,446 | 49,027,420 | 48,593,464 | 44,354,620 | 45,831,023 | 45,269,495 | 45,360,841 | 47,994,795 | 46,920,482 |
| Commercial | 8,789,328 | 9,032,941 | 9,761,228 | 9,606,005 | 10,155,379 | 10,162,507 | 9,555,556 | 9,899,817 | 9,603,796 | 10,044,508 | 10,034,088 | 9,036,343 |
| Industrial | 3,742,277 | 3,485,043 | 3,902,106 | 3,920,759 | 4,087,743 | 4,099,993 | 3,943,649 | 4,351,839 | 4,274,342 | 4,333,142 | 4,307,374 | 4,099,164 |
| Public Bldg | 3,888,070 | 4,238,630 | 3,747,311 | 3,863,781 | 3,792,550 | 3,929,411 | 4,099,551 | 4,482,277 | 4,122,886 | 4,590,588 | 4,327,332 | 4,444,007 |
| Street Lights | 465,038 | 472,814 | 629,027 | 465,147 | 480,894 | 485,890 | 416,707 | 538,662 | 436,238 | 464,167 | 480,170 | 473,949 |
| Higher Voltage | 10,083,064 | 9,578,179 | 9,725,558 | 10,801,740 | 11,787,067 | 11,935,129 | 12,347,248 | 13,190,682 | 15,440,280 | 18,423,148 | 21,901,840 | 25,632,235 |

2018 MONTHLY KWH SALES PER CONSUMER TYPE

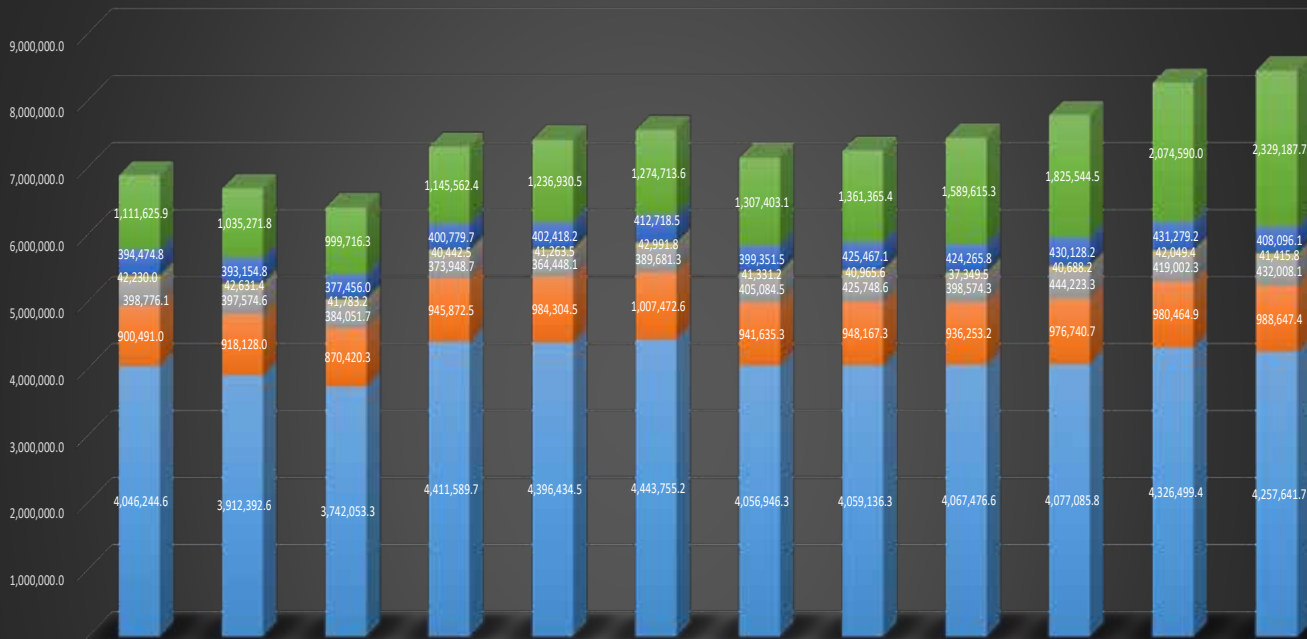


| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Residential | 4,046,271 | 3,912,393 | 3,742,053 | 4,411,590 | 4,396,435 | 4,443,755 | 4,056,946 | 4,059,136 | 4,067,477 | 4,077,086 | 4,326,499 | 4,257,642 |
| Commercial | 900,491 | 918,128 | 870,420 | 945,873 | 984,305 | 1,007,473 | 941,635 | 948,167 | 936,253 | 976,741 | 980,465 | 988,647 |
| Industrial | 394,475 | 393,155 | 377,456 | 400,780 | 402,418 | 412,719 | 399,352 | 425,467 | 424,266 | 430,128 | 431,279 | 408,096 |
| Public Bldg | 398,776 | 397,575 | 384,052 | 373,949 | 364,448 | 389,681 | 405,085 | 425,749 | 398,574 | 444,223 | 419,002 | 432,008 |
| Street Lights | 42,230 | 42,631 | 41,783 | 40,443 | 41,264 | 42,992 | 41,331 | 40,966 | 37,350 | 40,688 | 42,049 | 41,416 |
| Higher Voltage | 1,111,626 | 1,035,272 | 999,716 | 1,145,562 | 1,236,931 | 1,274,714 | 1,307,403 | 1,361,365 | 1,589,615 | 1,825,545 | 2,074,590 | 2,329,188 |

YEAR 2018 KWH PURCHASED AND SOLD

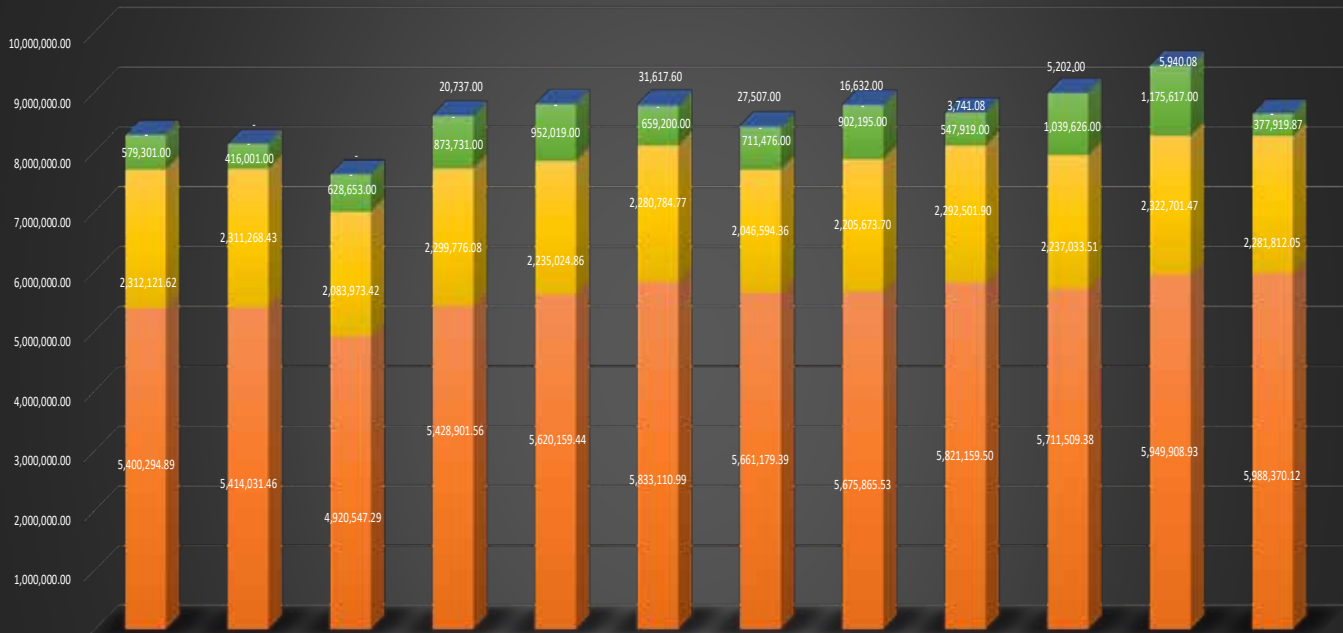
| PURCHASES | | | | | | | | | | | | | |
|----------------------------|------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| SUPPLY MONTH | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | |
| FDC COAL | KWH | 5,400,294.89 | 5,414,031.46 | 4,920,547.29 | 5,428,901.56 | 5,620,459.44 | 5,833,110.99 | 5,661,179.39 | 5,675,865.53 | 5,821,159.50 | 5,711,509.38 | 5,949,908.93 | 5,988,370.12 |
| SMPCPC | KWH | 2,312,121.62 | 2,311,268.43 | 2,083,973.42 | 2,299,776.08 | 2,235,024.86 | 2,280,784.77 | 2,046,594.36 | 2,205,673.70 | 2,292,501.90 | 2,237,033.51 | 2,322,701.47 | 2,281,812.05 |
| PSALM | KWH | 579,301.00 | 416,001.00 | 628,653.00 | 873,731.00 | 952,019.00 | 659,200.00 | 711,476.00 | 902,195.00 | 547,919.00 | 1,039,626.00 | 1,175,617.00 | 377,919.87 |
| KEGI | KWH | - | - | - | - | - | - | - | - | 3,741.08 | - | 5,940.08 | - |
| TPI | KWH | - | - | - | 20,737.00 | - | 31,617.60 | 27,507.00 | 16,632.00 | - | 5,202.00 | - | - |
| TOTAL PURCHASED | KWH | 8,291,717.52 | 8,141,300.89 | 7,633,173.71 | 8,623,145.64 | 8,807,203.29 | 8,804,713.36 | 8,446,756.74 | 8,800,366.22 | 8,665,321.47 | 8,993,370.88 | 9,454,167.49 | 8,648,102.04 |
| NGCP/TRANSMISSION | KWH | 8,407,709.00 | 8,261,727.00 | 7,768,639.00 | 8,754,872.00 | 9,091,128.00 | 9,014,177.00 | 8,467,761.00 | 8,802,731.00 | 8,630,818.00 | 9,071,400.00 | 9,599,310.00 | 9,819,523.00 |
| SOLD KWH PER CONSUMER TYPE | | | | | | | | | | | | | |
| | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | |
| RESIDENTIAL | KWH | 4,046,244.6 | 3,912,392.6 | 3,742,053.3 | 4,411,589.7 | 4,396,434.5 | 4,443,755.2 | 4,056,946.3 | 4,059,136.3 | 4,067,476.6 | 4,077,085.8 | 4,326,499.4 | 4,257,641.7 |
| LOW VOLTAGE | KWH | 1,735,971.9 | 1,751,488.8 | 1,673,711.2 | 1,761,043.4 | 1,792,434.3 | 1,852,864.2 | 1,787,402.5 | 1,840,348.6 | 1,796,442.8 | 1,891,780.4 | 1,872,795.8 | 1,870,167.4 |
| COMMERCIAL | KWH | 900,491.0 | 918,128.0 | 870,420.3 | 945,872.5 | 984,304.5 | 1,007,472.6 | 941,635.3 | 948,167.3 | 936,253.2 | 976,740.7 | 980,464.9 | 988,647.4 |
| P. BUILDING | KWH | 398,776.1 | 397,574.6 | 384,051.7 | 373,948.7 | 364,448.1 | 389,681.3 | 405,084.5 | 425,748.6 | 398,574.3 | 444,223.3 | 419,002.3 | 432,008.1 |
| ST. LIGHT | KWH | 42,230.0 | 42,631.4 | 41,783.2 | 40,442.5 | 41,263.5 | 42,991.8 | 41,331.2 | 40,965.6 | 37,349.5 | 40,688.2 | 42,049.4 | 41,415.8 |
| INDUSTRIAL | KWH | 394,474.8 | 393,154.8 | 377,456.0 | 400,779.7 | 402,418.2 | 412,718.5 | 399,351.5 | 425,467.1 | 424,265.8 | 430,128.2 | 431,279.2 | 408,096.1 |
| HIGHER VOLTAGE | KWH | 1,111,625.9 | 1,035,271.8 | 999,716.3 | 1,145,562.4 | 1,236,930.5 | 1,274,713.6 | 1,307,403.1 | 1,361,365.4 | 1,589,615.3 | 1,825,544.5 | 2,074,590.0 | 2,329,187.7 |
| TOTAL SALES | KWH | 6,893,842.4 | 6,699,153.2 | 6,415,480.8 | 7,318,195.5 | 7,425,799.3 | 7,571,333.0 | 7,151,751.9 | 7,260,850.3 | 7,453,534.7 | 7,794,410.7 | 8,273,885.2 | 8,456,996.8 |

2018 MONTHLY SALES PER CONSUMER TYPE



| | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC |
|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| HIGHER VOLTAGE | 1,111,625.9 | 1,035,271.8 | 999,716.3 | 1,145,562.4 | 1,236,930.5 | 1,274,713.6 | 1,307,403.1 | 1,361,365.4 | 1,589,615.3 | 1,825,544.5 | 2,074,590.0 | 2,329,187.7 |
| INDUSTRIAL LV | 394,474.8 | 393,154.8 | 377,456.0 | 400,779.7 | 402,418.2 | 412,718.5 | 399,351.5 | 425,467.1 | 424,265.8 | 430,128.2 | 431,279.2 | 408,096.1 |
| STREETLIGHT | 42,230.0 | 42,631.4 | 41,783.2 | 40,442.5 | 41,263.5 | 42,991.8 | 41,331.2 | 40,965.6 | 37,349.5 | 40,688.2 | 42,049.4 | 41,415.8 |
| PUBLIC BUILDING | 398,776.1 | 397,574.6 | 384,051.7 | 373,948.7 | 364,448.1 | 389,681.3 | 405,084.5 | 425,748.6 | 398,574.3 | 444,223.3 | 419,002.3 | 432,008.1 |
| COMMERCIAL | 900,491.0 | 918,128.0 | 870,420.3 | 945,872.5 | 984,304.5 | 1,007,472.6 | 941,635.3 | 948,167.3 | 936,253.2 | 976,740.7 | 980,464.9 | 988,647.4 |
| RESIDENTIAL | 4,046,244.6 | 3,912,392.6 | 3,742,053.3 | 4,411,589.7 | 4,396,434.5 | 4,443,755.2 | 4,056,946.3 | 4,059,136.3 | 4,067,476.6 | 4,077,085.8 | 4,326,499.4 | 4,257,641.7 |

2018 KWH PURCHASED FROM POWER SUPPLIERS



| | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC |
|----------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| TPI | - | - | - | 20,737.00 | - | 31,617.60 | 27,507.00 | 16,632.00 | - | 5,202.00 | - | - |
| KEGI | - | - | - | - | - | - | - | - | 3,741.08 | - | 5,940.08 | - |
| PSALM | 579,301.00 | 416,001.00 | 628,653.00 | 873,731.00 | 952,019.00 | 659,200.00 | 711,476.00 | 902,195.00 | 547,919.00 | 1,039,626.00 | 1,175,617.00 | 377,919.87 |
| SMCPC | 2,312,121.62 | 2,311,268.43 | 2,083,973.42 | 2,299,776.08 | 2,235,024.86 | 2,280,784.77 | 2,046,594.36 | 2,205,673.70 | 2,292,501.90 | 2,237,033.51 | 2,322,701.47 | 2,281,812.05 |
| FDC COAL | 5,400,294.89 | 5,414,031.46 | 4,920,547.29 | 5,428,901.56 | 5,620,159.44 | 5,833,110.99 | 5,661,179.39 | 5,675,865.53 | 5,821,159.50 | 5,711,509.38 | 5,949,908.93 | 5,988,370.12 |

UNBUNDLED ELECTRIC RATES

November 2018 Power Suppliers' Billings (October 26, 2018-November 25, 2018)

For December 2018 Pass-on to LANECO Consumers

| COMPONENT OF CHARGES | RESIDENTIAL | | | LOW VOLTAGE | | | HIGHER VOLTAGE | | |
|--|----------------|---------------|----------------|----------------|---------------|----------------|-----------------|----------------|-----------------|
| | BASIC RATE | VAT AMOUNT | WITH VAT | (C, PB, I, SL) | | | INDUSTRIAL | | |
| | | | | BASIC RATE | VAT AMOUNT | WITH VAT | BASIC RATE | VAT AMOUNT | WITH VAT |
| GENERATION (PSALM, FDC COAL, KEGI, SMCPC & TPI) | | | | | | | | | |
| Generation System Charge - PhP/kWh | 6.7516 | 0.7771 | 7.5287 | 6.7516 | 0.7771 | 7.5287 | 6.7516 | 0.7771 | 7.5287 |
| Power Act Reduction (PAR) Adj. - PhP/kWh | (0.0373) | (0.0045) | (0.0418) | | | | | | |
| Total Generation | 6.7143 | 0.7726 | 7.4869 | 6.7516 | 0.7771 | 7.5287 | 6.7516 | 0.7771 | 7.5287 |
| TRANSMISSION (NGCP) | | | | | | | | | |
| Transmission Demand Charge - PhP/kW | | | | | | | 41.7009 | 0.0183 | 41.7192 |
| Transmission System Charge - PhP/kWh | 1.1374 | 0.1062 | 1.2436 | 1.1046 | 0.1032 | 1.2078 | | | |
| Total Transmission | 1.1374 | 0.1062 | 1.2436 | 1.1046 | 0.1032 | 1.2078 | | | |
| SYSTEM LOSS | | | | | | | | | |
| System Loss - Generation - PhP/kWh | 0.9893 | 0.1139 | 1.1032 | 0.9893 | 0.1139 | 1.1032 | 0.9893 | 0.1139 | 1.1032 |
| System Loss - Transmission- PhP/kWh | 0.1394 | 0.0122 | 0.1516 | 0.1394 | 0.0122 | 0.1516 | 0.1394 | 0.0122 | 0.1516 |
| TOTAL SYSTEM LOSS | 1.1287 | 0.1261 | 1.2548 | 1.1287 | 0.1261 | 1.2548 | 1.1287 | 0.1261 | 1.2548 |
| DSM REVENUES (LANECO) | | | | | | | | | |
| Distribution Demand Charge - PhP/kW | | | | | | | 267.9000 | 32.1480 | 300.0480 |
| Distribution System Charge - PhP/kWh | 0.8449 | 0.1014 | 0.9463 | 0.9259 | 0.1111 | 1.0370 | | | |
| Supply System Charge - PhP/kWh | 0.7732 | 0.0928 | 0.8660 | | | | | | |
| Supply Retail/Cust./Month - PhP | | | | 40.1500 | 4.8180 | 44.9680 | 40.1500 | 4.8180 | 44.9680 |
| Metering System Charge - PhP/kWh | 0.4569 | 0.0548 | 0.5117 | | | | | | |
| Metering Retail/Cust./Month - PhP | 5.0000 | 0.6000 | 5.6000 | 28.7200 | 3.4464 | 32.1664 | 28.7200 | 3.4464 | 32.1664 |
| Total DSM Revenues | 2.0750 | 0.2490 | 2.3240 | 0.9259 | 0.1111 | 1.0370 | - | - | - |
| OTHERS | | | | | | | | | |
| Lifeline Rate (Discount) Subsidy - PhP/kWh | 0.0769 | 0.0092 | 0.0862 | 0.0769 | 0.0092 | 0.0862 | 0.0769 | 0.0092 | 0.0862 |
| Senior Citizen Subsidy Charge - PhP/kWh | 0.0012 | 0.0001 | 0.0013 | 0.0012 | 0.0001 | 0.0013 | 0.0012 | 0.0001 | 0.0013 |
| Reinvestment for Sustainable CaPex (RFSC)-PhP/kWh | 0.5189 | 0.0623 | 0.5812 | 0.5189 | 0.0623 | 0.5812 | 0.5189 | 0.0623 | 0.5812 |
| Total Others / kWh | 0.5970 | 0.0716 | 0.6687 | 0.5970 | 0.0716 | 0.6687 | 0.5970 | 0.0716 | 0.6687 |
| UNIVERSAL CHARGES (PSALM) | | | | | | | | | |
| UC - Environmental (UC-ENV) Charge - PhP/kWh | 0.0025 | | 0.0025 | 0.0025 | | 0.0025 | 0.0025 | | 0.0025 |
| UC - Stranded Contract Cost Charge (UC-SCC) - PhP/kWh | 0.1938 | | 0.1938 | 0.1938 | | 0.1938 | 0.1938 | | 0.1938 |
| UC - Missionary Electrification Charge for NPC - SPUG - PhP/kWh | 0.0265 | | 0.0265 | 0.0265 | | 0.0265 | 0.0265 | | 0.0265 |
| UC - Missionary Electrification Charge for Renewable Energy Developers (RED) | 0.1544 | | 0.1544 | 0.1544 | | 0.1544 | 0.1544 | | 0.1544 |
| UC - Missionary Electrification Charge for Renewable Energy Developers (RED) | 0.0017 | | 0.0017 | 0.0017 | | 0.0017 | 0.0017 | | 0.0017 |
| Total Universal Charges (UC) | 0.3789 | | 0.3789 | 0.3789 | | 0.3789 | 0.3789 | | 0.3789 |
| Feed-In Tariff Allowance (FIT-ALL)PhP/kWh (TRANSCO) | 0.2563 | | 0.2563 | 0.2563 | | 0.2563 | 0.2563 | | 0.2563 |
| TOTAL RATE - PhP/kWh | 12.2876 | 1.3256 | 13.6132 | 11.1430 | 1.1891 | 12.3322 | 9.1125 | 0.9749 | 10.0874 |
| DEMAND | | | | | | | | | |
| Transmission Demand Charge - PhP/kW | | | | | | | 41.7009 | 0.0183 | 41.7192 |
| Distribution Demand Charge - PhP/kW | | | | | | | 267.9000 | 32.1480 | 300.0480 |
| Total Demand Charges | | | | | | | 309.6009 | 32.1663 | 341.7672 |
| RETAIL CHARGES | | | | | | | | | |
| Supply Retail/Cust./Month - PhP | | | | 40.1500 | 4.8180 | 0.0017 | 40.1500 | 4.8180 | 44.9680 |
| Metering Retail/Cust./Month - PhP | 5.0000 | 0.6000 | 5.6000 | 28.7200 | 3.4464 | 0.0017 | 28.7200 | 3.4464 | 32.1664 |
| Total Retail Charges | 5.0000 | 0.6000 | 5.6000 | 68.8700 | 8.2644 | 77.1344 | 68.8700 | 8.2644 | 77.1344 |

Financial Statements of
**Lanao del Norte
Electric Cooperative, Inc.**

December 31, 2018 and 2017

And

Report of Independent Auditors

QUILAB & GARSUTA
CERTIFIED PUBLIC ACCOUNTANTS

quilabgarsuta.com



**LANAO DEL NORTE ELECTRIC COOPERATIVE, INC.
(LANECO)**

9209 TUBOD, LANAO DEL NORTE
MINDANAO, PHILIPPINES

Tel. Nos. (063) 341-5231 • 341-5459 • 495-0016 • Fax No. 341-5210
EMAIL ADDRESS - LANECO_NEPTUNE@YAHOO.COM

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Lanao del Norte Electric Cooperative, Inc., is responsible for the preparation and fair presentation of its financial statements for the years ended December 31, 2018 and 2017, in accordance with Philippine Financial Reporting Standards (PFRS), 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.


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

The Board of Directors reviews and approves the financial statements and submits the same to the members of the Cooperative.

Quilab & Garsuta, CPAs, the independent auditors appointed by the Board of Directors for the periods December 31, 2018 and 2017, have audited the financial statements of the Cooperative in accordance with Philippine Standards on Auditing, and in their reports to the Board of Directors and Members, have expressed their opinions on the fairness of presentation upon completion of such audits.

April 14, 2019, Barangay Sagadan, Tubod, Lanao del Norte.


ELMIRA G. OLAVIDES
President


SHERWIN C. MAÑADA
NEA PS/Acting General Manager


ANGELINA G. ESTROLOGO
Finance Services Manager

REPORT OF INDEPENDENT AUDITORS

Accreditations

PRC/BOA 7787 07.05.20
SEC Group C 0358-F 07.15.21
BIR 16-007506-000-2019 2.15.22
NEA 2017-10-0043 10.09.20
IC 2017-004-O 12.07.20
BSP Group B 07.31.20
CDA 119-AF 10.17.20
MISEREOR

The Board of Directors and Members-Consumers-Owners
Lanao del Norte Electric Cooperative, Inc.
Barangay Sagadan, Tubod, Lanao del Norte

Report on the Financial Statements

Qualified Opinion

We have audited the financial statements of Lanao del Norte Electric Cooperative, Inc., which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of profit and loss, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements comprising of a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* section of our report, the financial statements present fairly, in all material respects, the financial position of Lanao del Norte Electric Cooperative, Inc., as of December 31, 2018 and 2017, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Qualified Opinion

The Cooperative has not yet implemented the requirements of PFRS 15, *Revenue from Contracts with Customers*, beginning January 1, 2018. The Cooperative is dependent on the guidance from National Electrification Administration (NEA) in the adoption of the said reporting framework that affects the whole cooperative electric industry in the Philippines. The impact of non-adoption of this reporting framework in the 2018 financial statements cannot presently be determined under the circumstances.

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

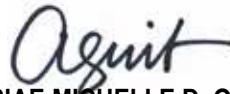
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Report on the Supplementary Information Required Under Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees in Note 30 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material aspects in relation to the basic financial statements taken as a whole.

QUILAB AND GARSUTA, CPAS

By:



ANA MARIAE MICHELLE D. QUILAB

Partner

CPA Cert. No. 121976

TIN No. 948-884-710

PTR No. 4070910 A

January 2, 2019

Cagayan de Oro City

April 14, 2019
Cagayan de Oro City, Philippines

STATEMENTS OF FINANCIAL POSITION

Lanao del Norte Electric Cooperative, Inc.

| December 31 | 2018 | 2017 | 2016 |
|---|---------------------|----------------------------|----------------------------|
| | | <i>(As Restated)</i> | <i>(As Restated)</i> |
| | | <i>(Notes 2, 7 and 16)</i> | <i>(Notes 2, 7 and 16)</i> |
| ASSETS | | | |
| Non-Current Assets | | | |
| Utility plant, property and equipment <i>(Note 4)</i> | P546,023,329 | P524,676,059 | P474,493,418 |
| Other assets <i>(Note 5)</i> | 6,081,714 | 6,925,111 | 7,925,903 |
| Total Non-Current Assets | 552,105,043 | 531,601,170 | 482,419,321 |
| Current Assets | | | |
| Cash <i>(Note 6)</i> | 104,074,252 | 74,726,504 | 99,897,817 |
| Trade and other receivables <i>(Note 7)</i> | 77,717,875 | 70,779,572 | 36,629,768 |
| Materials and supplies <i>(Note 8)</i> | 20,390,156 | 20,638,819 | 19,846,768 |
| Prepaid expenses <i>(Note 9)</i> | 250,671 | 158,286 | 314,545 |
| Total Current Assets | 202,432,954 | 166,303,181 | 156,688,898 |
| | P754,537,997 | P697,904,351 | P639,108,219 |
| MEMBERS' EQUITY AND LIABILITIES | | | |
| Members' Equity | | | |
| Membership fees <i>(Note 10)</i> | P484,587 | P469,396 | P452,957 |
| Reinvestment funds for sustainable capital expenditures <i>(Note 11)</i> | 314,453,368 | 267,970,656 | 227,986,203 |
| Government grants <i>(Note 12)</i> | 227,346,905 | 233,511,957 | 201,473,895 |
| Accumulated losses | (233,469,101) | (235,858,724) | (214,633,824) |
| Total Members' Equity | 308,815,759 | 266,093,285 | 215,279,231 |
| Non-Current Liabilities | | | |
| Loans and borrowings <i>(Note 13)</i> | 151,151,679 | 169,800,992 | 116,876,908 |
| Retirement benefit obligation <i>(Note 14)</i> | 37,016,931 | 40,967,839 | 45,498,573 |
| Consumers' deposits <i>(Note 15)</i> | 59,390,969 | 51,790,024 | 48,444,254 |
| Total Non-Current Liabilities | 247,559,579 | 262,558,855 | 210,819,735 |
| Current Liabilities | | | |
| Trade and other payables <i>(Note 16)</i> | 187,342,860 | 142,910,143 | 200,640,092 |
| Loans and borrowings <i>(Note 13)</i> | 10,182,326 | 18,544,756 | 12,369,161 |
| Refund payable <i>(Note 17)</i> | 637,473 | 7,797,312 | - |
| Total Current Liabilities | 198,162,659 | 169,252,211 | 213,009,253 |
| Total Liabilities | 445,722,238 | 431,811,066 | 423,828,988 |
| | P754,537,997 | P697,904,351 | P639,108,219 |

See Notes to Financial Statements.

STATEMENTS OF PROFIT OR LOSS

Lanao del Norte Electric Cooperative, Inc.

| Years Ended December 31 | 2018 | 2017 |
|---|---------------------|---|
| | | <i>(As Restated)</i> <i>(Note 18 and 26)</i> |
| ENERGY SALES | | |
| Residential | P547,203,468 | P483,485,781 |
| Industrial | 219,393,601 | 154,093,687 |
| Commercial | 115,681,495 | 104,608,035 |
| Public buildings | 49,526,393 | 42,306,719 |
| Public streets and highway lighting | 5,808,702 | 5,547,686 |
| | 937,613,659 | 790,041,908 |
| LESS COST OF PURCHASED POWER <i>(Note 18)</i> | 774,330,304 | 679,459,402 |
| GROSS MARGIN FROM ENERGY SALES | 163,283,355 | 110,582,506 |
| ADD OTHER INCOME | 18,234,495 | 13,288,614 |
| GROSS MARGIN | 181,517,850 | 123,871,120 |
| OPERATING EXPENSES <i>(Note 20)</i> | | |
| Administrative and general | 67,162,582 | 64,306,222 |
| Operations and maintenance | 37,629,274 | 33,303,635 |
| Consumer services | 23,424,568 | 21,764,143 |
| Total Operating Expenses | 128,216,424 | 119,374,000 |
| PROFIT BEFORE FIXED AND FINANCIAL INCOME (CHARGES) | 53,301,426 | 4,497,120 |
| FIXED AND FINANCIAL INCOME (CHARGES) | | |
| Earned Government grants <i>(Note 12)</i> | 6,165,052 | 6,212,675 |
| Depreciation <i>(Note 4)</i> | (29,033,435) | (26,956,045) |
| Interest <i>(Note 13)</i> | (14,342,828) | (7,864,154) |
| (Provision) recovery of impairment losses on consumer receivables <i>(Note 7)</i> | (5,355,129) | 5,849,469 |
| Provision for impairment losses on other receivables <i>(Note 7)</i> | (4,902,227) | (968,852) |
| Provision for impairment losses on other assets <i>(Note 5)</i> | (479,271) | - |
| Penalty and surcharges <i>(Note 7)</i> | (2,963,965) | (2,963,965) |
| Net | (50,911,803) | (26,690,872) |
| PROFIT (LOSS) FOR THE YEAR | P2,389,623 | (P22,193,752) |

See Notes to Financial Statements

STATEMENTS OF CHANGES IN EQUITY

Lanao del Norte Electric Cooperative, Inc.

| <i>December 31</i> | 2018 | 2017 |
|---|----------------------|---------------|
| MEMBERSHIP FEES | | |
| Opening balances | ₱469,396 | ₱452,957 |
| Additional membership received during the year (Note 10) | 15,191 | 16,439 |
| Closing balances | 484,587 | 469,396 |
| REINVESTMENT FUND FOR SUSTAINABLE CAPITAL EXPENDITURES (Note 11) | | |
| Opening balances | 267,970,956 | 227,986,203 |
| Additional contributions during the year | 46,482,712 | 39,984,453 |
| Closing balances | 314,453,368 | 267,970,656 |
| GOVERNMENT GRANTS (Note 12) | | |
| Opening balances | 233,511,957 | 201,473,895 |
| New grants capitalized during the year | - | 38,250,737 |
| Earned government grants during the year | (6,165,052) | (6,212,675) |
| Closing balances | 227,346,905 | 233,511,957 |
| ACCUMULATED LOSSES | | |
| Opening balance | (235,858,724) | (120,311,212) |
| Adjustment on recognition of life-time ECL | - | (34,543,988) |
| Real property tax recognition prior years | - | (58,809,772) |
| As restated | (235,858,724) | (213,664,972) |
| Income (Loss) for the year | 2,389,623 | (22,193,752) |
| Closing balances | (233,469,101) | (235,858,724) |
| | ₱308,815,759 | ₱266,093,285 |

See Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

Lanao del Norte Electric Cooperative, Inc.

| <i>Years Ended December 31</i> | 2018 | 2017 |
|--|---------------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit (loss) for the year | ₱2,389,623 | (₱22,193,752) |
| Add (deduct) adjustments for: | | |
| Depreciation (Note 4) | 29,033,435 | 26,956,045 |
| Recovery of impairment losses on consumer receivables (Note 7) | 5,355,129 | (5,849,469) |
| Interest expense (Note 13) | (14,342,828) | (7,864,154) |
| Interest income (Note 6) | (74,888) | (458,210) |
| Operating income before changes in working capital | 22,360,471 | (9,409,540) |
| Add (deduct) changes in working capital excluding cash: | | |
| Decrease (increase) in: | | |
| Trade and other receivables (Note 7) | (12,293,432) | (27,331,483) |
| Materials and supplies (Note 8) | 248,663 | (792,051) |
| Prepaid expenses and other current assets (Note 9) | (92,385) | 156,259 |
| Increase in trade and other payables (Note 16) | 44,432,717 | (57,729,949) |
| Increase (decrease) in refund payable (Note 17) | (7,159,839) | 7,797,312 |
| Net cash generated from operations | 47,496,195 | (87,309,452) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase in capital contribution for reinvestment (Note 11) | 46,482,712 | 39,984,453 |
| Decrease in Government grants (Note 12) | (6,165,052) | 32,038,062 |
| Additional membership fees (Note 10) | 15,191 | 16,439 |
| Loan availed from creditors (Note 13) | – | 103,208,772 |
| Loan payments to creditors (Note 13) | (27,011,743) | (44,109,093) |
| Increase in consumers' deposits (Note 15) | 7,600,945 | 3,345,770 |
| Net changes in retirement benefit obligation (Note 14) | (3,950,908) | (4,530,734) |
| Interest expense (Note 13) | 14,342,828 | 7,864,154 |
| Net Cash Provided from Financing Activities | 31,313,973 | 137,817,823 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions to utility plant, property and equipment (Note 4) | (50,380,705) | (77,138,686) |
| Increase in other assets (Note 5) | 843,397 | 1,000,792 |
| Interest income (Note 6) | 74,888 | 458,210 |
| Net Cash Used for Investing Activities | (49,462,420) | (75,679,684) |
| NET INCREASE (DECREASE) IN CASH | 29,347,748 | (25,171,313) |
| OPENING CASH | 74,726,504 | 99,897,817 |
| CLOSING CASH (Note 6) | ₱104,074,252 | ₱74,726,504 |

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Lanao del Norte Electric Cooperative, Inc.

As of and for the Years Ended December 31, 2018 and 2017

Note 1

Organization and Tax Exemptions

The Lanao del Norte Electric Cooperative, Inc. is a rural electric cooperative organized on May 27, 1972, under the provisions of the National Electrification Administration Act (R.A. No. 6038), as amended by Presidential Decree (P.D.) No. 269, to provide electric service at the retail level to primarily residential and commercial accounts within its franchise area covering eighteen (18) municipalities of Lanao del Norte.

The power delivered at retail is purchased wholesale from power providers, namely: National Grid Corporation of the Philippines (NGCP), Inc., Power Sector Assets & Liabilities Management Corporation (PSALM), King Energy Generation, Inc. (KEGI) and the FILINVEST Development Corporation (FDC), Total Power Incorporated (TPI) and San Miguel Consolidated Power Corporation (SMCP).

The Cooperative holds office at its own compound in Barangay Sagadan, Poblacion Tubod, Lanao del Norte. It maintains branch offices in the following municipalities of Lanao del Norte: Linamon, Bacolod, Kolambugan, Lala (in Maranding), Kapatagan, Sultan Naga Dimaporo and Baroy satellite office.

The Cooperative is subject to regulations by the Energy Regulatory Commission (ERC) and the National Electrification Administration (NEA) for certain rates and other matters.

- As a distribution utility, the Cooperative is subject to the rate-making regulations and regulatory policies of the Energy Regulatory Commission (ERC). The billings of the Cooperative to its member-consumers-owners are itemized or “unbundled” into a number of bill components reflecting various activities and costs incurred in providing the electric service. Any adjustment to the bill component is governed by mechanisms promulgated and enforced by ERC, such as: (1) the “Rules Governing the Automatic Cost Adjustment and True-up Mechanisms and Corresponding Confirmation Process for Distribution Utilities”, which govern the recovery of pass-through costs, including over- or under-recoveries of the bill components, namely, (a) generation charge, (b) transmission charge, (c) system loss charge, (d) lifeline subsidy, and (e) local franchise tax; and (2) the “Rules for the Setting of Distribution Wheeling Rates”, as modified by ERC Resolution No. 20, Series of 2008, which govern the determination of the Cooperative’s distribution, supply, and metering charges.
- As a cooperative registered with National Electrification Administration (NEA), the Cooperative is subject to supervisory and oversight functions of the NEA. Under R.A. No. 10531, otherwise known as the ‘National Electrification Administration Act of 2013’, NEA is mandated by law to supervise the management and operations of the Cooperative and to provide institutional, financial and technical assistance to the Cooperative. Under these functions, NEA develops, sets and enforces institutional and governance standards for the efficient operation of the Cooperative; formulates and imposes administrative sanctions to the Cooperative’s officers and employees and exercises primary and exclusive jurisdiction in the adjudication of complaints against its officers or in election disputes; grants loans for construction or acquisition, operation and maintenance, restoration, improvement or enlargement of sub-transmission facilities and all related assets; guarantees the Cooperative’s transactions with various parties such as in co-signing of power supply contracts, etc.; exercises step-in rights in case of operational and financial difficulties, and imposes strict reportorial compliance from the Cooperative, among other functions enumerated in the Act.

Tax Exemptions

The Cooperative was registered with the National Electrification Administration (NEA) in 1980. Under the provisions of PD No. 269, some of the tax exemptions of the Cooperative expired at the end of 2010, its 30th year of operation. However, after this period, the Cooperative still enjoys certain tax exemptions as provided under Sections 109, 116 and 119 of the Tax Code of 1997, as amended, as explained by Revenue Memorandum Circular No. 72-2003, issued by the Bureau of Internal Revenue (BIR) on October 20, 2003, on the following taxes:

- (a) Franchise tax under Section 119 of the Tax Code;
- (b) VAT on sales relative to the generation and distribution of electricity, as well as its importation of machineries and equipment, including spare parts, which shall be directly used in the generation and distribution of electricity (Section 109 [s], Tax Code);
- (c) Income taxes for which it is directly liable (Section 39, PD No. 269);
- (d) All national government taxes and fees, including franchise, filing, recordation, license or permit fees or taxes; but the said exemption shall end on Dec. 31 of the 30th full calendar year after the date of a Cooperative's organization or conversion, or until it shall become completely free of indebtedness incurred by borrowing, whichever event first occurs; and
- (e) 3-percentage tax under Section 116 of the Tax Code.

In accordance with Revenue Regulations No. 16-2005, Consolidated Value-Added Tax Regulations of 2005 as amended by Revenue Memorandum Circular No. 7-2006, the Cooperative is subject to 12% value added taxes on their gross receipts from distribution of electricity purchased.

The Cooperative is being taxed by the Local Government Units (LGUs) for business, franchise and real property taxes. These taxes are subject to recovery procedures from the Cooperative consumers.

On December 19, 2017, the President of the Republic of the Philippines signed into law the Tax Reform for Acceleration and Inclusion Act (TRAIN), which essentially maintained the tax exemption of cooperatives as promulgated under Sections 109, 116 and 119 of the Tax Code of 1997, as amended.

Note 2

Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of these financial statements are summarized below.

Statement of Compliance

The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs), except for non-implementing PFRS 15, *Revenue from Contracts with Customers*, as explained in the following sections.

Basis of Preparation

The accompanying financial statements have been prepared using the historical cost basis. The financial statements are presented in Philippine peso, which is the Cooperative's functional and presentation currency and all values are recorded to the nearest peso except when otherwise indicated. The accounting policies used in preparing these financial statements have been consistently applied since the previous period.

The preparation of the financial statements made use of estimates, assumptions and judgments by management based on management's best knowledge of current and historical facts as at statement of financial condition date. These estimates and judgments affect the reported amounts of assets and liabilities and contingent liabilities as at statement of financial condition date, as well as affecting the reported income and

expenses for the year. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Changes in Accounting Policies Beginning January 1, 2018

New financial reporting standards impacting the Cooperative have been adopted (with exceptions, as explained below) beginning January 1, 2018. These standards are the following:

- PFRS 9 Financial Instruments

The Cooperative has adopted PFRS 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other PFRS Standards that are effective beginning January 1, 2018. The transition provisions of PFRS 9 allow the Cooperative not to restate comparatives. However, the Cooperative has elected to restate comparatives in respect of the classification and measurement of financial instruments.

The standard introduced new classification and measurement models for financial assets.

A financial asset shall be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognized in a business combination) in other comprehensive income (OCI). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch.

For financial liabilities designated at fair value through profit or loss, the Standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity.

In implementing PFRS 9, the Cooperative made the following classifications:

| <i>Financial Assets and Liabilities</i> | <i>Category</i> |
|---|-----------------------------------|
| Cash | Fair value through profit or loss |
| Trade and other receivables | Amortized cost |
| Investments in equity securities | Amortized cost |
| Trade and other payables | Amortized cost |
| Consumers' deposits | Amortized cost |
| Refunds payable | Amortized cost |

Under PFRS 9, the new impairment requirements use an 'expected credit loss' (ECL) model to recognize an allowance for impairment losses. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The Cooperative's adoption of the new impairment requirements resulted in the booking of lifetime ECLs on the following assets effected retroactively:
(Please see table next page.)

| | |
|--|--------------|
| <u>Financial Assets</u> | |
| Trade receivables | ₱34,634,098 |
| Other receivables | 86,920,680 |
| Investments in equity securities | 1,030,000 |
| <u>Other Assets</u> | |
| Deferred charges | 8,345,798 |
| | 130,930,576 |
| Portion charged to current (2018) operations | (1,527,656) |
| Portion Effected Retroactively | ₱129,402,920 |

The adjustments on ECL was reflected on the opening accounts of the 2017 statement of financial position.

In accordance with the provisions of PAS/IAS 1, *Presentation of Financial Statements*, the Cooperative presented a third statement of financial position (balance sheet) after applying this accounting policy retrospectively and making retrospective restatements of items in its financial statements affected by the adoption of PFRS 9.

- PFRS 15 Revenue from Contracts with Customers

The standard provides a single comprehensive model for revenue recognition.

The core principle of the standard is that the Cooperative shall recognize revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the Cooperative expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Credit risk is presented separately as an expense rather than adjusted against revenue.

Contracts with customers are presented in the Cooperative's statement of financial condition as a contract liability, a contract asset, or a receivable, depending on the relationship between the Cooperative's performance and the member/consumer's payment. Member/consumer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalized as an asset and amortized over the contract period.

The Cooperative is engaged in the distribution of power under a strictly rate-regulated regime by the Energy Regulatory Commission (ERC). The Cooperative is dependent on the guidance and assistance from National Electrification Administration (NEA) for financial and technical policies that should be followed. NEA has not yet initiated efforts at educating the cooperative electric industry on the requirements of the new standard. The Cooperative therefore has not yet adopted PFRS 15 for the recognition of revenue from contracts with customers adopted beginning January 1, 2018. The impact of non-adoption of PFRS 15 cannot be determined presently under the circumstances.

New and Revised PFRSs in Issue but not yet Effective

The Cooperative has not yet applied the following new and revised PFRS standards that have been issued but not yet effective:

- PFRS 16, *Leases*
- PFRS 17, *Insurance Contracts*
- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS/IAS 28 *Long-term Interests in Associates and Joint Ventures*
- Annual Improvements to PFRS Standards 2015-2017 *Cycle Amendments to PFRS 3 Business Combinations, PFRS 11 Joint Arrangements, PAS/IAS 12 Income Taxes and PAS/IAS 23 Borrowing Costs*
- Amendments to PAS/IAS 19 *Employee Benefits 'Plan Amendment, Curtailment or Settlement'*
- PFRS 10 *Consolidated Financial Statements* and IAS 28 (amendments)
- PFRIC 23 *Uncertainty over Income Tax Treatments'*

The Cooperative management does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Cooperative in future periods, except as noted below:

PFRS 16 Leases

PFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. PFRS 16 will supersede the current lease guidance including PAS/IAS 17 *Leases* and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of PFRS 16 for the Cooperative will be January 1, 2019.

The Cooperative management anticipates minimal impact of leases on the financial statements of the Cooperative hence it decided that the Corporation will devote attention to this matter only when the required adoption begins by January 1, 2019.

PFRS 17 Insurance Contracts

The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes PFRS 4 *Insurance Contracts*.

The Standard outlines a General Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach. The General Model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders' options and guarantees.

The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard and the transition date is the beginning of the period immediately preceding the date of initial application.

The Cooperative management does not anticipate that the application of the Standard in the future will have an impact on the Cooperative's financial statements.

Amendments to PFRS 9 Prepayment Features with Negative Compensation

The amendments to PFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of PFRS 9.

The Cooperative management does not anticipate that the application of the Standard in the future will have an impact on the Cooperative's financial statements.

Amendments to PAS/IAS 28 Long-term Interests in Associates and Joint Ventures

The amendment clarifies that PFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying PFRS 9 to long-term interests, the Cooperative does not take into account adjustments to their carrying amount required by PAS/IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with PAS/IAS 28).

The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of PFRS 9.

The Cooperative management does not anticipate that the application of the Standard in the future will have an impact on the Cooperative's financial statements.

Annual Improvements to PFRS Standards 2015–2017 Cycle Amendments to PFRS 3 Business Combinations, PFRS 11 Joint Arrangements, PAS/IAS 12 Income Taxes and PAS/IAS 23 Borrowing Costs

The Annual Improvements include amendments to four Standards.

PAS/IAS 12 Income Taxes

The amendments clarify that an entity should recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

PAS/IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

PFRS 3 Business Combinations

The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognized assets, liabilities and goodwill relating to the joint operation.

PFRS 11 Joint Arrangements

The amendments to PFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation.

All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted.

The Cooperative management does not anticipate that the application of the Standards in the future will have impact on the Cooperative's financial statements.

Amendments to PAS/IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). PAS/IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognized in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as

remeasured under PAS/IAS 19.99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied. The amendments to PAS/IAS 19 must be applied to annual periods beginning on or after 1 January 2019, but they can be applied earlier if an entity elects to do so.

The Cooperative management does not anticipate that the application of the Standard in the future will have an impact on the Cooperative's financial statements.

PFRS 10 Consolidated Financial Statements and PAS/IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to PFRS 10 and PAS/IAS 28 deal with situations where there are a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

The Cooperative management does not anticipate that the application of the Standard in the future will have an impact on the Cooperative's financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- Determine whether uncertain tax positions are assessed separately or as a group; and
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
 - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
 - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

The Cooperative management does not anticipate that the application of the Standard in the future will have an impact on the Cooperative's financial statements.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Cooperative.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Cooperative uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Cooperative determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Utility Plant, Property and Equipment

The utility plant, properties and equipment consist of: (a) Transmission plant, which includes structures and improvements, station equipment, towers and fixtures, overhead conductors and devices and concrete poles; (b) Distribution plant, which includes structures and improvements, station equipment, towers and fixtures, overhead conductors and devices, line transformers, meters, street lighting and signal systems, and concrete poles; and (c) General plant, which includes land and land rights, building and structures, office furniture, fixtures and equipment, shop tools, laboratory, communication and miscellaneous equipment, and transportation equipment.

Utility plant, property and equipment are stated at cost less accumulated depreciation and any impairment value, excluding the costs of day-to-day servicing. Such cost includes the cost of replacing part of such property, plant and equipment when that cost is incurred, if the recognition criteria are met. Interests incurred on borrowed funds used to finance the construction of properties during the construction period are capitalized. Other borrowing costs are expensed. An item of utility plant, property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognized.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows: (a) transmission plant – 5 to 33 years, (b) distribution plant – 5 to 33 years, and (3) general plant – 2 to 33 years. Land and land rights are not depreciated. Transmissions plant held under finance lease agreements are depreciated over their expected useful lives (determined by reference to comparably-owned assets) or over the term of lease, if shorter.

The useful lives, depreciation method and residual values are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of utility plant, property and equipment. Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in

income for the year. The carrying values of utility plant, property and equipment are reviewed for impairment when changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of utility plant, property and equipment is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction. 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 time value of money and the risk specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Any impairment loss is recognized in the statement of profit or loss.

Construction in Progress

Construction in progress is stated at cost, which includes cost of construction, plant and equipment, capitalized borrowing costs and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are substantially completed and available for their intended use.

Financial Instruments

Financial assets and financial liabilities are recognized in the Cooperative's statement of financial condition when the Cooperative becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial Assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of Financial Assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

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

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Cooperative may make the following irrevocable election/designation at initial recognition of a financial asset:

- The Cooperative may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- The Cooperative may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).

Components of Financial Assets in the Cooperative

The Cooperative's financial assets include cash and cash equivalents, trade and other receivables and investments in equity securities classified as at amortized cost.

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and are subject to an insignificant risk of changes in value and are free of any encumbrances.

The Cooperative's trade and other receivables include receivables from consumers arising from monthly billings of the Cooperative which are carried at their original bill amount less provisions made for impairment of the receivables. Also included are advances to contractors of special projects, advances to officers and employees and other debtors which are stated at cost.

The Cooperative's investment in equity securities includes investments in the share capital of a financing company and a development company identifies as being under a model whose objective is to hold the financial asset in order to collect contractual cash flows.

Amortized Cost and Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk

on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Cooperative recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Debt Instruments Classified as at FVTOCI

The corporate bonds, if held by the Cooperative, are classified as at FVTOCI. Fair value is determined in the manner described in the previous section. Corporate bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognized in profit or loss. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these corporate bonds had been measured at amortized cost. All other changes in the carrying amount of these corporate bonds are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

Equity Instruments Designated as at FVTOCI

On initial recognition, the Cooperative may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

A financial asset is held for trading if (a) it has been acquired principally for the purpose of selling it in the near term; or (b) on initial recognition it is part of a portfolio of identified financial instruments that the Cooperative manages together and has evidence of a recent actual pattern of short-term profit-taking; or (c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' line item in profit or loss.

Financial Assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Cooperative designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would

arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Cooperative has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in a previous paragraph.

Impairment of Financial Assets

The Cooperative recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Cooperative always recognizes lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Cooperative's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Cooperative recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Cooperative measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant Increase in Credit Risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Cooperative compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Cooperative considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Cooperative's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Cooperative's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;

- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Cooperative presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Cooperative has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Cooperative assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (1) The financial instrument has a low risk of default,
- (2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Cooperative considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Cooperative becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Cooperative considers the changes in the risk that the specified debtor will default on the contract.

The Cooperative regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of Default

The Cooperative considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable: (a) when there is a breach of financial covenants by the debtor; or (b) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Cooperative, in full (without taking into account any collateral held by the Cooperative).

Irrespective of the above analysis, the Cooperative considers that default has occurred when a financial asset is more than 90 days past due unless the Cooperative has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit Impaired Financial Assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) Significant financial difficulty of the issuer or the borrower;
- (b) A breach of contract, such as a default or past due event (see (ii) above);
- (c) The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- (e) The disappearance of an active market for that financial asset because of financial difficulties.

Write-Off Policy

The Cooperative writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Cooperative's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Measurement and Recognition of Expected Credit Losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Cooperative's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Cooperative in accordance with the contract and all the cash flows that the Cooperative expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 Leases.

For a financial guarantee contract, as the Cooperative is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Cooperative expects to receive from the holder, the debtor or any other party.

If the Cooperative has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Cooperative measures the loss allowance at an amount equal to 12 months ECL at the current reporting date, except for assets for which simplified approach was used.

The Cooperative recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of Financial Assets

The Cooperative derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Cooperative neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Cooperative recognizes its retained interest in

the asset and an associated liability for amounts it may have to pay. If the Cooperative retains substantially all the risks and rewards of ownership of a transferred financial asset, the Cooperative continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Cooperative has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

Financial Liabilities and Equity – Classification as Debt or Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Cooperative are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Compound Instruments

The component parts of convertible loan notes issued by the Cooperative are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share premium/other equity account. Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognized in equity will be transferred to retained earnings/other equity. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible loan notes using the effective interest method.

Financial Liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Cooperative, are measured in accordance with the specific accounting policies set out below.

Financial Liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Cooperative manages together and has a recent actual pattern of short-term profit taking; or
- It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Cooperative's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Cooperative that are designated by the Cooperative as at FVTPL are recognized in profit or loss.

Fair value is determined in the manner described in a previous section of these summary.

Financial Liabilities Measured Subsequently at Amortized Cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Financial Guarantee Contract Liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- The amount of the loss allowance determined in accordance with IFRS 9 (see financial assets above); and
- The amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out above.

Foreign Exchange Gains and Losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the 'other gains and losses' line item in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognized in other comprehensive income and accumulated in a separate component of equity. The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of Financial Liabilities

The Cooperative derecognizes financial liabilities when, and only when, the Cooperative's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Cooperative exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Cooperative accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

Inventory of Materials and Supplies

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

Impairment of Non-Financial Assets

The Cooperative's utility plant, property and equipment and other assets are subject to impairment testing. All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal evaluation of discounted cash flow. Impairment loss is charged pro-rata to the other assets in the cash-generating unit. All 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.

Revenue and Cost Recognition

The Cooperative recognizes revenue from contracts with customers at an amount that reflects the consideration to which the Cooperative is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Cooperative:

- (1) Identifies the contract with a customer;
- (2) Identifies the performance obligations in the contract;
- (3) Determines the transaction price which takes into account estimates of variable consideration and the time value of money;
- (4) Allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
- (5) Recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognized as deferred revenue in the form of a separate refund liability.

The Cooperative adopted PFRS 15 on all revenue transactions except on energy sales.

The Cooperative recognizes revenues under the following policies:

(a) Energy Sales

Energy sales are recognized upon supply of power to the member-consumers stated at amounts invoiced to member-consumers, net of discounts, rebates, VAT and duty, where applicable. The Uniform Filing Requirements or *UFR*, on the rate unbundling released by the *ERC* on October 30, 2001 specified the following bill components: (a) generation charge, (b) transmission charge, (c) system loss charge, (d) distribution charge, (e) supply charge, (f) metering charge, (g) Currency Exchange Rate Adjustment or *CERA* I and II and (h) inter-class and lifeline subsidies. Value added and local franchise taxes, the Power Act Reduction (for residential customers) and the universal charges are also separately presented in the customer's billing statement. Value added and local franchise taxes and universal charges, which are billed and merely collected on behalf of the national and local governments, do not form part of the Cooperative's revenues.

(b) Surcharges and Penalties

Surcharges and penalties imposed on delinquent consumers are recognized when the surcharges and penalties have accrued.

(c) Interest Income

Interest Income is recognized as interest accrues, using effective interest rate, which is the rate that discounts estimated future cash receipts through the expected life of the financial instrument.

(d) Donations and Subsidies

Donations and subsidies from all sources are valued at cost or fair market value whichever is higher at the time the donations and subsidies are received.

(e) Other Income

Other sources of revenue are recognized on the accrual method.

(f) Costs and Expenses

Costs and expenses are recognized in the statement of profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen which can be measured reliably. Costs and expenses are recognized in the statement of profit or loss : i) on the basis of a direct association between the cost incurred and the earnings of specific items of income; ii) on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or iii) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

Government Grants

Government grants are assistance received from the Philippine Government in the form of cash or materials intended for the installation of distribution lines to implement the electrification program of the Government under the Department of Energy (DOE) and the National Electrification Administration (NEA), its implementing agencies. There are no special conditions attached to the grants other than to ensure that electricity reaches the intended beneficiaries. Also, government grants are in the form of Government loans obtained from the NEA that has been condoned and absorbed by the Power Sector Assets & Liabilities Management Corporation (PSALM) in June 2001.

In accordance with PFRSs, Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received, and all conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual installments. The logic of crediting deferred income account is dictated by the need to exclude unearned grants and donation from the stockholders' equity so that it does not form part of the book value per share. In the case of the Cooperative, which is a nonstock and nonprofit entity, the unearned grant and donation is classified under the equity portion, as required by the conditions of the grants.

The Cooperative accounts for the grants received in accordance with NEA Memorandum No. 2015-027, which provided, among others, the recording the grants received as payable until accomplished and the supporting receipts are submitted to NEA, after which the total amount granted is capitalized and credited to "Government Grants" account in accordance with NEA guidelines. In compliance with the provisions of PFRS, the same memorandum allows the systematic allocation of the costs of donated assets to income equal to the annual depreciation of the said donated assets. The NEA memorandum was issued only in 2015 but the Cooperative implemented the provisions of the memorandum retrospectively.

Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Leases

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

The Cooperative accounts for its leases as follows:

- Cooperative as Lessee

Leases which transfer to the Cooperative substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the statements of financial position at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the leased liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are directly charged against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases which do not transfer to the Cooperative substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the income statement on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

- Cooperative as Lessor

Leases wherein the Cooperative substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Cooperative's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Cooperative's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income in the income statement on a straight-line basis over the lease term.

Compensation and Benefits Expense

Employee benefits are all forms of consideration given by the Cooperative in exchange for services rendered by employees or for the termination of their employments in the Cooperative. The Cooperative recognizes: (a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and (b) an expense when the Cooperative consumes the economic benefit arising from the service provided by an employee in exchange for employee benefits. The following represent the accounting followed by the Cooperative for all types of employee benefits, except share-based payment, to which there is none.

- Short-Term Employee Benefits

Short-term employee benefits are those expected to be settled wholly before twelve months after the end of the annual reporting period during which employee services are rendered, but do not include termination benefits. These benefits include wages, salaries, profit-sharing and bonuses (if there are

any) and non-monetary benefits paid to current employees. These are recognized when the employee has rendered the service and are measured at the undiscounted amount of benefits expected to be paid in exchange for that service.

The benefits also include compensated absences which are recognized for the number of paid leave days (including holiday entitlement) remaining at the reporting date. The expected cost of short-term compensated absences is recognized as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur, and includes any additional amounts the Cooperative expects to pay as a result of unused entitlements at the end of the period. The amounts recognized are included in 'Trade and other liabilities' account in the statement of financial position at the undiscounted amount that the Cooperative expects to pay as a result of the unused entitlement.

- *Bonus (Incentives) Payments (If Any)*

The Cooperative recognizes the expected cost of bonus (incentives) payments (if any) when, and only when, it has a legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the expected obligation can be made. Declarations of bonuses to officers and employees are the sole responsibility of the Board of Directors. As a matter of policy, the Cooperative does not declare and accrue bonuses unless approved and authorized for release by the Board of Directors and confirmed by the NEA.

- *Post-Employment Benefit Plans*

Post-employment benefit plans that are provided to employees only cover their retirement benefits, which are paid in lump sum payments at the time of their retirements. The retirement benefits are provided to employees through a defined benefit plan. A defined benefit plan is a retirement plan that defines an amount of retirement benefit an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for the benefits of the retirement plan remains with the Cooperative, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Cooperative's defined benefit retirement plan covers all regular full-time employees.

The Cooperative employees' defined benefit plan is approved by the National Electrification Administration (NEA) and is consistent with the plans adopted by the cooperative electric industry. The plan is essentially based on the employees' compensation and number of years in service plus service incentives that are approved by the NEA. The bases of computation for retirement benefits are considered an industry-practice and represent the approximation of the Cooperative's liability to all its regular employees. While this is not actuarially computed, periodic review of the sufficiency of the plan asset is performed and additional funding is normally provided to increase plan assets.

- *Termination Benefits*

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

Provisions and Contingent Liabilities

Provisions, if any, are recognized when the Cooperative has legal or constructive obligations as a result of a past event: it is probable that an outflow of resources will be required to settle the obligation and estimate can be made of the amount obligation. Provisions are recognized when present obligation will probably lead to an

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

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

Subsequent Events

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

Note 3

Significant Accounting Judgments and Estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimated Useful Lives of Utility Plant, Property and Equipment

The useful lives of utility plant, property and equipment are estimated based on the period over which the utility plant, property and equipment are expected to be available for use and on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of utility plant, property and equipment are reviewed periodically and updated if expectations differ materially from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of utility plant, property and equipment. However, it is possible that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recording of expenses for any period would be affected by changes in these factors and circumstances.

Allowance for Expected Credit Losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent experience and historical collection rates.

Impairment of Financial Assets

The Cooperative determines that financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment.

In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, and its operational and financing cash flows.

Allowance for Inventory Obsolescence

Allowance for inventory obsolescence is maintained at a level considered adequate to provide for potentially non-valuable items or worthless. The level of allowance is based on the turnover/movement of specific inventories and other physical factors affecting usefulness of specific inventories. Moreover, future realization of the carrying amounts of inventories is affected by price changes from the source. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Cooperative's inventories within the next financial year.

Impairment of Non-financial Assets

The Cooperative assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the Cooperative and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Revenue from Contracts with Customers involving Sale of Goods

When recognizing revenue in relation to the sale of goods to customers, the key performance obligation of the consolidated entity is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Employee Benefits Provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognized and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Operating and Finance Leases

The Cooperative has entered into various lease agreements as either a lessor or a lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating lease or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements.

Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 2.

Note 4

Utility Plant, Property and Equipment – At Cost

Utility plant, property and equipment consist of the following:

| <i>Years Ended December 31</i> | 2018 | 2017 |
|---------------------------------|---------------------|--------------|
| Transmission/distribution plant | ₱481,175,474 | ₱474,120,381 |
| General plant | 141,449,342 | 136,574,628 |
| Construction in progress | 220,021,006 | 182,635,217 |
| | 842,645,822 | 793,330,226 |
| Less accumulated depreciation | 296,622,493 | 268,654,167 |
| | ₱546,023,329 | ₱524,676,059 |

The General Plant account consists of the following:

| <i>December 31</i> | <i>Cost</i> | <i>Accumulated Depreciation</i> | Net Book Value | |
|--------------------------------|---------------------|-------------------------------------|-----------------------|--------------------|
| | | | 2018 | 2017 |
| Land and land rights | ₱3,084,506 | ₱– | ₱3,084,506 | ₱2,884,506 |
| Buildings and improvements | 33,900,755 | (25,571,848) | 8,328,907 | 9,297,393 |
| Office furniture and equipment | 40,941,625 | (33,667,767) | 7,273,858 | 9,792,091 |
| Transportation equipment | 35,521,937 | (31,276,229) | 4,245,708 | 7,764,173 |
| Shop tools and other equipment | 28,000,519 | (26,339,569) | 1,660,950 | 3,408,107 |
| | ₱141,449,342 | (₱116,855,413) | ₱24,593,929 | ₱33,146,270 |

The reconciliation of the movements of the accounts follows:

| <i>December 31, 2018</i> | <i>Opening Balance</i> | <i>Additions/Adjstmnt</i> | <i>Retirements</i> | <i>Closing Balance</i> |
|----------------------------------|------------------------|---------------------------|--------------------|------------------------|
| Cost | | | | |
| Transmission/ distribution plant | ₱474,120,381 | ₱8,120,202 | (₱1,065,109) | ₱481,175,474 |
| General plant | 136,574,628 | 4,874,714 | – | 141,449,342 |
| Construction in progress | 182,635,217 | 37,385,789 | – | 220,021,006 |
| | 793,330,226 | 50,380,705 | (1,065,109) | 842,645,822 |
| Accumulated Depreciation | | | | |
| Transmission/ distribution plant | 165,225,809 | 15,606,380 | (1,065,109) | 179,767,080 |
| General plant | 103,428,358 | 13,427,055 | – | 116,855,413 |
| | 268,654,167 | 29,033,435 | (1,065,109) | 296,622,493 |
| Net Book Value | ₱524,676,059 | ₱21,347,270 | ₱– | ₱546,023,329 |

December 31, 2017

| | | | | |
|---------------------------------|---------------------|--------------------|--------------------|---------------------|
| Cost | | | | |
| Transmission/distribution plant | ₱461,171,684 | ₱21,229,799 | (₱8,281,102) | ₱474,120,381 |
| General plant | 124,452,914 | 12,169,334 | (47,620) | 136,574,628 |
| Construction in progress | 138,895,664 | 43,739,553 | – | 182,635,217 |
| | 724,520,262 | 77,138,686 | (8,328,722) | 793,330,226 |
| Accumulated Depreciation | | | | |
| Transmission/distribution plant | 158,537,128 | 14,969,783 | (8,281,102) | 165,225,809 |
| General plant | 91,489,716 | 11,986,262 | (47,620) | 103,428,358 |
| | 250,026,844 | 26,956,045 | (8,328,722) | 268,654,167 |
| Net Book Value | ₱474,493,418 | ₱50,182,641 | ₱– | ₱524,676,059 |

The Cooperative receives grants from the Government through National Electrification Administration (NEA) to implement the Sitio Electrification Program of the Government. See details in Note 11. Construction work-in-progress represents the cumulative costs of projects that are generally in the process of completing the required support and documentation for closure to utility plant, property and equipment.

Note 5

Details of Other Non-Current Assets

| <i>December 31</i> | 2018 | 2017 |
|---------------------------------------|-------------------|-------------------|
| Input taxes from power suppliers | ₱3,863,341 | ₱4,250,876 |
| Security deposit – Transco | 1,000,000 | 1,194,965 |
| Investment – REFC | 1,218,373 | 1,000,000 |
| Investment in associated organization | 479,270 | 479,270 |
| Total other non-current assets | 6,560,984 | 6,925,111 |
| Allowance for impairment losses | 479,270 | – |
| | ₱6,081,714 | ₱6,925,111 |

Allowance for Impairment Losses

With the implementation of PFRS 9, the Cooperative has determined that some of the accounts were already subject to life-time expected credit losses (ECL). Accordingly, the accounts were subjected to impairment testing. The accounts with over one-year overdue were provided with allowance for impairment losses amounting ₱479,270. The investments in REFC and the security deposits with Transco and all other asset accounts were determined to have very low credit risks hence not provided with ECL. Management concluded that the remaining accounts are unimpaired at the end of the year.

Note 6

Cash

Cash and cash equivalents consist of the following:

| <i>December 31</i> | 2018 | 2017 |
|----------------------------------|---------------------|-------------|
| Cash on hand and revolving funds | ₱9,119,344 | ₱5,179,909 |
| Cash in banks – unrestricted | 34,640,142 | 1,730,628 |
| Cash in banks – restricted | 60,314,766 | 67,815,967 |
| | ₱104,074,252 | ₱74,726,504 |

Cash in banks earns interest at prevailing bank deposit rates. Interest income earned from bank deposits amounted ₱74,888 in 2018 and ₱458,210 in 2017.

The restricted cash in banks consist of funds that are set-aside for special purposes broken down in the following table. Except for the retirement benefits fund, all funds were placed in time and savings deposits with the Cooperative's depository banks.

| <i>December 31</i> | 2018 | 2017 |
|------------------------------------|--------------------|-------------|
| Loan Fund | ₱6,200,932 | ₱46,306,735 |
| Cash bond | 10,615,824 | 10,579,215 |
| Subsidy – NEA/DOE (Notes 6 and 16) | 36,281,011 | 5,808,479 |
| Reinvestment (Note 11) | 6,074,292 | 4,186,885 |
| Members' contributions | 854,642 | 854,633 |
| Loan security | 288,065 | 80,020 |
| | ₱60,314,766 | ₱67,815,967 |

Note 7

Trade and Other Receivables

This consists of the following:

| <i>December 31</i> | 2018 | 2017 |
|---|---------------------|-------------|
| Receivable from energy sales | ₱111,573,895 | ₱97,707,236 |
| Less allowance for expected credit losses | 47,081,847 | 41,726,718 |
| Net | ₱64,492,048 | 55,980,518 |
| Other receivables | | |
| Real property tax | 28,329,051 | 26,914,532 |
| Other consumer receivables | 10,043,098 | 8,132,409 |
| Receivables from consumers through the SCAP program (Carried Forward.) | 11,208,563 | 11,248,938 |

(Brought Forward.)

| December 31 | 2018 | 2017 |
|---|--------------------|-------------|
| Receivables from consumers through the HELP program | 6,989,861 | 6,992,525 |
| Advances to officers and employees | 125,338 | 78,506 |
| Other receivables | 5,232,153 | 5,232,153 |
| | 61,928,064 | 58,599,063 |
| Less allowance for expected credit losses | 48,702,237 | 43,800,009 |
| | 13,225,827 | 14,799,054 |
| Total | ₱77,717,875 | ₱70,779,572 |

The receivable from consumers through the Service Connection Assistance Program (SCAP) represents the costs of service connections to certain consumers to be collected through charges included in their monthly bills. The receivable from consumers through the HELP program represents the cost of house wiring materials receivables to indigent member-consumers whose incomes do not exceed ₱36,000 per annum. These member-consumers were recommended favorably by the Board of Directors of the district where they reside. The amount of house wiring materials receivables added to the monthly billing consumption of member-consumers-owners.

The other receivable represents the amount of undetermined cash in banks garnished through the order of the Courts. This amount was provided with impairment losses during 2016.

Allowance for Expected Credit Losses (ECL) – Receivable from Energy Sales

The movements of the allowance for ECL for energy accounts receivables follow:

| December 31 | 2018 | 2017 |
|---|--------------------|-------------|
| Opening balances | ₱41,726,718 | ₱47,576,187 |
| Provisions for expected credit losses (ECL) during the year | 5,355,129 | – |
| Recovery during the year | – | (5,849,469) |
| Closing balances | ₱47,081,847 | ₱41,726,718 |

In implementing PFRS 9 beginning 2018, management examined the accounts for impairment and determined that additional allowance for ECL is required for the 12-month ECL and the life-time ECL of the accounts. Accordingly, a total of ₱5,355,129 was provided during the year. The analyzes of the 2017 accounts disclosed that management has improved its receivables status and recognized recovery from the established allowance for ECL of ₱5,849,469.

Allowance for Expected Credit Losses (ECL) – Other Receivables

The movements of the allowance for ECL for other receivables follow:

| December 31 | 2018 | 2017 |
|--|--------------------|-------------|
| Opening balances | ₱43,800,009 | ₱8,287,169 |
| Booking of life-time ECLs on other receivables | – | 34,543,989 |
| As restated | 43,800,009 | 42,831,158 |
| Provisions during the year | 4,902,227 | 968,852 |
| Closing balances | ₱48,702,237 | ₱43,800,010 |

The allowance for ECL as originally reported in 2017 has been restated from amounts previously reported to record additional allowance for impairment losses of ₱34,543,989 representing the effect of new impairment requirements after determining the lifetime ECL of the accounts. Management believes the amount of impairment allowance for other receivables is adequate to fairly state the account at the end of the year.

Note 8
Materials and Supplies

This account consists of the following which management believes are not impaired at the end of the year:

| <i>December 31</i> | 2018 | 2017 |
|-----------------------------------|--------------------|-------------|
| Electrical materials and supplies | ₱8,695,529 | ₱9,712,116 |
| Special equipment | 8,425,401 | 8,189,397 |
| Subsidy materials | 2,142,967 | 2,142,967 |
| Others | 1,126,259 | 594,339 |
| | ₱20,390,156 | ₱20,638,819 |

Note 9
Prepaid Expenses and Other Current Assets

This account represents the unexpired portion of insurances for property amounted to ₱250,671 in 2018 and ₱158,286 in 2017.

Note 10
Membership Fees

This account represents the cumulative contributions of members from their membership fee of ₱5.00, increased by interest income earned on the membership's bank account. Membership contributions amount to ₱484,587 and ₱469,396 as of December 31, 2018 and 2017, respectively.

Note 11
Reinvestment Fund for Sustainable Capital Expenditures (RFSC)

The Energy Regulatory Commission (ERC) released its Order on the provisional rate for Member's Capital Contribution (MCC) last January 11, 2010 on MCCE Rate of ₱0.1495 for March 2010 to January 2011, ₱0.2989 for February 2011 to April 2011, ₱0.3155 for May 2011 to January 2012 and ₱0.4484 from February 2012 to November 2014 and ₱0.5812 for December 2014 onward. The Cooperative segregated the funds, in accordance with ERC guidelines, to finance the expansion and rehabilitation/upgrading of the existing power system and its related debt service of the Cooperative.

In accordance with ERC Resolution No. 14, Series of 2011, the Reinvestment Fund for Sustainable Capital Expenditures (RFSC) is envisioned to fund the amortization or the debt service of the Cooperative's indebtedness associated with expansion, rehabilitation or upgrading of its existing electric power system in accordance with its ERC-approved CAPEX Plan.

The utilization of the RFSC Fund shall be subject to the following conditions: (1) it shall be used solely for CAPEX or any other projects approved by the ERC and not for any other purpose, even on a temporary basis; (2) the amounts collected for RFSC shall be recognized as contributions from member-consumers; (3) the amounts collected for RFSC, including interest income, shall be put in a separate account, and (4) if the member-consumer terminates his contract with the Cooperative, the said contribution shall not be withdrawn; instead the same shall be treated as Contribution in Aid of Construction.

In the event that the RFSC rate caps are insufficient for its purpose, the Cooperative may collect such additional RFSC by securing the consent of its member-consumers for such collection through existing legal procedures;

provided that the expenditure was approved by the ERC as part of the Cooperative's CAPEX Plan; provided further that the additional RFSC is obtained prior to the incurrence of the indebtedness; provided finally that the collection of said additional RFSC shall be subject to the principles of fairness and equity in accordance with the objective of the Republic Act No. 9136, otherwise known as the 'Electric Power Industry Reform Act of 2001 (EPIRA) for the elimination of cross-subsidy.

The following is the accounting of the changes of the accounts:

| <i>December 31</i> | 2018 | 2017 |
|--|---------------------|--------------|
| Opening balances | ₱267,970,656 | ₱227,986,203 |
| Additional contributions during the year | 46,482,712 | 39,984,453 |
| Closing balances | ₱314,453,368 | ₱267,970,656 |

Restricted funds amounting ₱6,074,292 during 2018 and ₱4,186,885 during 2017, represent the unspent portion of the fund.

Note 12 **Government Grants**

Government grants are donations received from different branches of the Government of the Philippines in aid of construction. The following are the details:

| <i>December 31</i> | 2018 | 2017 |
|--|---------------------|--------------|
| Grants from the Philippine Government and its branches | ₱203,116,981 | ₱209,282,033 |
| Subsidy from LGUs, NGOs and others | 24,229,924 | 24,229,924 |
| | ₱227,346,905 | ₱233,511,957 |

Grants from the Philippine Government and its Branches

The Government of the Philippines embarked on programs that would allow it to reach out to far flung areas which have endured lack of electricity in their communities. The Department of Energy (DOE)'s Nationwide Intensification Household Electrification (NIHE) Program of 2015 and the National Electrification Administration (NEA)'s Sitio Electrification Program (SEP) are concrete means by which the Government achieve this objective. The SEP aims to energize sitios through on-grid electrification, and the HEP aims to energize off-grid households using mature renewable energy technologies such as photovoltaic solar home systems, photovoltaic (PV) streetlights and micro-hydro systems. The DOE and the NEA have partnered with electric cooperatives to achieve the Government's objective of lighting all communities through the extension of grants in aid of construction of the electrification infrastructure.

The subsidy from Local Government Units (LGUs), Non-Government Organizations (NGOs) and others represents contributions in aid for construction received from LGUs through the Countryside Development Fund (CDF); contributions from Cooperative members (Barangay's Counterpart for lines construction), and donated equipment from the USAID, which are intended for the construction and expansion of new lateral lines. These donations are generally received in aid of construction.

The Cooperative received from Philippine Government through NEA a total of ₱186,456,909 for funding of the SEP as of December 31, 2018, of which about ₱38,949,373 in 2018 and ₱8,943,560 in 2017 of the grants remain in accounts payable representing the portion that are still under construction in progress at the end of each year. (See Note 15)

Note 13
Loans and Borrowings

This consists of loans from the following sources:

| <i>December 31</i> | 2018 | 2017 |
|---|---------------------|--------------|
| National Electrification Administration (NEA) | ₱160,269,971 | ₱177,849,633 |
| Land Bank of the Philippines | 6,273 | 7,620,693 |
| BDO Leasing and Finance, Inc. | 1,057,761 | 2,875,422 |
| | ₱161,334,005 | ₱188,345,748 |

The following is the accounting of the movements of the loans and borrowings during the year:

| <i>December 31</i> | 2018 | 2017 |
|---|---------------------|--------------|
| Opening balances | ₱188,345,748 | ₱129,246,069 |
| Additional loans availed of during the year | - | 103,208,772 |
| Payments of principal amortizations during the year | (27,011,743) | (44,109,093) |
| Closing balances | ₱161,334,005 | ₱188,345,748 |

The maturity profile of the loans is as follows:

| <i>December 31</i> | 2018 | 2017 |
|---|---------------------|--------------|
| <i>Current Portion</i> | | |
| National Electrification Administration (NEA) | ₱9,118,292 | ₱9,071,093 |
| Land Bank of the Philippines | 6,273 | 7,620,693 |
| BDO Leasing and Finance, Inc. | 1,057,761 | 1,852,970 |
| | 10,182,326 | 18,544,756 |
| <i>Long-Term Portion</i> | | |
| National Electrification Administration (NEA) | 151,151,679 | 168,778,540 |
| BDO Leasing and Finance, Inc. | - | 1,022,452 |
| | 151,151,679 | 169,800,992 |
| Total Loans and Borrowings | ₱161,334,005 | ₱188,345,748 |

The following is the accounting of the movements of the loans and borrowings during the year:

| <i>December 31</i> | 2018 | 2017 |
|---|---------------------|--------------|
| Opening balances | ₱188,345,748 | ₱129,246,069 |
| Additional loans availed during the year | - | 103,208,772 |
| Payments of principal amortizations during the year | (27,011,743) | (44,109,093) |
| Closing balances | ₱161,334,005 | ₱188,345,748 |

The loans from NEA were obtained at various dates in 2014 to 2018, at 6.5% to 8% per annum payable in equal quarterly installments (including interest), intended for working capital and payments to power suppliers.

The loans from Land Bank of the Philippines represent a combination of long-term and short-term loans obtained by the Cooperative at various dates in 2013 and 2014. The long-term loan represents two (2) 3-year loans amounting ₱38.288 million, at 5.75% per annum, the proceeds of which were used by the Cooperative to retire its restructured obligations with PSALM and ₱13.682 million, at 5.75% per annum for CAPEX. All loans from Land Bank are subject to quarterly re-pricing and are secured by the assignment of trade receivables amounting ₱37.73 million.

In February 24, 2016 and June 10, 2016 entered into a lease agreement with BDO Leasing and Finance, Inc., two (2) lease agreements, at prevailing market rate for 3 years amounting ₱3.264 million for the acquisitions of transportation vehicles. In February 21, 2017 another lease agreement was entered with BDO Leasing and Finance, Inc. at prevailing market rate for 3 years for one transportation vehicle amounting ₱2.047 million.

Total interest and other charges incurred amounted ₱14,342,828 in 2018 and ₱7,864,154 in 2017.

Note 14
Retirement Benefit Obligations

The Cooperative's employees are provided with retirement benefits through a defined benefit plan approved by the National Electrification Administration (NEA). The plan defines the amount of retirement benefit an employee will receive at retirement age. The legal obligation to pay the retirement benefits remains with the Cooperative. The Cooperative's defined benefit retirement plan covers all regular full-time employees.

The Cooperative's retirement benefit obligation as at December 31, 2018 and 2017 was derived as follows:

| <i>December 31</i> | 2018 | 2017 |
|--|---------------------|--------------|
| Retirement benefit obligations, as originally recorded | ₱64,708,970 | ₱67,906,623 |
| Retirement payments during the year | (3,329,421) | (3,197,653) |
| Net estimated retirement benefit obligations | 61,379,549 | 64,708,970 |
| Fair value of retirement trust fund | (15,212,996) | (14,531,531) |
| Fair value of retirement plan assets | (9,081,532) | (9,106,072) |
| Fair value of retirement restricted fund | (68,090) | (103,528) |
| Unfunded Retirement Benefit Obligations | ₱37,016,931 | ₱40,967,839 |

No provisions for retirement benefits were recognized in both years as the established liability still covers the requirements. (See following paragraphs.)

In September 2017, the Cooperative obtained the actuarial services of a Certified Actuary to determine the funding valuation of its retirement benefit obligations as of July 1, 2017. The actuarial computations applied the Accrued Benefit Actuarial Cost Method (Projected Unit Credit Method) taking into account the factors of investment, mortality, disability and salary projection rates.

In accordance with actuarial computations, the following were determined as at July 1, 2017 and used as basis in projecting the amounts in the succeeding years:

| <i>July 1,</i> | 2017 |
|----------------------------------|--------------------|
| Past service liability | ₱75,254,277 |
| Vested benefit (benefit payable) | ₱62,575,731 |
| Investment rate | 4% p.a. |
| Salary projection rate | 3% p.a. |

The Consulting Actuary recommended the following: (1) the annual normal cost or current contribution for the valuation period July 1, 2017 to June 30, 2018 was ₱4,752,349, which should be the basis of estimating the annual funding of the retirement plan assets, and (2) the past service liability computed as of July 1, 2017 was ₱75,254,277, but the vested benefit was computed only ₱62,575,731.

The Cooperative management opted not to make the necessary adjustments in the recorded retirement benefit obligations in 2018, which is within the valuation period covered by the actuarial report.

Retirement Plan Assets

The Cooperative sets aside funds to cover its retirement liabilities. These are either placed in savings and time deposits with the Cooperative's depository banks or loaned out to the employees through LANECO Retirement Fund Generation Program (REFUGE), an association run by the employees themselves. The Cooperative makes monthly contributions towards the trust fund deposited in various local banks. These contributions earn interest and the accumulated balance of contributions and interest is used to pay the retirement benefits of qualified employees.

As at December 31, 2018 and 2017, the net assets of REFUGE consist of the following:

| <i>December 31</i> | 2018 | 2017 |
|---------------------------------|--------------------|-------------|
| Cash | ₱1,367,121 | ₱103,259 |
| Loans receivable from employees | 13,845,875 | 14,428,272 |
| | ₱15,212,996 | ₱14,531,531 |

As at December 31, 2018 and 2017, the fair values of the trust fund approximated the recorded fund balances at the end of the year.

As part of its strategy to fund its retirement benefit obligations, the Cooperative invested in August 2007 in Philippine Life Financial Assurance Corporation's VISA Endowment Plans which require five years payment period followed by another five years waiting period. On the 11th year, PhilLife will start paying part of the maturity benefit through anticipated endowment until it fully pays the full amount on the 15th year. In all those 15 years, the Cooperative will remain covered by VISA 5 Plus insurance protection. Market value of the investment for the years 2018 and 2017 remain ₱7,104,779 in both years. The Cooperative purchased 50 plans with average monthly payment amounting ₱102,500. The plans have maturity values of ₱250,000 and have been fully paid in 2012.

During the year, the Cooperative also placed trust fund at BDO Trust and Investments Group as part of the retirement plan asset in the amount of ₱2 million and with market value ending 2018 at ₱1,976,753

Note 15 **Consumers' Deposits**

These consist of deposits received from consumers to secure payments of energy consumption and non-interest-bearing deposits to guarantee meters and transformers loaned out to them. These deposits will be refunded to consumers upon termination of service connections and return of loaned meters and transformers to the Cooperative.

| <i>December 31</i> | 2018 | 2017 |
|-------------------------|--------------------|-------------|
| Energy | ₱49,415,266 | ₱41,814,321 |
| Meters and transformers | 9,837,653 | 9,837,653 |
| Solar Project | 138,050 | 138,050 |
| | ₱59,390,969 | ₱51,790,024 |

Note 16 **Trade and Other Payables**

This account consists of the following:
(Please see table next page.)

December 31

2018

2017

| | | |
|--|---------------------|--------------|
| Real property tax | ₱92,948,294 | ₱88,688,269 |
| Payable to NEA for unliquidated subsidy funds (Note 16) | 38,949,373 | 8,943,560 |
| Accounts payable – suppliers and others | 37,132,699 | 30,917,445 |
| Payable to PSALM for collection of universal and environmental charges | 18,312,494 | 14,360,869 |
| | ₱187,342,860 | ₱142,910,143 |

Real Property Tax Liability

The real property tax liability pertains to the consolidated real property taxes due billed to the Cooperative from all municipalities under the Province of Lanao del Norte. The updated billings dated February 27, 2019, for all unpaid property taxes from 1996 to 2019, consisting of basic taxes of ₱29,506,651.51, Special Education Fund (SEF) of ₱29,506,651.51 and total penalties of ₱38,190,15.64, totaling ₱97,208,318.66. The identified 2018 and 2017 and prior years' total charges amounted ₱92,948,294 and ₱88,688,269, respectively.

The Cooperative subsequently settled the amount in full by March 2019. The Cooperative obtained a loan from Land Bank of the Philippines for ₱80 million and used its general fund for the difference.

NEA Unliquidated Subsidy Funds

In accordance with the memorandum of agreement signed by NEA and the Cooperative, the subsidy funds received for various projects are to be recorded as a liability at the time of receipt of the funds and are only closed upon release by NEA of a Certificate of Final Inspection and Acceptance of the projects. Closed-out/completed projects are credited to Contributed Capital in the books of the Cooperative. (See Note 11.)

Accounts Payable – Suppliers and Others

The accounts with power suppliers represent the unpaid power bills at the close of each year which the Cooperative is required to pay before January 10 of the succeeding year. Other power suppliers are currently settled before the year ends. The Cooperative enjoys prompt payment discounts when the accounts are paid on or before 10th of every succeeding month for San Miguel Consolidated Power Corp, and 15th of PSALM.

Note 17

Refund Payable

In 2017, the Cooperative received credit refunds from King Energy Generation Inc. (KEGI), one of the major power suppliers of the Cooperative, for over-billing the Cooperative from December 26, 2015 to July 25, 2016, amounting ₱20,070,558, as determined by the Energy Regulatory Commission (ERC). The Cooperative started refunding its consumers in 2017 through its monthly billings from October to December 2017.

At the end of the 2018, the refundable amount has a balance of ₱637,473 and its 2017 balance was ₱7,797,312.

Note 18

Details of Cost of Power

| <i>Years Ended December 31</i> | 2018 | 2017 |
|--|---------------------|--------------|
| Filinvest Dev. Corp.(FDC) | ₱451,329,479 | ₱420,027,629 |
| San Miguel Consolidate Power (SMPC) | 140,142,238 | 80,451,462 |
| National Grid Corporation of the Philippines (NGCP), Inc. | 112,891,859 | 101,130,311 |
| Total Power Incorporated (TPI) | 24,357,746 | 15,555,396 |
| King Energy Generation, Inc. (KEGI) | 23,273,248 | 36,974,282 |
| Power Sector Assets & Liabilities Management Corporation (PSALM) | 22,335,734 | 25,320,322 |
| | ₱774,330,304 | ₱679,459,402 |

Note 19**Details of Other Income**

| <i>Years Ended December 31</i> | 2018 | 2017 |
|---|--------------------|-------------|
| Surcharges | ₱8,544,247 | ₱6,177,528 |
| Disconnection/reconnection and related services | 3,563,061 | 3,603,885 |
| Rentals of poles, transformers, etc. | 5,539,970 | 2,751,684 |
| Interest and dividend income | 74,888 | 458,210 |
| Other income | 512,329 | 297,307 |
| | ₱18,234,495 | ₱13,288,614 |

Note 20**Schedules of Expenses by Nature**

| <i>Years Ended December 31</i> | 2018 | 2017 |
|--|--------------------|-------------|
| Administrative and General Expenses | | |
| Compensation and employees' benefits (Note 21) | ₱31,537,747 | ₱30,962,201 |
| Outside services employed | 10,992,392 | 10,931,949 |
| Materials and supplies | 8,017,059 | 8,121,236 |
| Travel and transportation | 5,098,099 | 5,181,539 |
| Maintenance and repairs | 2,730,660 | 2,325,888 |
| Representation and information | 1,757,805 | 1,683,065 |
| Association and membership fees | 1,033,115 | 544,330 |
| Insurance | 801,557 | 836,895 |
| Injuries and damages | 735,421 | 270,700 |
| Rents | 377,482 | 129,850 |
| Communication | 373,118 | 308,827 |
| Taxes and licenses (Note 29) | 356,412 | 410,395 |
| Miscellaneous | 3,351,715 | 2,599,347 |
| | ₱67,162,582 | ₱64,306,222 |
| Consumer Services Expenses | | |
| Consumers' records and collections | ₱12,383,151 | ₱13,087,522 |
| Meter reading | 2,961,178 | 6,355,037 |
| Compensation and employees' benefits (Note 21) | 1,871,579 | 1,706,305 |
| Miscellaneous | 6,208,660 | 615,279 |
| | ₱23,424,568 | ₱21,764,143 |
| Operations and Maintenance Expenses | | |
| Operations | | |
| Overhead lines | ₱7,164,538 | ₱5,096,233 |
| Compensation and employees' benefits (Note 21) | 4,089,224 | 3,760,723 |
| Meters | 3,771,532 | 3,472,438 |
| Street lighting | 1,230,938 | 1,122,554 |
| Miscellaneous | 228,547 | 246,998 |
| | 16,484,779 | 13,698,946 |
| Maintenance | | |
| Overhead lines | 11,803,428 | 11,371,674 |
| Line transformer | 2,688,449 | 2,601,853 |
| Compensation and employees' benefits (Note 21) | 3,128,763 | 2,571,381 |
| (Carried Forward.) | | |

(Brought Forward.)

| <i>Years Ended December 31</i> | 2018 | 2017 |
|--------------------------------|--------------------|-------------|
| Meters | 2,385,662 | 2,067,867 |
| Structures, poles replacement | 730,494 | 664,380 |
| Miscellaneous | 407,699 | 327,534 |
| | 21,144,495 | 19,604,689 |
| | ₱37,629,274 | ₱33,303,635 |

Note 21

Details of Compensation and Employees' Benefits

| <i>Years Ended December 31</i> | 2018 | 2017 |
|------------------------------------|--------------------|-------------|
| Short-term employee benefits | ₱40,220,089 | ₱39,954,744 |
| Post-employment benefits (Note 14) | — | — |
| | ₱40,220,089 | ₱39,954,744 |

Distribution of Short-Term Benefits

| <i>Years Ended December 31</i> | 2018 | 2017 |
|--------------------------------|--------------------|-------------|
| Administrative and general | ₱20,636,131 | ₱20,984,386 |
| Operations and maintenance | 7,217,987 | 6,332,104 |
| Consumer services | 1,871,579 | 1,706,305 |
| Capitalized labor costs | 10,494,392 | 10,931,949 |
| | ₱40,220,089 | ₱39,954,744 |

Note 22

Related Party Transactions

In the ordinary course of trade or business, the Cooperative provides electricity to its related parties which include its directors, officers, related interests and employees. These transactions were made substantially on the same terms and conditions as with other parties. None of the transactions incorporate special terms and conditions and no guarantee is given or received. Outstanding balances are usually settled in cash. Moreover, the revenue from these related parties are insignificant. The Cooperative has no associates, affiliates and joint venture projects.

The following summarizes transactions with related parties:

- Beginning 2010, the Cooperative extended interest-free advances to its members through the Service Connection Assistance Program (SCAP), and the HELP program (for house-wiring materials). Total receivables under the SCAP program amounted ₱11,208,563 in 2018 and ₱11,248,938 in 2017. Total receivables under the HELP Program amounted ₱6,989,861 in 2018 and ₱6,992,525 in 2017.
- The Cooperative also extends cash advances to other electric cooperatives, employees and directors. As at December 31, 2018, the non-moving accounts receivable from other electric cooperatives amounted ₱1,874,926 and its non-moving accounts payable to other electric cooperatives amounted ₱2,435,754. The advances to officers and employees amounted ₱125,338 in 2018 and ₱78,506 in 2017.
- The key management compensation during 2018 and 2017 follow:

| <i>December 31</i> | 2018 | 2017 |
|--------------------|-------------------|-------------|
| Salaries and wages | ₱1,923,263 | ₱1,909,330 |
| Employee benefits | 515,504 | 512,882 |
| | ₱2,438,767 | ₱2,422,212 |

Note 23
Fair Value Measurement

Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The following table summarizes the fair value hierarchy of the Cooperative's financial assets and financial liabilities which are not measured at fair value in the 2018 statement of financial condition but for which fair value is disclosed.

| <i>December 31, 2018</i> | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | <i>Total</i> |
|--------------------------------------|---------------------|----------------|---------------------|---------------------|
| Financial assets | | | | |
| Cash (Note 6) | ₱104,074,252 | ₱– | | ₱104,074,252 |
| Trade and other receivables (Note 7) | | | ₱77,717,875 | 77,717,875 |
| | ₱104,074,252 | ₱– | ₱77,717,875 | ₱181,792,127 |
| Financial liabilities | | | | |
| Loans and borrowings (Note 13) | ₱– | ₱– | ₱161,334,005 | ₱161,334,005 |
| Consumers' deposits (Note 15) | | | 59,390,969 | 59,390,969 |
| Trade and other payables (Note 16) | | | 187,342,860 | 187,342,860 |
| | ₱– | ₱– | ₱408,067,834 | ₱408,067,834 |
| <i>December 31, 2017</i> | | | | |
| Financial assets | | | | |
| Cash (Note 6) | ₱74,726,504 | ₱– | | ₱74,726,504 |
| Trade and other receivables (Note 7) | | | ₱70,770,572 | 70,770,572 |
| | ₱74,726,504 | ₱– | ₱79,377,880 | ₱145,497,076 |
| Financial liabilities | | | | |
| Loans and borrowings (Note 13) | ₱– | ₱– | ₱188,345,748 | ₱188,345,748 |
| Consumers' deposits (Note 15) | | | 51,790,024 | 51,790,024 |
| Trade and other payables (Note 16) | | | 142,910,143 | 142,910,143 |
| | ₱– | ₱– | ₱383,045,915 | ₱383,045,915 |

For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments equal their fair values. The fair values of the financial assets and financial liabilities included in Level 3 above which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counter-parties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument. When the Cooperative uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

Fair Value Measurement for Non-Financial Assets

The table in the following page shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis as of December 31, 2018 and 2017.

| <i>December 31, 2018</i> | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | <i>Total</i> |
|---|----------------|----------------|---------------------|---------------------|
| Non-financial assets | | | | |
| Materials & supplies inventory (Note 8) | | | ₱20,390,156 | ₱20,390,156 |
| Utility, plant and equipment (Note 4) | | | 546,023,329 | 546,023,329 |
| | | | ₱566,413,485 | ₱566,413,485 |

(Carried Forward.)

(Brought Forward.)
December 31, 2017

| | Level 1 | Level 2 | Level 3 | Total |
|---|---------|---------|---------------------|---------------------|
| Non-financial assets | | | | |
| Materials & supplies inventory (Note 8) | | | ₱20,638,819 | ₱20,638,819 |
| Utility, plant and equipment (Note 4) | | | 524,676,059 | 524,676,059 |
| | | | ₱545,314,878 | ₱545,314,878 |

The Level 3 fair value of the land and buildings and improvements included under the Property and Equipment account was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

Note 24

Risk Management Objectives and Policies

The Cooperative is exposed to various risks in relation to its financial instruments. The main types of risks it is facing are market risk, credit risk and liquidity risk. The Cooperative's risk management is coordinated by its Board of Directors and focuses principally on actively securing the Cooperative's short to medium-term cash flows by minimizing the exposure to volatile financial markets. The Cooperative does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Cooperative is exposed are described as follows:

Market Risk Analysis

The Cooperative is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities. Most of the Cooperative's transactions are carried out in Philippine currency, its functional currency. It has limited or no exposures to currency exchange rates since it has no transactions involving foreign currencies. The Cooperative does not actively engage in the trading of financial assets nor does it write options. It likewise has little exposure to interest rate risk as its financial assets and loans and borrowings have fixed interest rates. Its exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting period date.

Credit Risk Analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Cooperative. The Cooperative is exposed to this risk for various financial instruments, for example by the trade and other receivables extended to member/consumers, placing deposits, etc. The Cooperative's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the end of the reporting period, as summarized in the following:

| December 31, 2018 | Neither Past Due Nor Impaired | Past Due But Not Impaired | Total |
|--------------------------------------|----------------------------------|------------------------------|---------------------|
| Cash (Note 6) | ₱104,074,252 | | ₱104,074,252 |
| Trade and other receivables (Note 7) | 18,227,432 | ₱59,490,443 | 77,717,875 |
| Other non-current assets (Note 5) | 6,081,714 | | 6,081,714 |
| | ₱128,383,398 | ₱59,490,443 | ₱187,873,841 |
| | 68.33% | 31.67% | 100.00% |

The Cooperative manages the level of credit risk by actively monitoring all its receivables to avoid significant delinquency.

Liquidity Risk Analysis

The Cooperative is likewise exposed to liquidity risk, the risk that it will encounter difficulty in meeting its obligations as they become due without incurring unacceptable losses or costs. The Cooperative's objectives to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs, and (c) to be able to access funding when needed at the least possible cost. The Cooperative manages its liquidity by carefully monitoring its scheduled debt servicing payments for long-term financial liabilities as well as its cash flows due on its day-to-day business.

The maturity profile of the Cooperative's financial liabilities is as follows:

| <i>December 31, 2018</i> | <i>Due in One Year</i> | <i>Due Over One Year</i> | Total |
|------------------------------------|------------------------|--------------------------|---------------------|
| Loans and borrowings (Note 13) | ₱187,342,860 | ₱– | ₱187,342,860 |
| Trade and other payables (Note 16) | 10,182,326 | 151,151,679 | 161,334,005 |
| Refund payable (Note 17) | 637,473 | – | 637,473 |
| Consumer deposits (Note 15) | – | 59,390,969 | 59,390,969 |
| | ₱198,162,659 | ₱210,542,648 | ₱408,705,307 |
| | 48.49% | 51.51% | 100.00% |

Note 25

Capital Management Objectives, Policies and Procedures

The Cooperative manages its capital to ensure that it has the ability to continue as a going concern in serving the needs of its members. The Cooperative's Board of Directors reviews regularly its capital structure on the basis of the carrying amount of equity, less cash and cash equivalents, as presented on the face of the statement of financial position. As a part of this review, the Board of Directors considers the cost of capital and the risks associated with each class of capital.

Capital-to-Overall Financing Rate

The Cooperative's reported capital as at December 31, 2018, with comparative data as of December 31, 2016, is summarized as follows:

| <i>December 31,</i> | 2018 | 2017 |
|-----------------------------------|---------------------|--------------|
| Total members' equity | ₱308,815,759 | ₱266,093,285 |
| Less cash (Note 6) | 104,074,252 | 74,726,504 |
| Capital | ₱204,741,507 | ₱191,366,781 |
| Total members' equity | ₱308,815,759 | ₱266,093,285 |
| Borrowings (total liabilities) | 445,722,238 | 431,811,066 |
| Overall financing | ₱754,537,997 | ₱697,904,351 |
| Capital-to-Overall Financing Rate | 27.13% | 27.42% |

Gearing Ratio

| <i>December 31,</i> | 2018 | 2017 |
|--|---------------------|--------------|
| Total liabilities | ₱445,722,238 | ₱431,811,066 |
| Less cash (Note 6) | 104,074,252 | 74,726,504 |
| Net debt | 341,647,986 | 357,084,562 |
| Total members' equity | 308,815,759 | 266,093,285 |
| Equity and Net Debt | ₱650,463,745 | ₱623,177,847 |
| Gearing Ratio (Net Debt/Equity and Net Debt) | 52.52% | 57.30% |

Gearing ratio focuses on the capital structure of the Cooperative– that means the proportion of finance that is provided by debt (borrowings) relative to the finance provided by equity. It is also concerned with liquidity. However, it focuses on the long–term financial stability of the Cooperative. Gearing (otherwise known as "leverage") measures the proportion of assets invested in business that are financed by borrowings. In theory, the higher the level of borrowings (gearing) the higher are the risks to the business since the payment of interest is not "optional". However, gearing can be a financially sound part of a business's capital structure particularly if the business has strong, predictable cash flows. The Cooperative will strive to reduce its gearing ratio by reducing working capital through increasing the speed of collections of its trade receivables thereby producing cash that can be used to pay down maturing debts.

| <i>December 31,</i> | 2018 | 2017 |
|-----------------------|---------------------|--------------|
| Total Liabilities | ₱445,722,238 | ₱431,811,066 |
| Total Members' Equity | 308,815,759 | 266,093,285 |
| | ₱754,537,997 | ₱697,904,351 |
| Debt to Equity Ratio | 1.44 : 1 | 1.62 : 1 |

Note 26

Revenue Classification as Per Energy Regulatory Commission

| <i>December 31,</i> | 2018 | 2017 |
|-------------------------------------|---------------------|--------------|
| Residential | ₱547,203,468 | ₱483,485,781 |
| Lower Voltage | | |
| Commercial | 115,681,495 | 104,608,035 |
| Public Buildings | 49,526,393 | 42,306,719 |
| Industrial | 48,598,397 | 46,655,199 |
| Public streets and highway lighting | 5,808,702 | 5,547,686 |
| | 219,614,987 | 199,117,639 |
| Higher Voltage – Industrial | 170,795,203 | 107,438,488 |
| | ₱937,613,659 | ₱790,041,908 |

Note 27

Commitments and Contingencies

In the normal course of its operations, the Cooperative makes various commitments and incurs certain contingent liabilities which are not reflected in the accompanying financial statements. Management anticipates no material losses, if any, that may arise from these commitments and contingencies.

Note 28

Events After Reporting Date

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

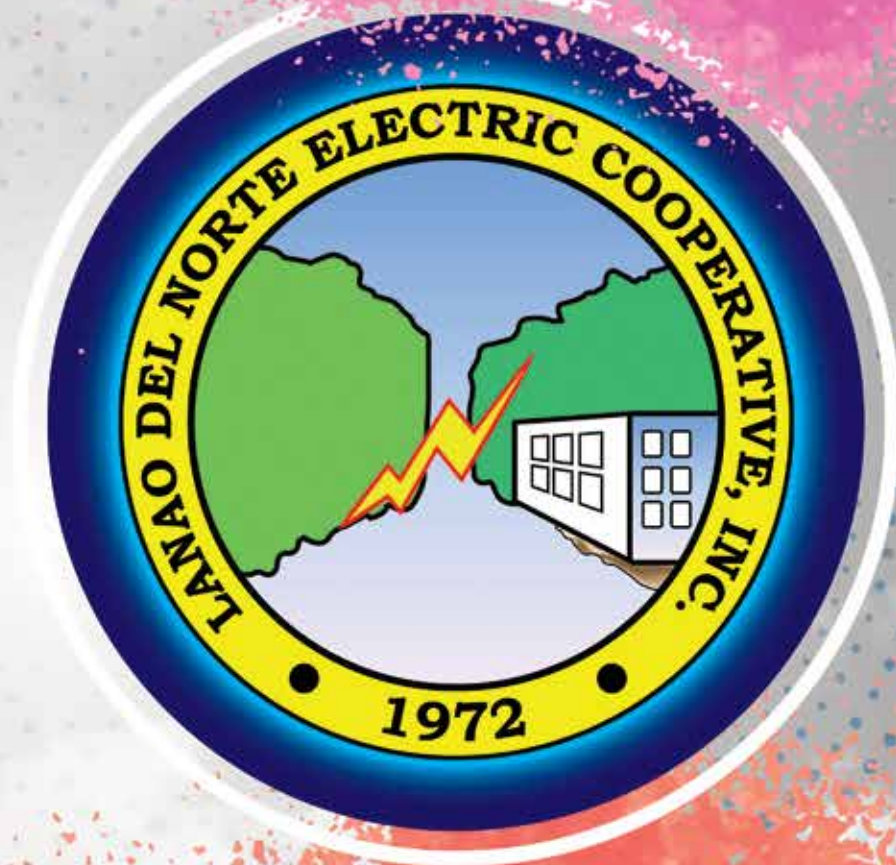
Note 29

Approval of Financial Statements

The Cooperative's financial statements as of and for the year ended December 31, 2018 were authorized for issue by the Executive Committee of its Board of Directors on April 14, 2019.

Note 30**Taxes and Licenses***Years Ended December 31*

| | 2018 | 2017 |
|------------------------------------|-----------------|-----------------|
| Real property taxes | ₱158,448 | ₱93,591 |
| Vehicle licenses | 107,571 | 56,909 |
| Radio licenses | 80,393 | 79,280 |
| BIR annual registration and others | 10,000 | 11,573 |
| Income taxes | - | 169,042 |
| | ₱356,412 | ₱410,395 |



REPORT on the **INSTITUTIONAL** **ACHIEVEMENTS**

Statistical & Other Data

As of December 31, 2018

| | |
|---|---------|
| No. of Municipalities Within Franchise Area | 18 |
| No. of Energized Municipalities Within the Franchise Area | 18 |
| No. of Membership | 91,032 |
| No. of House Connections | 99,186 |
| No. of Service Connections | 102,312 |
| No. of Potential Connections (Adjusted data based on 2015 Census of Population and Housing) | 125,780 |
| No. of Potential Barangays | 410 |
| No. of Barangays Served | 401 |
| Percentage of Barangays Served | 98% |
| No. of Barangays Served Outside the Franchise Area | 6 |
| No. of Beneficiaries of Sitio Electrification and Barangay Line Enhancement Program (SEBLEP) under the Government Subsidy Program | 5,293 |
| No. of Beneficiaries of Nationwide Intensification & Household Electrification under the Government Subsidy Program | 4,421 |
| Total Number of Active Barangay Electricians | 126 |
| No. of Brigada Eskwela Electric Check Conducted to Schools | 29 |
| No. of Electricians' Monthly Meetings Conducted | 12 |
| No. of Consumers Apprehended on Electric Pilferages | 113 |
| No. of Pre-Membership and Re-Oriented for Disconnected Consumers Seminar Conducted | 306 |
| No. of Participants (PMES) | 6,238 |
| No. of Participants (Re-Oriented) | 3 |
| No. of Weekly Broadcast Programs | 44 |
| No. of Multi-Sectoral Electrification Advisory Council (MSEAC) Quarterly Meetings Conducted | 4 |
| No. of Information Drives Conducted/ SP/SB/ABC Sessions/ Barangay Assemblies Attended | 16 |
| No. of Bandillos Conducted | 42 |
| No. of Approved Senior Citizens Discount Applications | 708 |
| No. of Membership Certificates & I.D. cards prepared | 2,584 |
| No. of Membership Certificates & I.D. cards released | 3,565 |

STATUS OF HOUSE CONNECTION

AS OF DECEMBER 2018

(ADJUSTED DATA BASED ON 2015 CENSUS OF POPULATION & HOUSEHOLDS IN LANA DEL NORTE)

| No. | Municipality | Barangay | | | Consumer Connection | | |
|--------------|---|------------|----------------|------------|---------------------|----------------|------------|
| | | Potential | Actual To date | % | Potential | Actual To date | % |
| 1 | Linamon | 8 | 8 | 100% | 4,473 | 4,509 | 101% |
| 2 | Matungao | 12 | 12 | 100% | 2,206 | 1,183 | 54% |
| 3 | Kauswagan | 13 | 13 | 100% | 5,916 | 5,647 | 95% |
| 4 | Bacolod | 16 | 16 | 100% | 5,199 | 5,641 | 109% |
| 5 | Maigo | 13 | 13 | 100% | 5,008 | 4,963 | 99% |
| 6 | Kolambugan | 26 | 26 | 100% | 6,446 | 7,303 | 113% |
| 7 | Tangkal | 18 | 18 | 100% | 2,405 | 487 | 20% |
| 8 | Tubod | 24 | 24 | 100% | 11,092 | 13,349 | 120% |
| 9 | Magsaysay | 24 | 24 | 100% | 3,839 | 1,909 | 50% |
| 10 | Baroy | 23 | 23 | 100% | 5,601 | 6,499 | 116% |
| 11 | Lala | 27 | 27 | 100% | 15,443 | 17,356 | 112% |
| 12 | Salvador | 25 | 25 | 100% | 7,028 | 3,385 | 48% |
| 13 | Kapatagan | 33 | 33 | 100% | 14,998 | 11,385 | 76% |
| 14 | Sapad | 17 | 17 | 100% | 4,716 | 3,179 | 67% |
| 15 | Sultan Naga Dimaporo (SND) | 37 | 37 | 100% | 11,616 | 8,015 | 69% |
| 16 | Balo-i * | 4 | 4 | 100% | 3,084 | 2,065 | 67% |
| 17 | Poona-Piagapo ** | 26 | 23 | 88% | 4,414 | 598 | 14% |
| 18 | Munai *** | 26 | 25 | 96% | 6,020 | 898 | 15% |
| 19 | Aurora, Zamboanga del Sur (Brgys. Anonang, Cebuneg, Acad, Napo, Bag-ong Oslob, Tagulo) **** | 6 | 6 | 100% | - | 788 | - |
| 20 | Nunungan (SOLAR) | 25 | 25 | 100% | 3,508 | 25 | 1% |
| 21 | Tagoloan (SOLAR) ***** | 7 | 2 | 29% | 2,768 | 2 | 0% |
| TOTAL | | 410 | 401 | 98% | 125,780 | 99,186 | 79% |

* Three (3) barangays in Baloi are under the franchise area of LANEKO

** Three (3) barangays in Poona Piagapo are still unenergized

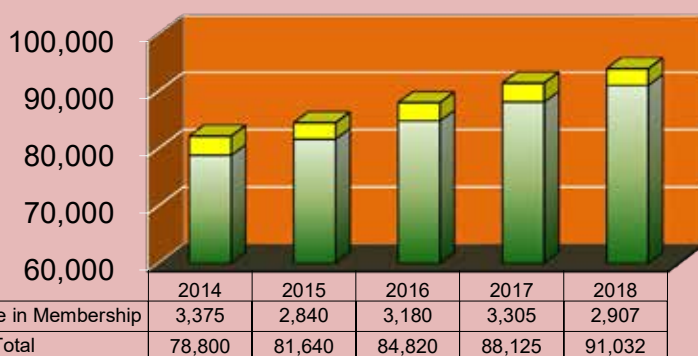
*** Nine (9) barangays in Munai were energized through SOLAR Power (DOE)

**** These are barangays of Aurora, Zamboanga del Sur served by LANEKO outside the franchise area barangays are still unenergized

Status Membership As of December 31, 2018

| MUNICIPALITY | TOTAL (As of December 31, 2017) | TOTAL (As of December 31, 2018) |
|--|------------------------------------|------------------------------------|
| 1. LINAMON | 3,818 | 3,900 |
| 2. KAUSWAGAN | 4,997 | 5,088 |
| 3. BACOLOD | 5,021 | 5,143 |
| 4. MAIGO | 4,235 | 4,370 |
| 5. KOLAMBUGAN | 6,709 | 6,853 |
| 6. TUBOD | 11,406 | 11,724 |
| 7. BAROY | 5,939 | 6,064 |
| 8. LALA | 14,386 | 14,924 |
| 9. SALVADOR | 3,127 | 3,259 |
| 10. KAPATAGAN | 10,904 | 11,299 |
| 11. SAPAD | 2,841 | 2,933 |
| 12. SULTAN NAGA DIMAPORO | 7,631 | 7,989 |
| 13. MAGSAYSAY | 1,705 | 1,769 |
| 14. TANGKAL | 417 | 494 |
| 15. MATUNGAO | 1,017 | 1,078 |
| 16. POONA PIAGAPO | 563 | 571 |
| 17. MUNAI | 806 | 889 |
| 18. BALOI, LANA DEL NORTE | 1,905 | 1,980 |
| Barangays: | | |
| Ma. Cristina | 1,174 | 1,208 |
| Nangka | 433 | 457 |
| Abaga | 235 | 237 |
| Matampay/ Pendulonan | 63 | 78 |
| SUB-TOTAL | 87,427 | 90,327 |
| MUNICIPALITIES OUTSIDE THE COVERAGE AREA BUT ARE PARTIALLY SERVED BY LANECO | | |
| 19. AURORA, ZAMBOANGA DEL SUR | 698 | 705 |
| Barangays: | | |
| Cebuneg | 85 | 85 |
| Acad | 198 | 198 |
| Anonang | 238 | 245 |
| Napo | 23 | 23 |
| Bag-ong Oslob | 154 | 154 |
| GRAND TOTAL | 88,125 | 91,032 |

Status of Membership
Five-Year Comparative Growth



Total No. of Members as of May 3, 2019 (Cut-Off Date for Qualified Registrants to the 42nd Annual General Membership Assembly)

92,907

Activities Successfully

42nd Annual General Membership Assembly Conducted

| | |
|--------------------------------------|--|
| Date Conducted | May 27, 2018 |
| Venue | Mindanao Civic Center Gymnasium National Highway, Sagadan, Poblacion, Tubod, Lanao del Norte |
| Invited Guest of Honor | Edgardo R. Masongsong - NEA Administrator Represented by Atty. Alipio Cirilo V. Badelles - Member, NEA Board of Administrator |
| Total No. of Members as of AGMA Date | 89,387 |
| No. of Attending Members | 12,644 |
| Percentage of Attending Members | 14.15% |

District Election Scheduled and Conducted

| | |
|------------------------------------|----------------|
| Districts due for Election in 2018 | 4 |
| IX-Kapatagan | April 14, 2018 |
| XII-Sultan Naga Dimaporo | April 15, 2018 |
| II-Kauswagan-Munai | April 21, 2018 |
| VI-Tubod-Magsaysay | April 22, 2018 |

46th Foundation Anniversary Celebration & 9th National Electrification Awareness Month Activities

August 1-31, 2018

| |
|---|
| Simultaneous Hanging of Tarpaulin/ Streamer re National Electrification Awareness Month in the Central Office, Branch Offices & Substations |
| Opening Program for the 9 th NEAM and 46 th Foundation Anniversary celebrations |
| Motorcade (around Poblacion, Tubod) |
| Opening of the Inter-color Sports fest |
| Thanksgiving Mass |
| Weekly Radio Plugging thru 'ANG TINGOG SA LANECO' regarding the Rural Electrification Program and LANECO |
| MSEAC Quarterly Meeting |
| Member Consumer Empowerment Program |
| MCEP Orientation of the newly organized barangays |
| Pre-Membership Education Seminar for Nationwide Intensification & Household Electrification (NIHE) recipients |
| Power Walk, Larong Pinoy & Inter-color Sports Fest |
| Blood Letting |
| National Tree Planting and Line Clearing Day |
| Culmination Program with Candle Lighting Ceremony & Offering of Prayer for Rural Electrification |

Other Activities Successfully Conducted & Facilitated

| | |
|---|--------------------|
| Member-Consumer Empowerment Program (MCEP) | 94 Barangays |
| National Women's Month Celebration | March 1-31, 2018 |
| Directors & Employees' Day | March 16, 2018 |
| ERC Case No. 2017-108 RC "LANECO's Application for Approval in Rates Pursuant to the Tariff Glide Path Rules" | July 4, 2018 |
| ERC Case No. 2017-043 RC "LANECO's Application for Confirmation and Approval of Emergency Capital Expenditure Project re Procurement of 10MVA Power Transformer with Protection Safety Accessories for Kapatagan Substation as Replacement for the Damaged 1-5MVA Power Transformer | July 5, 2018 |
| Joint Information Drive with NGCP: Lemoncrete, Magsaysay, LDN | July 10, 2018 |
| Maria Cristina, Baloi, LDN | July 18, 2018 |
| Corporate Social Responsibility: Dental & Medical Mission in Partnership with KEGI and Lanao del Norte Medical Society and Dental Chapter | September 20, 2018 |
| Energization and Commissioning Ceremony of 18KM 69KV Line from Kapatagan to Tubod and 10MVA Power Substation in Tubod | October 27, 2018 |
| Barangay Electrification Council of Empowered Member-Consumer-Owners (BECEMCO) & Multi-Sectoral Electrification Advisory Council (MSEAC) 1st Joint Congress | November 28, 2018 |
| LANECO Family Christmas Party | December 18, 2018 |
| Federated Multi-Sectoral Electrification Advisory Council Quarterly Meetings | 4 quarters |
| LANECO Quarterly Prompt Payer Raffle Draws | 4 quarters |

In-House Trainings/ Seminars Conducted

| |
|--|
| Seminar Workshop on Quality Customer Relations |
| Workshop for the Making of Master Plan/ Sustainability Plan 2018 |
| Raising Mental Awareness in the Workplace |

Conducted & Facilitated

Barangays Organized thru Member-Consumer Empowerment Program (MCEP)

| MUNICIPALITY | BARANGAY | DATE ORGANIZED | MUNICIPALITY | BARANGAY | DATE ORGANIZED |
|-------------------|-----------------------------|--------------------|----------------------------------|---------------------------|-------------------|
| MATUNGAO | | | BAROY | | |
| 1 | Pange - Matungao | February 06, 2018 | 1 | Andil - Baroy | January 29, 2018 |
| 2 | Puntod - Matungao | February 06, 2018 | 2 | Tinubdan - Baroy | January 29, 2018 |
| 3 | Matampay - Matungao | November 12, 2018 | 3 | Limwag - Baroy | January 30, 2018 |
| 4 | Somiorang - Matungao | November 12, 2018 | 4 | Maliwanag - Baroy | January 30, 2018 |
| 5 | Bangko - Matungao | November 19, 2018 | 5 | Bato - Baroy | March 01, 2018 |
| 6 | Cadayunan - Matungao | November 19, 2018 | 6 | Dalama - Baroy | March 01, 2018 |
| LINAMON | | | 7 | Lindongan - Baroy | March 02, 2018 |
| 1 | Purakan - Linamon | November 26, 2018 | 8 | Salong - Baroy | March 02, 2018 |
| BACOLOD | | | 15 | Raw-an Point - Baroy | October 31, 2018 |
| 1 | Liangan East - Bacolod | September 21, 2018 | 16 | Manan-ao - Baroy | November 09, 2018 |
| 2 | Alegria - Bacolod | October 26, 2018 | LALA | | |
| 3 | Babalaya - Bacolod | October 29, 2018 | 1 | Darumawang Ilaya - Lala | February 08, 2018 |
| 4 | Kahayag - Bacolod | October 29, 2018 | 2 | El Salvador - Lala | February 08, 2018 |
| KAUSWAGAN | | | 3 | Darumawang Bucana - Lala | February 14, 2018 |
| 1 | Tacub - Kauswagan | October 30, 2018 | 4 | Matampay Bucana - Lala | February 14, 2018 |
| 2 | Kawit Oriental - Kauswagan | November 21, 2018 | 5 | Camalan - Lala | March 8, 2018 |
| KOLAMBUGAN | | | 6 | Tunaan - Lala | March 8, 2018 |
| 1 | Manga - Kolambugan | March 9, 2018 | 7 | Matampay Ilaya - Lala | March 09, 2018 |
| 2 | Titunod - Kolambugan | August 13, 2018 | 8 | Pacita - Lala | March 09, 2018 |
| 3 | Mukas - Kolambugan | August 14, 2018 | 9 | Cabasagan - Lala | April 06, 2018 |
| 4 | Caromatan - Kolambugan | October 25, 2018 | 10 | Raw-an - Lala | April 06, 2018 |
| MAIGO | | | 11 | Andil - Lala | November 09, 2018 |
| 1 | Balagatasa - Maigo | September 13, 2018 | 12 | Upper San Isidro - Lala | November 15, 2018 |
| 2 | Liangan West - Maigo | September 13, 2018 | 13 | Upper Sta. Cruz - Lala | November 15, 2018 |
| 3 | Segapod - Maigo | September 21, 2018 | 14 | Lala Proper - Lala | November 22, 2018 |
| KAPATAGAN | | | 15 | Lower Sta. Cruz - Lala | November 29, 2018 |
| 1 | Pulang Yuta - Kapatagan | August 6, 2018 | SND | | |
| 2 | Taguific - Kapatagan | August 7, 2018 | 1 | Pandanán - SND | November 16, 2018 |
| 3 | Butadon - Kapatagan | August 7, 2018 | 2 | Tagolog - SND | November 16, 2018 |
| 4 | Tulatulahan - Kapatagan | August 9, 2018 | SAPAD | | |
| 5 | Bansarvil-1 - Kapatagan | August 15, 2018 | 1 | Mapurog - Sapad | December 14, 2018 |
| 6 | Tiacongan - Kapatagan | August 22, 2018 | 2 | Pancilan - Sapad | December 14, 2018 |
| 7 | Bagong Silang - Kapatagan | September 3, 2018 | SALVADOR | | |
| 8 | Donggo-an-Kapatagan | September 4, 2018 | 1 | Poblacion - Salvador | December 14, 2018 |
| 9 | Cathedral Falls - Kapatagan | September 4, 2018 | TANGKAL | | |
| 10 | Curvada - Kapatagan | November 26, 2018 | 1 | Small Banisilon - Tangkal | December 14, 2018 |
| 11 | Balili - Kapatagan | November 26, 2018 | 2 | Poblacion - Tangkal | December 14, 2018 |
| 12 | San Vicente - Kapatagan | November 26, 2018 | MUNAI | | |
| 13 | Sto. Tomas - Kapatagan | November 26, 2018 | 1 | Lininding - Munai | December 17, 2018 |
| TUBOD | | | 2 | Tambo - Munai | December 17, 2018 |
| 1 | Kakai Renabor - Tubod | January 31, 2018 | 3 | Matampay - Munai | December 17, 2018 |
| 2 | Tanguerueron - Tubod | January 31, 2018 | 4 | Pendulonan - Munai | December 17, 2018 |
| 3 | Baris - Tubod | February 02, 2018 | 5 | Punong - Munai | December 17, 2018 |
| 4 | Malingao - Tubod | February 02, 2018 | 6 | Tapurog - Munai | December 17, 2018 |
| 5 | Pigcarangan - Tubod | February 11, 2018 | 7 | Balabacon - Munai | December 17, 2018 |
| 6 | Bulod - Tubod | June 20, 2018 | TOTAL ORGANIZED BARANGAYS | | |
| 7 | San Antonio - Tubod | July 28, 2018 | 94 | | |
| MAGSAYSAY | | | | | |
| 1 | Poblacion - Magsaysay | March 23, 2018 | | | |
| 2 | Lemoncret - Magsaysay | March 23, 2018 | | | |
| 3 | Olango - Magsaysay | March 26, 2018 | | | |
| 4 | Tambacon - Magsaysay | March 26, 2018 | | | |
| 5 | Baguiguicon - Magsaysay | April 05, 2018 | | | |
| 6 | Tipaan - Magsaysay | April 05, 2018 | | | |
| 7 | Durianon - Magsaysay | July 26, 2018 | | | |
| 8 | Daan Campo - Magsaysay | November 23, 2018 | | | |
| 9 | Somiorang - Magsaysay | November 23, 2018 | | | |

Personnel Profile-2018

| | |
|--|------------|
| Total No. of Employees | 150 |
| Technical | 55 |
| Non-Technical | 95 |
| Female | 49 |
| Male | 101 |
| Project Supervisor/ Acting General Manager | 1 |
| Department Managers | 4 |
| Office of the General Manager | 39 |
| Institutional Services Department | 13 |
| Internal Audit Department | 3 |
| Finance Services Department | 16 |
| Technical Services Department | 28 |
| Branch Offices Employees | |
| Linamon | 9 |
| Bacolod | 7 |
| Kolambugan | 9 |
| Lala | 11 |
| Kapatagan | 7 |
| Sultan Naga Dimaporo | 4 |
| Baroy Service Center | 4 |
| Regular Employees | 147 |
| Probationary | 3 |
| Daily Wage Employees | 143 |
| Job Order Status | 58 |
| Associates | 85 |
| No. of Compulsory Retiree/s | 1 |
| No. of Optional Retiree/s | 0 |
| No. of Personnel Sent to Various Seminars/Trainings | 150 |
| No. of In-House Trainings/Seminars Conducted | 3 |
| No. of On-the-Job Trainees | 82 |
| No. of Consumers/Service Connections Served/Employee | |
| No. of Employees Served by LEHAP (LANECO Employees Hospitalization Assistance Program) | 302 |
| Principal | 90 |
| Dependent | 212 |

Recipients of Plaques of Recognition

- Edgardo R. Masongsong**
NEA Administrator
- Hon. Barry L. Baguio**
Municipal Mayor
Kapatagan, Lanao del Norte
- Hon. Leoncio C. Bagol**
Municipal Mayor
Tubod, Lanao del Norte
- Hon. Allan J. Lim**
Municipal Mayor
Lala, Lanao del Norte
- Hon. Rosa D. Olafsson**
Municipal Mayor
Baroy, Lanao del Norte
- Atty. Donato Y. Calica**
Lala, Lanao del Norte

Posthumous Award

Teddy A. Bernales, Sr.
Former NEA Representative
Bacolod, Lanao del Norte

Nassrollah D. Montud
Former Board Director
Linamon-Matungao District

Pedro A. Tabar
Former Board Director
Salvador District

Rudyard P. Demavivas
Former Board Director
Sapad District

Atlas N. Caballo
Former Board Director
Bacolod District

Ruby G. Ruiz
Former MSEAC Member
Linamon-Matungao District

SUPERVISING AGENCY

National Electrification Administration (NEA) BOARD OF ADMINISTRATORS

SECRETARY ALFONSO G. CUSI
Chairman

FELIX WILLIAM B. FUENTEBELLA
Alternate Chairman

AGUSTIN L. MADDATU
Member

RENE M. GONZALES
Member

ALIPIO CIRILO V. BADELLES
Member

EDGARDO R. MASONGSONG
Member and Administrator

National Electrification Administration (NEA) EXECUTIVE OFFICIALS

EDGARDO R. MASONGSONG
Administrator

SONIA B. SAN DIEGO
Deputy Administrator
Corporate Resources and Financial Services

VICAR LOUREEN G. LOFRANCO
Deputy Administrator
EC Management Services

ROSSAN SJ. ROSERO-LEE
Deputy Administrator
Special Concerns Office (SCO)

ALEXANDER PAUL T. RIVERA
Acting Deputy Administrator
Legal Services

ARTIS NIKKI L. TORTOLA
Deputy Administrator
Technical Services

COMMITTEES OF THE BOARD OF DIRECTORS

LEGAL

Chairman: Dir. Jhonny N. Landiza
Members: Dir. Geromias G. Velasco
Dir. Khalid M. Dimaporo

TECHNICAL

Chairman: Dir. Jimmy O. Pormento
Members: Dir. Jamiri Isagani A. Sanguila
Dir. Arnel M. Bucol

FINANCE

Chairman: Dir. Karim U. Macarompan
Members: Dir. Jonathan L. Duhaylungsod
Dir. Marie Rholyn Charina L. Amesola

INSTITUTIONAL

Chairman: Dir. Khalid M. Dimaporo
Members: Dir. Jhonny N. Landiza
Dir. Jamiri Isagani A. Sanguila

AUDIT

Chairman: Dir. Geromias G. Velasco
Members: Dir. Jonathan L. Duhaylungsod
Dir. Baldomero N. Zamora

ETHICS

Chairman: Dir. Jamiri Isagani A. Sanguila
Members: Dir. Jhonny N. Landiza
Dir. Marie Rholyn Charina L. Amesola

EX-OFFICIO MEMBERS TO ALL COMMITTEES:

Board President Elmira G. Olavides
Project Supervisor/Acting General Manager Sherwin C. Mañada

LEGAL COUNSEL

ATTY. LEO M. ZARAGOZA

Zaragoza-Macabangkit Law Office
Suite 315, Abalos Bldg., Gen. Aguinaldo St., Iligan City

ATTY. CHRISTINE MAE N. CABATINGAN

Associate
Zaragoza-Macabangkit Law Office
Suite 315, Abalos Bldg., Gen. Aguinaldo St., Iligan City

DECHAVEZ & EVANGELISTA LAW OFFICES

Units 1609-1610 Tycoon Centre
Pearl Drive, Ortigas Center, Pasig City, Metro Manila

EXTERNAL AUDITOR

QUILAB & GARSUTA, CPAs

2F Executive Centrum Building
J.R. Borja St., Cagayan de Oro City

CONTACT NOS.

| | |
|--|----------------|
| ENERGYCENTER | |
| Office of the General Manager | (063) 341-5231 |
| TELEFAX | (063) 341-5210 |
| Consumer Welfare Desk/ Institutional Services Department | (063) 341-5459 |
| Finance Department | (063) 341-5113 |
| Engineering Department | (063) 341-5149 |
| LANECO Hotline | 0927-344-8388 |
| Bantay Kawat Kuryente | 0916-435-3520 |
| | 0918-263-1246 |
| BRANCH OFFICES | |
| Linamon | (063) 227-0129 |
| Bacolod | (063) 227-2023 |
| Kolambugan | (063) 355-4433 |
| Lala | (063) 388-7011 |
| Kapatagan | (063) 382-8038 |
| Baroy Service Center | (063) 373-6354 |

THE POLICYM



DIR. ELMIRA G. OLAVIDES, ED.D
President
Tubod - Magsaysay District



DIR. KHALID M. DIMAPORO
Vice-President
Sultan Naga Dimaporo District



DIR. JHONNY N. LANDIZA
Secretary
Kapatagan District



DIR. KARIM U. MACAROMPAN
Treasurer
Maigo District



DIR. MARIE RHOLYN CHARINA L. AMESOLA
Member
Linamon - Matungao District



DIR. JAMIRI ISAGANI A. SANGUILA
Member
Kauswagan - Munai District



DIR. BALDOMERO N. ZAMORA, PEE
Member
Bacolod District

AKING BODY



DIR. JONATHAN L. DUHAYLUNGSOD
Member
Kolambugan - Tangkal District



DIR. GEROMIAS G. VELASCO
Member
Baroy District



DIR. JIMMY O. PORMENTO
Member
Lala District



DIR. ARNEL M. BUCOL
Member
Sapad District



SHERWIN C. MAÑADA, CPA
Member
Project Supervisor / Acting General Manager



ATTY. KRISTINE ESTHER F. CAMPILAN
NEA Representative

The Coop's Stewards

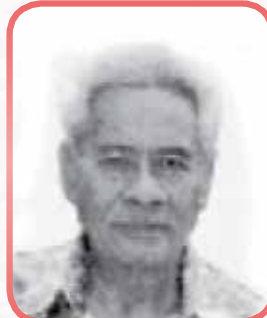
PRESIDENT



MANUEL V. PANGILINAN
May 27, 1972-July 13, 1983



CAYETANO B. OLAVIDES, SR.
July 14, 1983- May 19, 1984



DOMINGO A. CARRILLO
May 20, 1984-June 11, 1987



NELIETA Q. NOVAL
June 12, 1987-March 21, 1992



RUBIN C. GENEROSO
March 22, 1992-November 16, 2001



ISAIAS N. TENEBRO
Nov.17, 2001 - Sept.12, 2003



GREGORIO M. TAN
Sept.13, 2002-Nov. 8, 2006



LYNDON L. ABUCAY
Nov. 9 2006-June 10, 2009



REINARIO B. BIHAG
June 2009-May 31, 2015



EMMANUEL A. MEJORADA
June 2015-Nov. 2016



ELMIRA G. OLAVIDES, Ed.D.
December 2016-Present

Yesterday and Today

GENERAL MANAGER



DEMOSTHENES B. DINGCONG
January 01, 1973-July 31, 1975



ISAGANI R. RABINO
August 1, 1975 - August 30, 1982



RUPERTO O. LASPIÑAS
August 31, 1982 - August 27, 1987



JOEL R. VALENCIA
Project Supervisor
April 26-July 23, 1987



REYNALDO L. RADA
September 1-13, 1987



ROGACIANO B. ANUNCIADO
Project Supervisor / Acting General Manager
September 14, 1987-October 15, 1990



RESNOL C. TORRES
October 16, 1990-August 26, 2011



EVANGELITO S. ESTACA
Project Supervisor
May 2, 2011-January 18, 2012



DANILO G. EBARLE
Officer -In-Charge
November 9, 2011-May 7, 2014



SHERWIN C. MAÑADA, CPA
Project Supervisor /
Acting General Manager
May 8, 2014-Present

The Management Staff



Sherwin C. Mañada, CPA
Project Supervisor / Acting General Manager



Zenaida M. Fabunan, MBA
Institutional Services Department Manager



Angelina G. Estrologo, MBA
Finance Services Department Manager



Jackie Lou R. Bartolo, MBA
Internal Audit Department Manager



Marlon L. Gapol, REE
OIC-Technical Services Department



5-Point Agenda of President Rodrigo R. Duterte



1. ACCESS TO ELECTRICITY FOR ALL
2. POWER AVAILABILITY AT ALL TIMES
3. POWER RELIABILITY
4. SYSTEM EFFICIENCY
5. CHEAP ELECTRICITY RATE

8-Point Agenda of Alfonso G. Cusi-Department of Energy (DOE) Secretary



1. Exert best effort to achieve 100% electrification of targeted identified heretofore unelectrified households in all the three major islands
2. Build a “common carrier” liquefied natural gas receiving and distribution infrastructure anchored at a future “Clean Energy City”
3. Connect the Mindanao grid with the connected Visayas and Luzon grids
4. Plan and build an appropriate portfolio of installed and dependable power capacities (consistent with the projected economic growth up to 2030). The planned power capacities from a mix renewable energy, coal, natural gas and oil shall appropriately matched the aforementioned demand characteristics
5. Accelerate the total privatization of PSALM assets
6. Ensure transparency and predictability in the power generation transmission and distribution permitting process
7. Undertake capacity building of human resources within the “Energy Family”
8. Conduct a nationwide information, education and communication (IEC) campaign on ways to reduce electricity and fuel consumption.

7-Point Agenda of NEA ADMINISTRATOR EDGARDO R. MASONGSONG



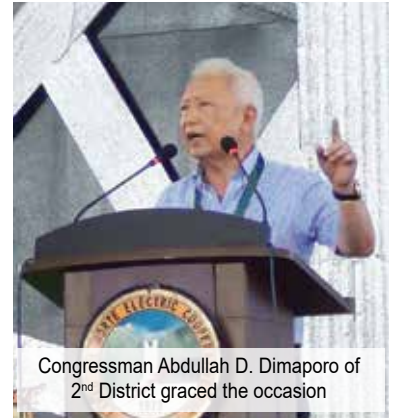
1. Complete the National Rural Electrification Program
2. Intensify Capacity Building Program for the Electric Cooperatives
3. Prioritize the Empowerment Program for the Electric Consumers
4. Carry out Rural Development Program thru Rural Electrification Program
5. Carry on the current Corporate Governance Program of the NEA
6. Strengthen networking and linkaging with the policy-makers to ensure that the Legislative agenda beneficial to the NEA, electric cooperatives, and electric consumers are given attention
7. Introduce the paradigm shift from central NEA to Federal State Electrification Administration or carry out a transition period towards the creation of the National Center of ECs (electric cooperative consumers) to self-govern the rural electrification movement.

Important Events

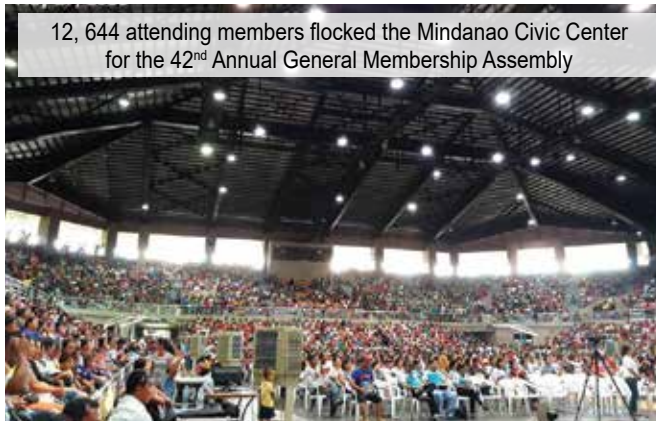
46th Foundation Anniversary & 42nd Annual General Membership Assembly



NEA Board Member Alipio B. Badelles spoke in behalf of the NEA Administrator



Congressman Abdullah D. Dimaporo of 2nd District graced the occasion



12, 644 attending members flocked the Mindanao Civic Center for the 42nd Annual General Membership Assembly



Oath Taking of the re-elected Board of Directors in Tubod-Mgasaysay, Kapatagan, Kauswagan-Munai and SND Districts with the NEA Board Member Alipio B. Badelles



Awarding of the recipients of Plaques of Appreciation

& Activities 2018

District Elections



Re-elected BOD in Kapatagan District: Jhonny L. Landiza



Re-elected BOD in SND District: Khleid M. Dimaporo



Re-elected BOD in Kauswagan-Munai District: Jamiri Isagani A. Sanguila



Re-elected BOD in Tubod-Magsaysay District: Elmira G. Olavides

ERC Hearings



ERC Case No. 2017-108 RC: Application for Approval in Rates Pursuant to the Tariff Glide Part Rules



ERC Case No. 2017-043 RC: Application for Approval of Emergency CAPEX for the Procurement of 10MVA Power Transformer

MSEAC Quarterly Meetings





46th Foundation Anniversary & 9th National



Nationwide Simultaneous Tree Planting and Line Clearing Activities on August 31, 2018 in Tubod & Kolambugan, Lanao del Norte



Blood Letting in Partnership with Philippine Red Cross



Weekly Radio Plugging for "Ang Tingog sa LANECO"



Power Walk Activity participated by LANECO Workforce

Electrification Awareness Month Celebration



Opening Activity for the 9th National Electrification Awareness Month



Offering a fresh flower wreath to the bust of the Father of LANECO - Gov. Arsenio A. Quibranza



Simultaneous Nationwide Candle Lighting Ceremony and Offering of Prayer for Rural Electrification Program

NATIONAL ELECTRIFICATION AWARENESS MONTH
So the people may know

LANECO in 46 years, energized

| | |
|-------------------|--------|
| 18 Municipalities | 100% |
| 401 Barangays | 98% |
| 859 Sitios | 73.61% |

SITIOS with NO LIGHT 308

Let your light shine before others, that they may see your good deeds and glorify your father in heaven
Matthew 5:16





NIHE Engagement Meetings



Engagement Meetings for Nationwide Intensification of Household Electrification (NIHE) Program recipients



Brigada Eskwela



Brigada Eskwela Electric Check from May 21-25 to 29 Elementary and High Schools in Lanao del Norte



Women's Month Celebration



Month long celebration of National Women's Month with its theme, "We Make Change Work for Women"



In-House Trainings / Seminars



Quality Customer Relations Seminar Workshop conducted by the NEA



Raising Mental Awareness in the Workplace seminar conducted by Dr. Josie Marie Grageda



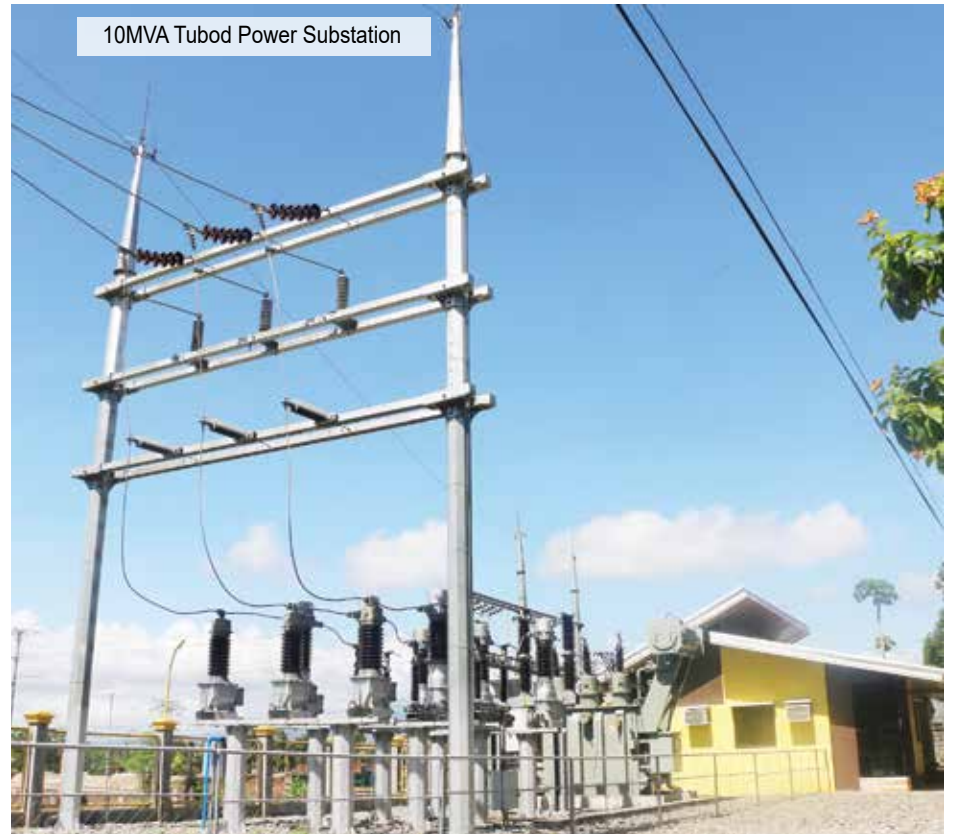
Energization and Commissioning Ceremony of 18KM 69KV Line from Kapatagan to Tubod and 10MVA Power Substation in Tubod



NEA Administrator Edgardo R. Masongsong as the guest speaker



Ceremonial Switch-On with NEA Administrator Edgardo R. Masongsong and Vice Governor Maria Cristina N. Atay



10MVA Tubod Power Substation



LANECO & NGCP Joint Info Drive



NGCP Electrical Safety Seminar



Electricity Safety in the Workplace Seminar attended by the Technical Services Personnel on July 24 - 25, 2018

Member Consumer Empowerment Program



Visiting areas for the continued MCEP activity with a total of 94 organized barangays in 2018



Dental & Medical Mission



This activity was in partnership with the Lanao del Norte Medical Society and Dental Chapter, KEGI, Antonio Floirendo Foundation, Misamis Occidental Power Plant II and Eagles Club of Valencia Bukidnon on September 20, 2018



1st Joint Congress BECEMCO & MSEAC



The Joint Congress was conducted to establish and strengthen the tripartite partnership of the NEA, LANECO and MCOs - November 28, 2018



The LANECO *Family*



*We Serve
from the Heart!* 



laneco.ph



laneco_energy@yahoo.com