

COVER SHEET

C S 2 0 1 3 2 8 8 9 8

S.E.C. Registration Number

P A C E R M - 1 E N E R G Y P O W E R

C O R P O R A T I O N

(Company's Full Name)

Z O N E 1 B R G Y Q U I B O N B O N

E L S A L V A D O R C I T Y M I S A M I S

O R I E N T A L

(Business Address: No. Street City / Town / Province)

EUGENE VELASCO

Contact Person

9776914189

Company Telephone Number

1 2 3 1

Month Day
Fiscal Year

SEC Form 20-IS
Definitive Information Statement

FORM TYPE

Last Friday of March

0 3 2 2

Month Day
Annual Meeting

N/A

Secondary License Type, if Applicable

CFD

Dept. Requiring this Doc

N/A

Amended Articles Number/Section

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = Pls. use black ink for scanning purposes

SUBJECT : NOTICE AND AGENDA OF ANNUAL MEETING OF STOCKHOLDERS

Notice is hereby given that the 6TH ANNUAL MEETING OF THE STOCKHOLDERS of PACERM-1 Energy Corporation will be on March 22, 2024 @ 9:00 a.m. at Emmanuel Pelaez Training Center (EPTC), Covered Court, Laguindingan, Misamis Oriental.

THE AGENDA OF THE MEETING IS AS FOLLOWS:

1. Invocation/Call to Order
2. Proof of Notice of Meeting and Determination of Quorum
3. Reading and approval of the minutes of the annual stockholders' meeting held on March 31, 2023 and the special stockholders' meeting held on June 16, 2023.
4. Presentation of the President's Report
5. Presentation of the Treasurer's Report
6. Report of the CEO and COO
7. Approval of the 2023 Annual Report and Financial Statements
8. PACERM-1 Compliance of R.A. 9513, Renewable Energy Act of 2018 (Renewable Portfolio Standards)
9. Confirmation of External Auditor for 2023 FS
10. Ratification of the Acts, Resolutions, and Proceedings of the Board of Directors, Corporate Officers, and Management from March 31, 2023 to March 22, 2024
11. Election of the member of the Board of Directors
12. Other matters
13. Adjournment

Only stockholders of record at the close of business hours on December 31, 2023 are entitled to notice of, to participate in, and to vote at this meeting.

Registration will start at 9:00 am and will end at 9:30 am. After which business proper will commence.

Should you be unable to attend the meeting physically, you may want to execute a proxy in favor of a representative or you can also attend virtually thru zoom and vote in absentia via email using ballot form to be provided before the meeting. In accordance with the By-Laws of the Corporation, proxies must be presented to the Secretary for inspection and validation and sending of the active email address at least a week prior to the Stockholders' Meeting date. We will also be sending the meeting link as soon as it is available.

The procedures for attendance and voting during this meeting be included in the Information Statement and will be distributed to the stockholders and published in the Company's website at www.pacerm1.com.

For your information.

Sincerely,



FLORENCIA M. MARBA

BOD Secretary

**EXPLANATION OF AGENDA ITEMS
(Including Agenda Items Requiring Stockholders'
Approval)**

ITEM NO. 1: The Chairman will formally commence the meeting at approximately 9:45 a.m. on March 22, 2024. The Corporate Secretary will lead the opening prayer.

ITEM NO. 2: Proof of Notice of Meeting and Determination of Quorum

RATIONALE: *To inform the stockholders that notice requirements for the 2024 Annual Stockholders' Meeting (2024 ASM) have been complied with in accordance with the Company's Amended By-Laws and the Revised Corporation Code of the Philippines, and that quorum exists for the transaction of business.*

The Corporate Secretary will certify that notice of the meeting was duly sent to the stockholders and that a quorum exists for the valid transaction of business.

Pursuant to Sections 23 and 57 of the Revised Corporation Code and SEC Memorandum Circular No. 6, Series of 2020 which provide for remote attendance and voting in absentia in stockholders' meetings, the Company has set up a system and process to allow stockholders to vote online in absentia on the matters in the agenda. Only stockholders who successfully registered in the stockholder registration system, together with those who voted in absentia or by proxy, will be included in determining the existence of a quorum.

The following are the procedures for the meeting:

- Registration for those physically attending the ASM will start at 9:00 a.m. and will end on 9:30 a.m. on the meeting date.
- Stockholders who wish to attend the meeting via ZOOM and/or vote in absentia online must register at the following link: (to be provided later)
- The stockholders voting in absentia will also receive an email of the voting ballot on the date prior to the meeting. The details of the process are provided in the Information Statement.
- Business proper will commence at 9:45 a.m.
- Prior to the election process, the Nomination/Election Committee will present the guidelines in the conduct of the nomination which is already done prior to election date, the qualifications of the nominees and the election procedures.
- Only stockholders who are registered and on record as of Dec. 31, 2023 can cast their vote.
- After the election, the votes will be tabulated by the

Nomination/Election Committee assisted by the Finance and Administration Officers using screen sharing presentation and the results will immediately be presented on screen.

- Stockholders can send their remarks or question in advance by email to pacerm1energycorp@gmail.com but they will be properly discussed during the actual meeting.
- There will be an audio and visual recording of the meeting.

ITEM NO. 3: Reading and Approval of the Minutes of the Annual Stockholders' Meeting held on March 31, 2023 and the Special Stockholders' Meeting held on June 16, 2023

RATIONALE: *To allow the stockholders to confirm that the proceedings during the ASM were recorded accurately and truthfully.*

The minutes of the meeting held on March 31, 2023 will be posted at PACERM-1's website, www.pacerm1.com, on February 20, 2024. Copies of the 2023 ASM minutes will be made part of the Definitive Information Statement and will be provided to the stockholders.

A resolution approving the minutes of the March 31, 2023 ASM will be presented to the stockholders for approval.

ITEM NO. 4: Presentation of the President's Report

RATIONALE: *To apprise the stockholders of the Company's overall operating performance, financial condition, and outlook.*

The Company's President Mr. Nonito M. Labis, shall deliver a report to the stockholders on the 2023 overall operating and financial performance of the Company, as well as its outlook for 2024.

ITEM NO. 5: Presentation of the Treasurer's Report

RATIONALE: *To apprise the stockholders of the Company's financial performance and financial condition of PACERM1.*

The Company's Treasurer Mr. Edwin Igloria, shall deliver a report to the stockholders on the 2023 financial performance and financial condition of PACERM1.

ITEM NO. 6: Presentation of the COO's Report

RATIONALE: *To apprise the stockholders of the Company on the significant events that affect the Company's performance and the outlook in the near future.*

The Company's Chief Operating Officer/General Manger Engr. Julie B. Real, shall deliver a report to the stockholders on the 2023 significant event that affects the Company's performance and what to expect in 2024 and the near future.

ITEM NO. 7: Approval of the 2023 Annual Report and Financial Statements

RATIONALE: *To present to the stockholders the results of the Company's operations in 2022, in accordance with Section 74 of the Revised Corporation Code.*

The Company's audited financial statements as of December 31, 2023 is integrated and made part of the Company's Definitive Information Statement that will be sent to the stockholders at least 15 business days prior to the 2024 ASM. The Information Statement and the Company's 2023 Annual Report will be posted on the Company's website, at www.pacerm1.com.

A resolution approving the 2023 Annual Report and Audited Financial Statements shall be presented to the stockholders for approval.

ITEM NO. 8: PACERM-1 Compliance of R.A. 9513, Renewable Energy Act of 2018

RATIONALE: *To get the approval of stockholders on the planned investment of PACERM1 in solar power supply in compliance with R.A. 9513 or the Renewable Energy Act of 2008.*

The Company's Chief Operating Officer/General Manger Engr. Julie B. Real, shall explain the rationale or the need to engage in renewable energy supply in accordance with the mandate of the Rules and Guidelines Governing the Establishment of the Renewable Portfolio Standards promulgated by the Department of Energy under R.A. 9513. In PACERM1's case, the proposal to invest in solar power supply.

Details are still being formulated by Management.

ITEM NO. 9: Confirmation of External Auditor for 2023 Financial Statements

RATIONALE: *To appoint an auditing firm duly accredited by the Securities and Exchange Commission under Category Group A and which can best provide assurance to the directors and stockholders on the integrity of the Company's financial statements and adequacy of its internal controls. The Board of Directors will endorse an external audit it already appointed for the 2023 financial statements for the stockholders to confirm.*

The Company's Board of Directors approved for stockholders' consideration the appointment of Moore, Roxas, Cruz, Tagle and Co. (MRCT) as the Company's external auditor for the 2023 financial statements

The accounting firm of MRCT has been PACERM1's Independent Public

Accountant since 2023. Mr Aljuver R. Gamao, PACERM1's audit partner of the firm from the start will handle the 2023 audit. PACERM1 complies with the requirement of Section 3(b)(ix) of SRC Rule 68 on the rotation of external auditors or signing partners and the two-year cooling-off period.

There has been no event in the past year wherein PACERM1 and MRCT or its handling partner had any disagreement regarding any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedures.

A resolution for the confirmation of the Company's external auditor for 2023, and ratifying the fees approved by the BOD shall be presented to the stockholders for approval.

ITEM NO. 10: Ratification of the Acts, Resolutions, and Proceedings of the Board of Directors, Corporate Officers, and Management from March 31, 2023 to March 22, 2024

RATIONALE: The acts and resolutions of the Board of Directors, Corporate Officers and Management to be ratified were those taken and adopted during the period from adopted since the conclusion of the Company's 2023 ASM last March 31, 2023 until March 22, 2024. These included the approval of contracts and agreements and other transactions in the ordinary course of business. A summary of these acts and resolutions will be enumerated in the Definitive Information Statement.

A resolution ratifying the acts and proceedings of the Board of Directors, Corporate Officers and Management will be presented to the stockholders for approval.

ITEM NO. 11: Election of the Members of the Board of Directors

RATIONALE: *To allow stockholders to elect the Company's Board of Directors in accordance with Section 24 of the Revised Corporation Code and the Company's By-Laws.*

Under the Guidelines for the Nomination and Election of Independent Directors, the period for nominations for Independent Directors started on February 2, 2024 and the table of nominations closed on February 7, 2024, unless the Nomination Committee, unanimously agrees to extend the deadline for meritorious reasons. The Nomination and Governance Committee assesses and evaluates the nominees before submitting the final list of qualified nominees to the stockholders for approval. The profiles of all the nominees are (i) disclosed to the Securities and Exchange Commission (SEC) included in the Company's Information Statement, and uploaded in the Company's website for examination by the stockholders.

Article 6 of the Company's Amended Articles of Incorporation provides that the number of directors of PACERM1 shall be five who are to serve until their successors are elected and qualified as provided in the Company's By-Laws.

A stockholder may distribute his shares for as many nominees as there are directors to be elected, or he may cumulate his shares and give one candidate as many votes as the number of directors to be elected, provided that the total number of votes cast does not exceed his shares in the Company. The five nominees receiving the highest number of votes will be declared elected as directors of the Company.

ITEM NO. 12: Other Matters

The Chairman will open the floor for comments or queries by the stockholders. Stockholders are given the opportunity to address the members of the Board, ask questions, and raise matters which may be properly taken up during the 2024 ASM.

SECURITIES AND EXCHANGE

COMMISSION SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO
SECTION 20 OF THE SECURITIES REGULATION
CODE

1. Check the appropriate box:

 Preliminary Information Statement

 Definitive Information Statement
2. Name of Registrant as specified in its charter: **PACERM-1 ENERGY CORPORATION**
3. Province, country or other jurisdiction of incorporation or organization:
Philippines
4. SEC Identification Number: **CS201328898**
5. BIR Tax Identification Code: **439-568-978**
6. Address of principal office: **Zone-1, Brgy Quibonbon, El Salvador City, Misamis Oriental**

Postal Code: **9017**
7. Registrant's telephone number, including area code: 0906-2757702
8. Date, time and place of the meeting of

security holders Date: **March 22,**

2024 (Friday)
Time: **9:00 a.m.**
Place: **Emmanuel Pelaez Training Center covered court,**
Laguindingan, Misamis Oriental
Zoomlink for registration for remote participation: *(to be sent later)*
Email link for remote voting: *(will be provided in website: pacerm1.com)*
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **February 29, 2024.**
10. In case of Proxy Solicitation: **No proxy solicitation is being made**

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares or amount of debt is applicable only to corporate registrants):

Title of Each Class	Par Value	No. of Shares	Authorized Capital Stock
Common	P 1,000.00	250,000	P 250,000,000.00

Number of outstanding common shares as of December 31, 2023: **243,494**

Number of treasury shares as of December 31, 2023: **6,506**

12. Are any or all of registrant's securities listed in a Stock Exchange? **No**
Name of such Stock Exchange and the class of securities listed therein: **Not Applicable**

PART I
INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, Time and Place of the Annual Meeting of Stockholders

- (a) The annual stockholders' meeting of **PACERM-1 ENERGY CORP.** (the "Company" or "PACERM") is scheduled to be held on **March 22, 2024** at **9:00 a.m.** at Emmanuel Pelaez Training Center covered court at Laguindingan, Misamis Oriental. For those stockholders who could not physically attend the meeting, they could participate and vote virtually via ZOOM the link of which will be provided at a later date prior to the meeting.

The complete mailing address of the principal office of the Company is Zone-1, Brgy Quibonbon, El Salvador City, Misamis Oriental.

- (b) This information statement shall be sent or given to stockholders no later than **February 29, 2024.**

Item 2. Dissenters' Right of Appraisal

A stockholder of the Company has the right to dissent and demand payment of the fair value of his shares in the following instances: (a) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares or any shares of any class, or of extending or shortening the term of corporate existence; (b) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code of the Philippines (the "Revised Corporation Code"); (c) in case of investment of corporate funds in any other corporation or business or for any purpose other than the Company's primary purpose; and (d) in case of merger or consolidation.

The stockholder concerned must have voted against the proposed corporate action in order to avail himself of the appraisal right. As provided in the Revised Corporation Code, the procedure in the exercise of the appraisal right is as follows:

- a. The dissenting stockholder files a written demand within thirty (30) days after the date on which the vote was taken. Failure to file the demand within the thirty-day period constitutes a waiver of the right. Within ten (10) days from demand, the dissenting stockholder shall submit the stock certificate/s to the Company for notation that such shares are dissenting shares. From the time of the demand until either the abandonment of the corporate action in question or the purchase of the shares by the Company, all rights accruing to the shares shall be suspended, except the stockholder's right to receive payment of the fair value thereof.

- b. If the corporate action is implemented, the Company shall pay the stockholder the fair value of his shares upon surrender of the corresponding certificate/s of stock. Fair value is determined by the value of the shares of the Company on the day prior to the date on which vote is taken on the corporate action, excluding any appreciation or depreciation in value in anticipation of the vote on the corporate action.
- c. If the fair value is not determined within sixty (60) days from the date of the vote, it will be determined by three (3) disinterested persons (one chosen by the Company, another chosen by the stockholder, and the third one chosen jointly by the Company and the stockholder). The findings of the appraisers will be final, and their award will be paid by the Company within thirty (30) days following such award, provided the Company has sufficient unrestricted retained earnings. Upon such payment, the stockholder shall forthwith transfer his shares to the Company. No payment shall be made to the dissenting stockholder unless the Company has unrestricted retained earnings sufficient to cover such payment.
- d. If the stockholder is not paid within thirty (30) days from such award, his voting and dividend rights shall be immediately restored.

There is no matter to be taken up at the annual meeting on **March 22, 2024** which would entitle a dissenting stockholder to exercise the right of appraisal.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

- (a) No director or executive officer of the Company or nominee for election as such director or officer has any substantial interest, direct or indirect, in any matter to be acted upon at the annual stockholders' meeting, other than election to office (in the case of directors).
- (b) Likewise, none of the directors has informed the Company of his opposition to any matter to be taken up at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

- (a) As of December 31, 2023, the total number of shares outstanding and entitled to vote in the annual stockholders' meeting is 243,494 common shares. Each share is entitled to (1) one vote in accordance with the By-Laws of the Company.
- (b) The record date for purposes of determining the stockholders entitled to vote is December 31, 2023.
- (c) Stockholders are entitled to cumulative voting in the election of directors of the Company, as provided for in the Revised Corporation Code. Under Section 23 of the Revised Corporation Code, a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give

one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit: Provided, That the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the whole number of directors to be elected. The stockholder must be a stockholder of record as of December 31, 2023 in order that he may exercise cumulative voting rights. There are no conditions precedent to the exercise of the stockholders' cumulative voting right.

(d) Security Ownership of Certain Record and Beneficial Owners

The names, addresses, citizenship, number of shares held, and percentage to total of persons owning more than five percent (5%) of the outstanding voting shares of the Company as of December 31, 2023 are as follows:

Title of Class	Name and Address of Record Owner/ Relationship with Company	Name of Beneficial Owner/ Relationship with Record Owner	Citizenship	No. of Shares Held	% Held
Common	Misamis Oriental-1 Rural Electric Service Cooperative, Inc.(MORESCO-1) (Filipino) Pob. Laguindingan, Misamis Oriental Majority Owner of the Company	None	Filipino	180,819	74.26%
Common	Juanito Sy Yu (Filipino) Verde Oro, Commonwealth Ave., Quezon City	Please see footnote 2 below. ²	Filipino	50,000 (D)	20.53%

Except as stated above, the Board of Directors and Management of the Company have no knowledge of any person who, as of the date of the annual report, was directly or indirectly the beneficial owner of more than five percent (5%) of the Company's outstanding shares or who has voting power or investment power with respect to shares comprising more than five percent (5%) of the Company's outstanding common stock.

Total number of shares of all record and beneficial owners is 250,000 common shares representing 100% of the total issued common shares.

As of December 31, 2023, 12,675 common shares or 5.2% of the outstanding common shares of the Corporation are owned by the public.

The names, citizenship, number of shares held and percentage to total of persons forming part of the Board and Management of the Company as of December 31, 2023 are as follows:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percentage of Ownership
Common	Juanito S. Yu	50,000 (D)	Filipino	Negligible

¹ Stockholders are the beneficial owners. Dr. Nonito Labis is appointed by MORESCO-1 as its representative, with authority to vote in stockholders' annual meetings of PACERM-1.

²Based on the report provided by the Company's record, one participant holds 5% or more of the Company's outstanding shares, namely Mr. Juanito S You (20.53%).

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percentage of Ownership
Common	Nonito M. Labis	1 (D)	Filipino	Negligible
Common	Joar J. Dy	1 (D)	Filipino	Negligible
Common	Saturnino S. Solis	180 (ID)	Filipino	Negligible
Common	Edwin M. Igloria	1 (D)	Filipino	Negligible
Common	Florencia Marba	225	Filipino	Negligible
N.A.	Julie B. Real	0	Filipino	N. A.
	TOTAL	50,408 (D)		20.70%

There is no person who holds more than five percent (5%) of the common stock under a voting trust or similar agreement.

No change in control of the Company has occurred since the beginning of its last fiscal year.

Item 5. Directors and Principal Officers

Members of the Board serve for a term of one (1) year and until their successors shall have been duly elected and qualified. The business experience of the directors and officers of the Company named below covers at least the past five (5) years.

The record of attendance of the directors at the meetings of the Board of Directors held in 2023 is as follows:

Directors	No. of Board Meetings Held	No. of Board Meetings Attended	Percent Present
Juanito S. Yu	12	12	100%
Nonito M. Labis	12	12	100%
Joar J. Dy	12	12	100%
Saturnino S. Solis (elected June 16, 2023)	12	6	50%
Edwin M. Igloria	12	12	100%

The following are the current directors and executive officers of the Company as of December 31, 2023 (after the election of an independent director in June 16, 2023)

<p>Juanito S. Yu <i>Chairman and Chief Executive Officer of the Board of Directors</i></p>	<p>Juanito S. Yu, 67 years old, Filipino citizen, is a co-founder and has been a member of the Board of Directors of the Company since 2016. Mr. Yu was elected CEO of the Company in December 2016 during the Company Annual Stockholder's Meeting. He is also the Chief Executive Officer of YUEQING CHI FU COMPANY INC. that deals on electricity, gas, steam and air conditioning supply companies in Philippines.</p>
---	--

<p>Nonito M. Labis <i>Director, President</i></p>	<p>Nonito M. Labis, 60 years old, Filipino citizen, veterinarian, has been a Director of the Company since 2016 which has businesses in the retail industry. He was elected as Board of Directors President on March 2021 during the Company's Annual Stockholder's Meeting. He sits as the current BOD President of Misamis Oriental - 1 Rural Electric Service Cooperative (MORESCO-1) the mother company of the Corporation.</p>
<p>Joar J. Dy <i>Director, Vice President</i></p>	<p>Joar J. Dy, 60 years old, Filipino citizen, has newly joined the Company and was elected as the Board of Directors Member on March 2021 during the Special Stockholder's Meeting. Currently he is the Vice President of Misamis Oriental - 1 Rural Electric Service Cooperative (MORESCO-1) Board of Directors.</p>
<p>Edwin M. Igloria <i>Director</i></p>	<p>Edwin M. Igloria, 67 years old, Filipino citizen, has newly joined the Company and was elected as the Board of Directors Vice President on March 2022 during the 4th Annual Stockholder's Meeting. Currently he is also one of Misamis Oriental - 1 Rural Electric Service Cooperative (MORESCO-1) Board of Directors as El Salvador District representative.</p>
<p>Saturnino S. Solis <i>Director (independent)</i></p>	<p>Saturnino S. Solis, 70 years old, Filipino citizen, has joined the Company and was elected an Independent Director during the Special Stockholder's Meeting last June 16, 2023. He graduated with a degree of Bachelor of Science in Commerce from the University of Bohol. He then served as Clerk/ Supervisor under the Institutional Services Department (ISD) with Misamis Oriental - 1 Rural Electric Service Cooperative (MORESCO-1) for 38 years.</p>
<p>Julie B. Real <i>Chief Operating Officer</i></p>	<p>Julie B. Real, 66 years old, Filipino citizen, a Professional Electrical Engineer (PEE), was appointed Chief Operating Officer of the company on January 2017 since the start of PACERM-1's commercial operations. Prior to this, he served as General Manager of Misamis Oriental - 1 Rural Electric Service Cooperative (MORESCO-1) for 37 years. Currently he is also a member of William T. Crisp Foundation Inc. He is now a businessman in the farming and education industries in El Salvador City.</p>
<p>Florencia Marba <i>Corporate Secretary</i></p>	<p>Florencia M. Marba, 70 years old. Filipino citizen is concurrently the Corporate Secretary of the Company elected since September 2017. She is also the Corporate Secretary of Northern Mindanao Electric Cooperative Association. She has previously worked with MORESCO-1 as Meter Reading Billing and Collection Supervisor.</p>

A Certification on the nature of government involvement of the above-named directors and officers is attached hereto as **Annex "A"**.

The Board of Directors (who is still in the process of formulating a Manual of Good Governance) have created the first Nomination Committee consisting of non-board members who were appointed on June 8, 2023 during their Board's regular monthly meeting to prepare nomination of an independent director (as required by SEC) to fill up the vacancy of one director, Dir. Joy Gil Mahinay who was elected during the Annual Stockholders' meeting but resigned on June 7, 2023. This committee is interim in nature. Following the guidelines previously formulated, a new Nomination and Governance Committee composed of the independent director, President and Vice President was formed by the Board of Directors during its regular meeting on February 2, 2024.

The directors (other than the independent director) of the Company (representing the majority stockholders) are last elected at the annual stockholders' meeting on March 31, 2023 to hold office for one (1) year or until their respective successors shall have been duly elected and qualified. Officers are appointed or elected by the Board of Directors typically at its first meeting following the annual stockholders' meeting, each to hold office until his successor shall have been duly elected or appointed and qualified. The first independent director was elected on June 16, 2023 in a special stockholders' meeting held for that purpose.

There will be an election of the members of the Board during the annual stockholders' meeting. The stockholders of the Company may nominate individuals to be members of the Board of Directors with the exception of the directors representing majority stockholder MORESCO-1. The deadline for submission of nominees was set on February 07, 2024.

All nominations for directors, including the independent directors, shall be addressed to and received by:

**THE NOMINATIONS
COMMITTEE c/o THE
CORPORATE SECRETARY –
PACERM-1 ENERGY CORP.
Zone-1, Brgy Quibonbon, El Salvador City, Misamis Oriental.**

and signed by the nominating stockholder/s together with the acceptance and conformity by the nominees. All nominations should include (i) the *curriculum vitae* of the nominee, (ii) a statement that the nominee has all the qualifications and none of the disqualifications, (iii) information on the relationship of the nominee to the stockholder submitting the nomination, and (iv) all relevant information about the nominee's qualifications. In the case of nomination for MORESCO-1 representatives to the Board of Directors, a Board Resolution designating such shall be submitted at same address.

The newly formed Nomination and Governance Committee convened on February 8, 2024 to screen the submitted nominees with their profiles to check as to qualifications/disqualifications. For majority stockholder, MORESCO-1, a copy of the Board Resolution No. 2024-0220-03 series of 2024 dated February 2, 2024 was checked for appropriateness and proper signatures by all MORESCO-1's Board Members. The nomination for Mr. Juanito S. Yu was made by stockholder, Ms. Adelina Q. Real. The profile of each nominee was properly checked and reviewed to ascertain that they possesses all the qualifications and non of the disqualifications in accordance with SEC Rules on corporate governance and these are as follows:

Qualifications

- (1) He is a holder of at least one (1) share of stock of the Company;
- (2) He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- (3) He shall be at least twenty-one (21) years old;
- (4) He shall have proven to possess integrity and probity; and
- (5) He shall be assiduous.

Permanent Disqualifications

The following shall be permanently disqualified for election as director:

- (1) Within the tenure, the director, trustee, or officer was convicted by final judgment for violating the Revised Corporation Code;
- (2) Within five (5) years prior to the election or appointment, the director, trustee, or officer was convicted by final judgment for violating the Securities Regulation Code;
- (3) Within the tenure, the director, trustee, or officer was convicted by final judgment for violating the Securities Regulation Code;
- (4) Within five (5) years prior to the election or appointment, the director, trustee, or officer was found administratively liable, by final judgment, for any offense involving fraudulent acts punishable under Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines, Republic Act No. 8799, otherwise known as the Securities Regulation Code, and other laws, rules or regulations enforced or implemented by the Commission;
- (5) Within the tenure, the director, trustee, or officer was found administratively liable, by final judgment, for any offense involving fraudulent acts punishable under Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines, Republic Act No. 8799, otherwise known as the Securities Regulation Code, and other laws, rules or regulations enforced or implemented by the Commission;
- (6) Within five (5) years prior to the election or appointment, the director, trustee, or officer was convicted or found administratively liable by a foreign court or equivalent foreign regulatory authority for acts, violations or misconduct similar to those enumerated in paragraphs (a) and (b) of Section 26 of the Revised Corporation Code;

- (7) Within the tenure, the director, trustee, or officer was convicted or found administratively liable by a foreign court or equivalent foreign regulatory authority for acts, violations or misconduct similar to those enumerated in paragraphs (a) and (b) of Section 26 of the Revised Corporation Code; or
- (8) Within five (5) years prior to the election or appointment, or within the tenure, the director, trustee or officer was found administratively liable, by final judgment, for refusal to allow the inspection and/or reproduction of corporate records.

Temporary Disqualifications

The following shall be grounds for the temporary disqualification of a director:

- (1) Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists;
- (2) Absence or non-participation for whatever reason/s at more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any twelve (12)-month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election;
- (3) Dismissal or termination for cause as director of any Corporation as provided for in the Company's Bylaws. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;
- (4) If the beneficial equity ownership of an independent director in the Corporation or its subsidiaries and affiliates exceed two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with;
- (5) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

After going to the screening process, the Committee in a resolution approved the nomination of MORESCO-1's Directors Mr. Nonito M. Labis, Mr. Joar J. Dy, Mr. Joy Gil S. Mahinay and Mr. Juanito S. Yu as being qualified to run as directors of PACERM-1 during the upcoming annual stockholders meeting.

Independent Director

Nomination for an independent director should be for qualified stockholders based on the following requirements under Rule 38 of the Securities Regulations Code:

Qualifications

- 1) He shall have at least one (1) share of stock of the corporation
- 2) He shall be at least a college graduate or he shall have been engaged or exposed to the business of the corporation for at least five (5) years
- 3) He shall possess integrity/probity
- 4) He shall be assiduous
- 5) Is not a director or officer of PACERM-1 or of any affiliated company (MORESCO-1) or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing.
- 6) Does not own more than two percent (2%) of the shares of PACERM-1 and/or MORESCO-1 or any of its substantial shareholders.
- 7) Is not related to any director, officer or substantial shareholder of PACERM-1, MORESCO-1 or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister.
- 8) Is not acting as a nominee or representative of any director or substantial shareholder of PACERM-1, MORESCO-1 and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement.
- 9) Has not been employed in any executive capacity by PACERM-1, MORESCO-1 and/or by any of its substantial shareholders within the last five (5) years.
- 10) Is not retained, either personally or through his firm or any similar entity, as professional adviser, by PACERM-1, MORESCO-1 and/or any of its substantial shareholders, within the last five (5) years.
- 11) Has not engaged and does not engage in any transaction with the covered company and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms' length and are immaterial.
- 12) No person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of this Code, committed within five (5) years prior to the date of his election, shall qualify as an independent director. This is without prejudice to other disqualifications which the covered company's Manual on Corporate Governance provides.

Permanent and temporary disqualification requirements are the same as enumerated above for regular directors.

There are only two stockholders from the minority group who applied to run and to be nominated as independent director. One is the present independent director Mr. Saturnino S. Solis who was nominated by stockholder, Ruth Pates. The other applicant, Ms. Aida S. Tagaylo was nominated by stockholder Jeanette Rosales. However during the screening, Ms. Tagaylo was disqualified for failing to reach the five year required considering that the applicant is a former Treasurer of the parent Company, MORESCO-1, an executive position.

Hence, there is only one qualified nominee who is the present independent director, Mr. Saturnino Solis. Hence in another resolution the Committee approved the nomination of Mr. Saturnino S. Solis and disqualifying Ms. Aida M. Tagaylo to run as an independent director of PACERM-1 Energy Corporation in the upcoming election on March 22, 2024.

Copies of the Certifications on the Qualifications of the Nominees for Independent Directors are attached hereto as **ANNEX "B"**.

Item 6. Compensation of Directors and Executive Officers

The Corporation's executives are paid a compensation package of 12 months' pay. They also receive performance bonuses similarly to that of the managerial, supervisory and technical employees. The members of the Board of Directors who are not employees of the company are elected for a period of one year. They receive compensation on a per meeting participation. There are no other arrangements for which the members of the Board of Directors are compensated. The aggregate compensation paid or estimated to be paid to the executive officers and directors of the Company during the periods indicated below is as follows (in thousands of pesos):

YEAR 2022

Name/Position	Year	Salary	Bonus	Other Annual Compensation
Julie Real/COO	2022	₱ 905,628.00	₱ 301,876.00	₱75,000.00
Juanito Yu/CEO	2022	₱ 207,000.00	₱ 160,000.00	₱75,000.00
Nonito Labis/President	2022	₱ 207,000.00	₱ 160,000.00	₱75,000.00
Joar Dy/Vice President	2022	₱ 207,000.00	₱ 160,000.00	₱75,000.00
Allan Sofocado/Treasurer	2022	₱ 207,000.00	₱ 160,000.00	₱75,000.00
Florencia Marba/Secretary	2022	₱ 207,000.00	₱ 160,000.00	₱75,000.00

YEAR 2023

Name/Position	Year	Salary	Bonus	Other Annual Compensation
Julie Real/COO	2023	₱ 996,192.00	₱ 996,192.00	₱10,000.00
Juanito Yu/CEO	2023	₱ 227,700.00	₱ 200,000.00	₱10,000.00
Nonito Labis/President	2023	₱ 227,700.00	₱ 200,000.00	₱10,000.00
Joar Dy/Vice President	2023	₱ 227,700.00	₱ 200,000.00	₱10,000.00
Allan Sofocado/former Treasurer	2023	₱ 227,700.00	₱ 200,000.00	₱10,000.00
Saturnino Solis/ Independent Dir.	2023	₱ 113,850.00	₱ 50,666.00	₱10,000.00
Florencia Marba/Secretary	2023	₱ 227,700.00	₱ 200,000.00	₱10,000.00

EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AND CHANGE-IN-CONTROL ARRANGEMENTS

There are no special employment contracts between the Company and its named executive officers. There is also no existing arrangement for compensation to be received by any executive officer from the Company in the event of a change in control of the Company.

WARRANTS AND OPTIONS OUTSTANDING

As of the date of this Prospectus, there are no outstanding warrants and options held by any of the Company's directors and executive officers.

Item 7. Independent Public Accountant

As a matter of policy, the Board (pending the selection of an Audit Committee) selects, monitors, and reviews the independence, performance and effectiveness, scope of work, fees, and remuneration of external auditors, in consultation with the Chief Executive Officer, Chief Operating Officer, Finance Consultant, and the Accountant. Where appropriate, the officers other than members of the Board of Directors, may recommend to the Board of Directors the re-appointment or replacement of the current external auditor.

During the January 11, 2024 Board Meeting, the Finance Consultant, Mr. Eugene Velasco reported to the Board that he had evaluated and assessed the previous year's performance of the Company's external auditor, Moore Roxas Tabamo and Co. (MRTC) (formerly Moore, Roxas, Cruz, Tagle & Co. Based on the results of his evaluation, he advised the Board of Directors that he is satisfied with MRTC's performance for the previous year and recommended MRTC's re-appointment as the Company's external auditor for the 2023 financial statements.

The Board of Directors discussed the Finance Consultant's recommendation, and after discussion, approved the re-appointment of MRCT. The Board of Directors will endorse to the shareholders the re-appointment of MRCT as the Company's external auditor for the 2023 financial statements

The accounting firm of MRCT has been PACERM's Independent Public Accountant for since last year 2023. Mr. Aljuver R. Gamo, is PACERM1's audit partner from MRCT since the start. PACERM1 complies with the requirements of Section 3(b)(ix) of SRC Rule 68 on the rotation of external auditors or signing partners and the two-year cooling-off period. There has been no event in the past year wherein PACERM-1 and MRCT or its handling partner had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosures or auditing scope or procedures.

Representatives of MRCT will be present during the 2024 ASM and will be given the opportunity to make a statement if they so desire. They are also expected to respond to appropriate questions, if needed.

Item 8. Compensation Plans

No action is to be taken during the 2023 ASM with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other Than for Exchange

No action is to be taken during the 2024 ASM with respect to authorization or issuance of any securities other than for sale of the present treasury shares and the shares coming from the majority shareholders under the public offer duly registered with SEC.

The following is a discussion of the rationale behind the Company's registered securities:

In compliance with the requirements of Section 43 (t) of Republic Act No. 9136 [Electric Power Industry Reform Act of 2001 (EPIRA)] and Rule 3, Section 4 (m) of its Implementing Rules and Regulation (IRR) and further adopted by Resolution No. 9 Series of 2011 and amended by Resolution No. 4 Series of 2019 of the Energy Regulatory Commission (ERC) which requires generation companies and distribution utilities which are not publicly listed to offer and sell to the public a portion of not less than Fifteen Percent (15%) of their common shares of stock, the Corporation filed a registration statement (in compliance with the Revised Securities Act) with the Securities and Exchange Commission (SEC) on May 25, 2023 for the registration to publicly offer its remaining treasury shares as discussed below and in addition, in order to complete the 15% requirement, 18,325 shares will also be divested by the major stockholders. The remaining 223,109 shares not included in the offer is also included in the registration. After completing all the requirements, SEC finally rendered the public offer effective on September 25, 2023 at a price of ₱2,100/share for a total of 26,891 shares.

Treasury Shares

In 2017, the Corporation purchased a total of 12,216 of its own shares for ₱15,880,313. On August 20, 2020, the Board of Directors approved the reissuance of the treasury shares by giving the existing shareholders the right to purchase shares to maintain their respective percentage of ownership. The Corporation started receiving deposits for treasury share purchase in 2020. In 2022 and 2021, the Corporation reissued 1,714 and 1,936 of its treasury shares amounting to ₱2,286,476 and ₱2,582,624, respectively. The reissuance of the treasury shares resulted to additional paid-in capital amounting to ₱58,276 and ₱65,901 in 2022 and 2021 respectively. As at December 31, 2022, there remains 8,566 number of treasury shares amounting to ₱11,135,390. After SEC's approval of the public offer as discussed above, a total of 2,060 treasury shares were sold as of December 31, 2023. There are still intents received to purchase additional shares.

Item 10. Modification or Exchange of Securities

No action is to be taken during the 2024 ASM with respect to modification or exchange of securities of PACERM1, or the issuance or authorization for issuance of one class of securities in exchange for outstanding securities of another class.

Item 11. Financial and Other Information**(1) Financial Statements**

The Company's Audited Financial Statements for the year ended December 31, 2023 is attached herewith as **Annex "C"** to form an integral part hereof.

(2) Management's Discussion and Analysis, or Plan of Operation

The Management's Discussion and Analysis, or Plan of Operation is attached herewith as **Annex "D"** to form an integral part hereof.

(3) Legal Proceedings

As of the date of this Information Statement, there is a civil case which was filed with the Regional Trial Court involving a former stockholder (now deceased) of the Corporation as the petitioner, and allegedly representing the Corporation in suing private individuals for Quo Warranto Cancellation of issuance of shares, accounting, and damages.

During 2023, the court found that the instant case is a derivative suit. Instead of dismissing the case outright, the court directed plaintiff's counsel to substitute another minority stockholder as the heirs of deceased plaintiff do not automatically become owners of the stocks without settlement of estate and have no personality to file this case.

At the end of 2023, however, because there is no substitute plaintiff to proceed with the quo warranto proceedings, the case was dismissed.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action is to be taken during the 2024 ASM with respect to any transaction involving: (i) merger or consolidation into or with any other person or of any other person into or with PACERM1; (ii) acquisition by PACERM1 or any of its security holders of securities of another person; (iii) acquisition of any other going business or of the assets thereof; (iv) sale or other transfer of all or any substantial part of the assets of PACERM1; or (v) liquidation or dissolution of PACERM1.

Item 13. Acquisition or Disposition of Property

No action is to be taken during the 2024 ASM with respect to acquisition or disposition of any property of PACERM1.

Item 14. Restatement of Accounts

No action is to be taken during the 2023 ASM with respect to restatement of any asset, capital or surplus account of PACERM1.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The following actions require approval from the stockholders during the 2024 ASM:

1. Approval of the minutes of the annual stockholders' meeting held on March 31, 2023 and the special stockholders' meeting held on June 16, 2023 attached hereto as **Annex E and E1**.
2. Presentation of the management reports (President, Treasurer and CEO/COO)
3. Approval of the 2023 Annual Report and Financial Statements
4. Approval on investment in solar power (compliance of RA 9513: Renewable Energy Act of 2018)
5. Confirmation of External Auditor for 2023 FS
6. General ratification of the Acts, Resolutions, and Proceedings of the Board of Directors, Corporate Officers, and Management from March 31, 2023 to March 22, 2024 (**Item 17**)
7. Election of the members of the Board of Directors

Item 16. Matters Not Required to be Submitted

No action is to be taken with respect to any matter that does not require the submission to a vote of security holders.

Item 17. Summary of the Major Acts of the Board, Corporate Officers and Management from March 31, 2023 to March 21, 2024

Ratification of the acts of the Board, corporate officers, and management from March 31, 2023 up to March 21, 2024 refers only to acts done in the ordinary course of business and operations of PACERM1. This includes the following:

1. Canvass for a BIR-Accredited accounting software provider for PACERM-1.
2. The public offer of 26,891 common shares with an offer price of Two Thousand One hundred pesos (₱2,100.00) and file the same for approval with SEC.
3. The execution of a stock sale and purchase agreement by and between the MORESCO-1 and PACERM-1 to comply with the 15% public offer requirement.
4. Pretermination of the ₱16 million Time Deposit with PBB.
5. Full payment of the ₱ 55 million loan with PBB with remaining balance of around ₱ 24 million.
6. Renewal for 2023-24 insurance of plant properties with premium cost of ₱638,525.
7. Creation of Nomination/Election Committee for the approval of nomination for an Independent Director as required by SEC on the registration of public offer of shares.
8. Confirmation of Mr. Saturnino Solis as Independent Director of the Board after election during a special stockholders' meeting on June 16, 2023.
9. Engagement of Moore, Roxas, Cruz, Tagle and Co. to audit the Interim Financial Statements of PACERM-1 as of March 31, 2023 as required by SEC in connection with the application for approval of public offer.

10. Engagement of QNE Software Philippines, Inc. for the installation of BIR-Accredited Computerized Accounting Software.
11. Preparation and submission to SEC a Manual of Corporate Governance within six months from effectivity of registration of public offer.
12. Granting of financial assistance to stockholders amounting to ₱ 183,000 to address rising increase in prices of basic commodities.
13. Granting special rebates to MORESCO-1 as prompt payor amounting to ₱ 3.11 million.
14. Approval of 2024 Cash Operating Budget.
15. Engagement of Moore, Roxas, Cruz, Tagle and Co. to audit the Financial Statements of PACERM-1 as of December 31, 2023.
16. Declaration of cash dividends based on 2022 net profit amounting to ₱ 23.67 million equivalent to ₱ 98.17 per share.
17. Donation to WTC-ITC Foundation amounting to ₱ 500,00 as part of Corporate Social Responsibility.

Item 18. Voting Procedures

(a) *Vote required for approval.*

The approval of the minutes of the annual stockholders' meeting held on March 23, 2023 and the audited financial statements for the year ended 2023, the ratification of corporate acts, the appointment of external auditors for 2023, shall be decided by the majority vote of the stockholders present in person or by proxy and entitled to vote thereat, a quorum being present. A stockholder voting electronically *in absentia* shall be deemed present for purposes of quorum.

In the election of the members of the Board of Directors, the candidates garnering the five (5) highest number of votes shall be declared elected as directors of the Company to serve as such for the year 2024-2025.

(b) *Method in the conduct of election and the counting of votes*

The Election Committee designated by the Board shall conduct the election. Distribution of the ballot will be made first. A stockholder on record as of December 31, 2023, shall be entitled to a number of voting rights equivalent his/her number of shares multiplied by five (number of directors). This will be provided in the ballot form assigned to the individual stockholder. He shall then have the right to vote his/her chosen nominated candidate (s) which should total should not exceed number of his/her voting rights. In the case of election of the nominated candidates of MORESCO-1, voting for the three directors can be made by only one representative director. Prior to the counting, each ballot will be validated by the Election Committee. Afterwards, tabulation shall be made by Finance on screen under the supervision of the Election Committee. The results of the voting shall be announced by the Chairman of the Election Committee and approved by the stockholders.

(c) *Remote voting*

Stockholders who registered via ZOOM can vote thru a ballot that will be send to them thru email. He/she shall email back the filled up/duly signed ballot or just via screenshot via Messenger.

**PART II
SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of El Salvador, Misamis Oriental on the 18th day of March 2024.

**PACERM-1 ENERGY
CORPORATION**

By:


FLORENCIA MARBA
Corporate Secretary

PACERM-1 ENERGY CORPORATION

SECRETARY'S CERTIFICATE

I, **FLORENCIA MARBA**, Filipino, of legal age, and with office address at Zone-1, Brgy Quibonbon, El Salvador City, Misamis Oriental after having been duly sworn in accordance with law, hereby certify:


1. I am the Corporate Secretary of **PACERM-1 ENERGY CORPORATION** (the "Corporation"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office address at Zone-1, Brgy Quibonbon, El Salvador City, Misamis Oriental.
2. Based on the records of the Corporation, none of its incumbent directors and executive officers named in the Corporation's Information Statement (SEC Form 20-IS) for the Annual Stockholders' Meeting to be held on 22nd March 2024 is connected with and/or working in the government.
3. This Certification is being issued as an Annex to the Information Statement (SEC Form 20-IS) of the Corporation in connection with its Annual Stockholders' Meeting to be held on 22nd March 2024.

IN WITNESS WHEREOF, I have hereunto set my hand this 18th day of March 2024 in El Salvador City, Misamis Oriental.


FLORENCIA MARBA
Corporate Secretary

SUBSCRIBED AND SWORN TO before me this 18th day of March 2024 in El Salvador City, Misamis Oriental affiant exhibiting to me her _____

Doc. No. 744
Page No. 69
Book No. 261
Series of 2024


ATTY. TIBURCIO M. PALASAN, JR.
Notary Public
Until December 31, 2025
PTR No. 0864352A (11-10-2023)
IBP No. 368323 (11-16-2023)
Roll No. 37410
TIN No. 130-295-972
MCLE Comp. Cert No. VI-0004429 (4-14-2025)

“ANNEX - B”

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **SATURNINO SABAÑA SOLIS**, Filipino, of legal age and a resident of Laguindingan, Misamis Oriental, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **PACERM-1 Energy Corporation (PACERM-1)** and have been an independent director of the said company from **June 16, 2023 to present**.
2. I used to be affiliated and had worked with MISAMIS ORIENTAL RURAL ELECTRIC SERVICE COOPERATIVE (MORESCO-1), INC. the majority stockholder of PACERM-1 ENERGY CORPORATION, in various capacities as enumerated herein below, to wit:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
MORESCO-I	Sales and Marketing Supervisor	Jan. 3, 1977 – October 16, 2015

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of PACERM-1 ENERGY CORPORATION, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any of the directors and officers of both MORESCO-I and PACERM-1 ENERGY CORPORATION
5. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and Other SEC issuances.
6. I shall inform the Corporate Secretary of PACERM-1 ENERGY CORPORATION within five (5) days from its occurrence.

Done, February 7, 2024 at EL SALVADOR CITY Misamis Oriental.

SATURNINO SABAÑA SOLIS
Affiant

FEB 15 2024

SUBSCRIBED AND SWORN to before me this _____ day of _____ at EL SALVADOR CITY, affiant personally appeared before me and exhibited to me his TIN NO. 136-341-345 issued at Cagayan de Oro City.

Doc. No. 769 ;
Page No. 14 ;
Book No. 257 ;
Series of 2024 ;

ATTY. TIBURCIO M. PALASAN, JR.
Notary Public
Until December 31, 2025
PTR No. 0864352A (11-10-2023)
IBP No. 368323 (11-16-2023)
Roll No. 37410
TIN No. 130-295-972
MCLE Comp. Cert No. VII-0004429 (4-14-2025)

PACERM-1 ENERGY CORPORATION

FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(With comparative figures for 2021)

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	3	2	8	8	9	8
---	---	---	---	---	---	---	---	---	---	---

COMPANY NAME

P	A	C	E	R	M	-	1	E	N	E	R	G	Y	C	O	R	P	O	R	A	T	I	O	N

PRINCIPAL OFFICE (No./Street/Barangay/City/Town/Province)

Z	O	N	E	-	1	,	B	R	G	Y	.	Q	U	I	B	O	N	B	O	N
E	L	S	A	L	V	A	D	O	R	C	I	T	Y	,	9	0	1	7		
M	I	S	A	M	I	S	O	R	I	E	N	T	A	L						

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S	CRMD	n/a

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
pacerm1energycorp@gmail.com	n/a	0917-147-4602
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
48	March 22	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Julie B. Real	juliebre@gmail.com	n/a	0917-147-4602

CONTACT PERSON'S ADDRESS

Zone-1, Brgy. Quibonbon, El Salvador City, Misamis Oriental

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

NOTE 2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITOR'S REPORT

The Shareholders and the Board of Directors
PACERM-1 Energy Corporation
Zone-1, Brgy. Quibonbon
EI Salvador City, 9017 Misamis Oriental

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **PACERM-1 Energy Corporation** ("the Corporation"), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation 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.

Other Matter

The financial statements of the Corporation, as at and for the year ended December 31, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on February 14, 2022.



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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

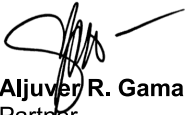
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the 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 Corporation'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 Corporation'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 Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

Report on the Supplementary Information Required by the Bureau of Internal Revenue (BIR)

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information as disclosed in Note 22 is presented for purposes of filing with the BIR and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ROXAS TABAMO & CO.**Aljuver R. Gamao**

Partner

CPA Certificate No. 0126931

Tax Identification No. 944-910-315

BIR Accreditation No. 08-001682-015-2022, issued on January 5, 2022,
effective until January 4, 2025

PTR NO: 2513951, issued on January 5, 2024, Cebu City

February 26, 2024
Cagayan de Oro City

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Shareholders and the Board of Directors

PACERM-1 Energy Corporation

Zone-1, Brgy. Quibonbon

El Salvador City, 9017 Misamis Oriental

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of **PACERM-1 Energy Corporation** ("the Corporation") as at and for the years ended December 31, 2023 and 2022, included in this Audited Financial Statements (AFS) and have issued our report thereon dated February 26, 2024. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules in this AFS are presented for purposes of complying with the Revised Securities Regulation Code (SRC) Rule 68 and the Securities and Exchange Commission (SEC) Memorandum Circular No. 11, Series of 2008 and are not part of the basic financial statements. Such schedules are the responsibility of management. The schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The financial statements of the Corporation, as at and for the year ended December 31, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on February 14, 2022.

ROXAS TABAMO & CO.**Aljuver R. Gamao**

Partner

CPA Certificate No. 0126931

Tax Identification No. 944-910-315

BIR Accreditation No. 08-001682-015-2022, issued on January 5, 2022,
effective until January 4, 2025

PTR NO: 2513951, issued on January 5, 2024, Cebu City

February 26, 2024

Cagayan de Oro City

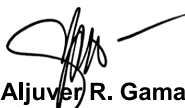


INDEPENDENT AUDITOR'S SUPPLEMENTAL WRITTEN STATEMENT

The Shareholders and the Board of Directors
PACERM-1 Energy Corporation
Zone-1, Brgy. Quibonbon
EI Salvador City, 9017 Misamis Oriental

We have audited the financial statements of **PACERM-1 Energy Corporation** ("the Corporation") as at and for the year ended December 31, 2023, on which we have rendered the attached report dated February 26, 2024.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the Corporation has a total number of forty-eight (48) shareholders owning more than one hundred (100) shares.

ROXAS TABAMO & CO.**Aljuver R. Gamao**

Partner

CPA Certificate No. 0126931

Tax Identification No. 944-910-315

BIR Accreditation No. 08-001682-015-2022, issued on January 5, 2022,
effective until January 4, 2025

PTR NO: 2513951, issued on January 5, 2024, Cebu City

February 26, 2024
Cagayan de Oro City

PACERM-1 ENERGY CORPORATION

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
AUDITED FINANCIAL STATEMENTS (AFS)
DECEMBER 31, 2023

Financial Statements

Statement of Management's Responsibility for Financial Statements for the years ended
December 31, 2023, 2022 and 2021

Independent Auditor's Report dated February 26, 2024

Statements of Financial Position as at December 31, 2023 and 2022

Statements of Comprehensive Income for the years ended December 31, 2023, 2022 and 2021

Statements of Changes in Equity for the years ended December 31, 2023, 2022 and 2021

Statements of Cash Flows for the years ended December 31, 2023, 2022 and 2021

Notes to the Financial Statements as at and for the years ended December 31, 2023, 2022 and 2021



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

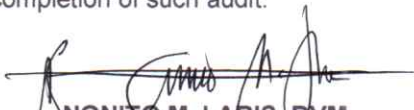
The management of **PACERM-1 ENERGY CORPORATION** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as at December 31, 2023 and 2022, and for the years ended December 31, 2023, 2022, and 2021 in accordance with the prescribed financial reporting framework indicated therein, 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

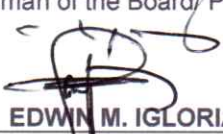
The Board of Directors is responsible for overseeing the Corporation's financial reporting process.

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

Roxas Tabamo & Co. (formerly known as Roxas Cruz Tagle & Co.), and **Quilab & Garsuta, CPAs**, the independent auditors appointed by the stockholders for the years ended December 31, 2023, 2022, and 2021, respectively, have audited the financial statements of the Corporation in accordance with the Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.



NONITO M. LABIS, DVM
Chairman of the Board/ President



EDWIN M. IGLORIA
Treasurer/ Chief Financial Officer

Signed this 26 day of February, 2024 in Laguindingan, Misamis Oriental.

SUBSCRIBED and SWORN to before me, in the city/municipality of **EL SALVADOR CITY**, this **MAR 14 2024** day of _____, 20____ by the affiants who exhibited to me proof of identity as follows: _____ [details if identification card] _____.

Doc. No. 473
Page No. 98
Book No. 200
Series of 2074

Notary Public


ATTY. TIBURCIO M. PALASAN, JR.
Notary Public
Until December 31, 2025
PTR No. 0864352A (11-10-2023)
IBP No. 368323 (11-16-2023)
Roll No. 37410
TIN No. 130-295-972
MCLE Comp. Cert No. VII-0004429 (4-14-2025)

PACERM-1 ENERGY CORPORATION

**SUPPLEMENTARY SCHEDULES AS REQUIRED BY
PAR. 6 PART II OF THE REVISED SRC RULE 68
DECEMBER 31, 2023**

Supplementary Schedules

Independent Auditors' Report on Supplementary Schedules dated February 26, 2024

A.	Map of the Group of Companies	Applicable (See Schedule I)
B.	Financial Assets	Applicable (See Schedule II)
C.	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Shareholders (Other than Related Parties)	Not Applicable
D.	Amounts Receivable from Related Party which are Eliminated during the Consolidation of Financial Statements	Applicable (See Schedule III)
E.	Intangible Assets – Other Assets	Not Applicable
F.	Long-term debt	Applicable (See Schedule IV)
G.	Indebtedness to Related Parties (Long-Term Loans from Related Companies)	Not Applicable
H.	Guarantees of Securities of Other Issuers	Not Applicable
I.	Share Capital	Applicable (See Schedule V)
J.	Schedule of financial soundness indicators for two comparative Periods	Applicable (See Schedule VI)



PACERM-1 ENERGY CORPORATION
Zone-1 Brgy. Quibonbon, El Salvador City, 9017 Misamis Oriental

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE REPORTING PERIOD ENDED DECEMBER 31, 2023**

	Unappropriated Retained earnings, beginning of the reporting period	₱92,765,584
Add:	Category A: Items that are directly credited to Unappropriated Retained Earnings	
	Reversal of Retained Earnings Appropriation/s	₱2,678,000
	Effect of restatements or prior-period adjustments	-
	Others	-
		2,678,000
Less:	Category B: Items that are directly debited to Unappropriated Retained Earnings	
	Dividends declaration during the reporting period	(20,652,554)
	Retained Earnings appropriated during the reporting period	-
	Effect of restatements or prior-period adjustments	-
	Others	-
		(20,652,554)
	Unappropriated Retained Earnings, as adjusted	74,791,030
	Add/Less: Net Income for the current year	47,429,433
Less:	Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)	
	Equity in the net income of associate/joint venture, net of dividends declared	-
	Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	-
	Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVPTL)	-
	Unrealized fair value gain of Investment Property	-
	Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	-
		-
	Sub-total	-
Add:	Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)	
	Realized foreign exchange gain, except those attributable to Cash and cash equivalents	-
	Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVPTL)	-
	Realized fair value gain of Investment Property	-
	Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
		-
	Sub-total	-

Forward



Add:	Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)		
	Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	₱-	
	Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit of loss (FVPTL)	-	
	Reversal of previously recorded fair value gain of Investment Property		
	Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded	-	₱-
	Sub-total		-
	Adjusted Net Income/Loss		47,429,433
Add:	Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
	Depreciation on revaluation increment (after tax)	-	-
	Sub-total		-
Add/Less:	Category E: Adjustments related to relief granted by the SEC and BSP		
	Amortization of the effect of reporting relief	-	
	Total amount of reporting relief granted during the year		
	Others	-	-
Add/Less:	Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
	Net movement of treasury shares (except for reacquisition of redeemable shares)	-	
	Net movement of deferred tax asset not considered in the reconciling items under the previous categories	25,000	
	Net movement in the deferred tax asset and deferred tax liabilities related to same transactions, e.g., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	-	
	Adjustment due to deviation from PFRS/GAAP - gain (loss)	-	
	Others	-	25,000
	Sub-total		25,000
	Total Retained Earnings, end of the reporting period available for dividend		₱122,245,463



PACERM-1 ENERGY CORPORATION

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	<i>Note</i>	2023	2022
ASSETS			
Noncurrent Assets			
Property, plant and equipment – net	5	₱342,715,126	₱386,887,060
Deferred tax asset	17	657,273	682,273
Total Noncurrent Assets		343,372,399	387,569,333
Current Assets			
Cash	6	60,985,447	61,159,060
Trade and other receivables – net	7	20,774,345	12,825,758
Fuel inventory	8	14,795,314	5,118,048
Other assets	9	1,376,146	1,168,761
Total Current Assets		97,931,252	80,271,627
		₱441,303,651	₱467,840,960
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' Equity			
Ordinary common shares – ₱1,000 par value	10		
Authorized – 250,000 shares			
Issued – 250,000 shares in both years		₱250,000,000	₱250,000,000
Treasury shares – 6,506 in 2023 and 8,566 in 2022		(8,457,390)	(11,135,390)
Additional paid-in capital on treasury shares		194,217	124,177
Retained earnings – Unappropriated		122,902,736	93,447,857
Retained earnings – Appropriated		8,457,390	11,135,390
Total Shareholders' Equity		373,096,953	343,572,034
Liabilities			
Non-Current Liability			
Loans and borrowings – noncurrent	11	6,068,098	70,092,634
Current Liabilities			
Trade and other payables	12	22,114,064	14,151,756
Loans and borrowings – current	11	40,024,536	40,024,536
Total Current Liabilities		62,138,600	54,176,292
Total Liabilities		68,206,698	124,268,926
		₱441,303,651	₱467,840,960

See Notes to the Financial Statements.



PACERM-1 ENERGY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(With comparative figures for 2021)

	Note	2023	2022	2021
ENERGY FEES				
Power supply agreement-net	16	₱145,448,454	₱155,271,435	₱145,467,047
Replacement power	16	88,636,295	35,544,635	-
Other WESM participants		81,060,377	-	-
Total Energy Fees-net		315,145,126	190,816,070	145,467,047
DIRECT COSTS AND EXPENSES				
Replacement power-net		86,346,181	35,544,635	-
Power purchases (WESM)		80,636,354	-	-
Depreciation	5	40,673,078	40,665,019	41,426,260
Compensation and employees' benefits	14	4,137,637	2,774,680	2,137,396
Repair parts and plant supplies		1,267,797	209,896	4,021,574
Fuel and oil costs	8	839,006	10,907,227	2,626,256
Repairs and maintenance		780,931	2,747,260	603,646
Outside services employed		260,000	301,879	313,263
Total Direct Costs and Expenses		214,940,984	93,150,596	51,128,395
NET ENERGY FEES		100,204,142	97,665,474	94,338,652
GENERAL AND ADMINISTRATIVE EXPENSES				
Taxes and licenses		6,528,130	6,685,936	6,405,381
Outside services employed		9,424,907	6,627,774	5,015,132
Compensation and employees' benefits	14	2,069,167	1,510,121	1,743,748
Other operating expenses	15	12,422,240	17,285,816	11,970,568
Total General and Administrative Expenses		30,444,444	32,109,647	25,134,829
PROFIT BEFORE FIXED AND FINANCIAL (CHARGES) INCOME		69,759,698	65,555,827	69,203,823
FIXED AND FINANCIAL (CHARGES) INCOME				
Interest on borrowed funds	11	(5,705,908)	(10,097,908)	(13,959,937)
Depreciation	5	(3,900,713)	(3,871,040)	(7,291,585)
Other income	13	3,054,169	3,218,942	146,872
		(6,552,452)	(10,750,006)	(21,104,650)
PROFIT BEFORE INCOME TAX EXPENSE		63,207,246	54,805,821	48,099,173
INCOME TAX EXPENSE				
Current	17	15,752,813	13,853,110	11,995,442
Deferred		25,000	(50,056)	-
Net income tax expense		15,777,813	13,803,054	11,995,442
PROFIT FOR THE YEAR		₱47,429,433	₱41,002,767	₱36,103,731
Basic Earnings Per Share	18	₱196	₱171	₱152

See Notes to the Financial Statements.



PACERM-1 ENERGY CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(With comparative figures for 2021)

	Note	2023	2022	2021
SHARE CAPITAL				
Ordinary (common) shares	10	₱250,000,000	₱250,000,000	₱250,000,000
TREASURY SHARES				
Opening balances	10	(11,135,390)	(13,363,590)	(15,880,313)
Shares re-issued during the year		2,678,000	2,228,200	2,516,723
Closing balances		(8,457,390)	(11,135,390)	(13,363,590)
ADDITIONAL PAID – IN CAPITAL ON TREASURY SHARES				
Opening balances		124,177	65,901	-
Addition during the year		70,040	58,276	65,901
Closing balances		194,217	124,177	65,901
Share capital – net		241,736,827	238,988,787	236,702,311
RETAINED EARNINGS – UNAPPROPRIATED				
Opening balances	10	93,447,857	77,488,406	61,382,309
Profit for the year		47,429,433	41,002,767	36,103,731
Cash dividends paid during the year		(20,652,554)	(13,907,926)	(19,997,634)
Return of appropriated retained earnings		2,678,000	-	-
Appropriation of retained earnings		-	(11,135,390)	-
Closing balances		122,902,736	93,447,857	77,488,406
RETAINED EARNINGS – APPROPRIATED				
Opening balances	10	11,135,390	-	-
Appropriation of retained earnings		-	11,135,390	-
Return of appropriated retained earnings		(2,678,000)	-	-
Closing balances		8,457,390	11,135,390	-
		₱373,096,953	₱343,572,034	₱314,190,717

See Notes to the Financial Statements.



PACERM-1 ENERGY CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(With comparative figures for 2021)

	Note	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax expense		₱63,207,246	₱54,805,821	₱48,099,173
Add (deduct) adjustments for:				
Depreciation	5	44,573,791	44,536,059	48,717,845
Interest income from bank deposits	6,13	(169,949)	(116,369)	(117,405)
Provision for expected credit loss	7,15	-	200,225	-
Recovery on impairment loss	7,13	(100,000)	-	-
Operating income before changes in working capital		107,511,088	99,425,736	96,699,613
Changes in working capital excluding cash:				
Decrease (increase) in:				
Trade and other receivables		(7,848,587)	3,311,699	(2,691,778)
Fuel inventory		(9,677,266)	5,484,550	2,520,400
Other assets		(207,390)	75,896	(911,323)
Increase (decrease) in trade and other payables		8,757,086	(2,288,406)	331,967
Net cash generated from operations		98,534,931	106,009,475	95,948,879
Interest income from bank deposits	6,13	169,949	116,369	117,405
Income taxes paid		(16,547,586)	(12,609,171)	(13,340,582)
Net Cash Provided by Operating Activities		82,157,294	93,516,673	82,725,702
CASH FLOWS USED IN AN INVESTING ACTIVITY				
Additions to property and equipment	5	(401,857)	(567,159)	(1,352,623)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from treasury shares sold during the year	10	2,678,000	2,228,200	2,516,723
Additional paid-in capital on treasury shares	10	70,040	58,276	65,901
Principal payments on loans and borrowings	11	(64,024,536)	(80,024,536)	(40,024,536)
Cash dividends paid	10	(20,652,554)	(13,907,926)	(19,997,634)
Net Cash Used in Financing Activities		(81,929,050)	(91,645,986)	(57,439,546)
NET INCREASE (DECREASE) IN CASH		(173,613)	1,303,528	23,933,533
CASH, JANUARY 1		61,159,060	59,855,532	35,921,999
CASH, DECEMBER 31	6	₱60,985,447	₱61,159,060	₱59,855,532

See Notes to the Financial Statements.



PACERM-1 ENERGY CORPORATION

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (With comparative figures for 2021)

1. General Information

About the Corporation

PACERM-1 Energy Corporation (“the Corporation”) was incorporated in the Philippines on March 4, 2013, ‘to generate power through use of diesel or other non-renewable and renewable energy resources such as wind, solar, ocean and biomass energy; to provide operations and maintenance services in power generation, transmission, distribution, but not limited to evaluation, appraisal, studies, management, consultation, training and development; to buy and sell power as a retail electricity supplier, and other related ventures related to electric power; and to solicit and accept grants and other financial assistance related to its primary and secondary purpose’.

The Corporation is a subsidiary of Misamis Oriental I Rural Electric Service Cooperative (MORESCO 1), a rural electric cooperative organized in 1968 under the provisions of the National Electrification Administration Act (R. A. No. 6038), as amended by P. D. No. 269, to provide electric service at the retail level to primarily residential and commercial accounts within its franchise area covering one (1) city and nine (9) municipalities in the western part of Misamis Oriental, two (2) municipalities of Bukidnon, and eleven (11) rural barangays of Cagayan de Oro City. Its principal office is located at Poblacion Laguindingan, Misamis Oriental. It is the exclusive buyer of the energy production of the Corporation.

The Corporation started construction of its power plant from 2014 and completed it by August 30, 2016. It conducted the testing and commissioning phases of its operations for the remaining part of 2016. It received its Certificate of Compliance (COC) No. 16-12-M-00098M from the Energy Regulatory Commission (ERC) on December 26, 2016. The Corporation officially started commercial operations at the beginning of 2017. On June 6, 2022, the Corporation was registered as a Direct WESM Member and Trading Participant (Generation Company Category) in the Philippine Wholesale Electricity Spot Market (WESM).

The Corporation’s principal office is located at Quibonbon, El Salvador City, Misamis Oriental. Its Parent Cooperative is located at Poblacion, Laguindingan, Misamis Oriental.

Power Supply Agreement with MORESCO 1

On June 13, 2013, the Corporation entered into a Power Supply Agreement (PSA) with MORESCO 1 for the supply of energy for a period of fifteen (15) years starting from the commercial operation date, or date of issuance of Certificate of Compliance, to serve the peaking requirements of MORESCO-1. The Corporation will supply all the peaking requirements of MORESCO-1 at 20% capacity factor and utilization factor or 18% of the generating plant. The Power Supply Agreement (PSA) was provisionally approved by the Energy Regulatory Commission (ERC) on October 7, 2013, subject to the following conditions:

(1) Applicable rates:

<u>Component</u>	<u>Rate</u>
Capital recovery fee	₱823.56/kW/month
Fixed operating and maintenance fee	₱327.43/kW/month
Variable operating and maintenance fee	₱0.55/kW
Fuel fee	Pass through subject to ₱0.2600 L/kWh

The fixed operating and maintenance fee shall be subject to monthly Philippine CPI adjustment published by National Statistics Office (NSO) using the base month indicated in the application;

- (2) The final generation cost that can be recovered shall be determined by the Commission in its Decision in the instant application; and
- (3) PACERM-1 has the capacity to deliver replacement power and energy to the customer. The costs of the replacement power shall be a full pass thru cost to the customer.



- (4) In the event that the rates provisionally approved are found to be higher than the final rates, the amount corresponding to the excess shall be refunded by PACERM-1 to MORESCO-1 and the latter shall pass it on to its consumers by crediting the same in their electric bills over a period to be determined by the Commission. On the other hand, if the final rate is higher than the provisionally approved rate, the resulting additional charges shall be collected by PACERM-1 from MORESCO-1 and the latter shall pass it on to its consumers over a period to be determined by the Commission.

The PSA does not qualify as a lease as the Corporation retains the right to direct the use of the power plant. The following are the salient information related to the PSA:

- (a) The Corporation supplied a total of 30,207 kWh to MORESCO 1 for the whole year of 2023 and 2,070,989 kWh for the whole year of 2022.
- (b) Future minimum receivable from capital recovery fee and fixed operation and maintenance fee amounted to ₱150,239,865 in 2023 and ₱148,266,444 in 2022.
- (c) The fixed operating and maintenance fee has an average rate of ₱368.82/kW/month in 2023 and ₱353.16/kW/month in 2022.
- (d) The variable operating and maintenance fee has an average rate of ₱0.62/kW in 2023 and ₱0.60/kW in 2022.

The financial statements were approved and authorized for issuance in accordance with a resolution by the Board of Directors (BOD) on February 26, 2024.

2. Basis of Preparation

Statement of Compliance

The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC).

Historical Cost Convention

The financial statements of the Corporation have been prepared on the historical cost basis.

Functional and Presentation Currency

The financial statements are presented in Philippine peso, which is also the functional currency of the Corporation. All values are rounded off to the nearest peso (₱), except when otherwise indicated.

3. Material Accounting Policies

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*. The amendments to PAS 1 specify the requirements for classifying current and non-current liabilities. The amendments will clarify that a right to defer must exist at the end of reporting period and the classification is unaffected by the likelihood that an entity will exercise its deferral right. The issuance of amendments was deferred until January 1, 2023, as a result of COVID-19 pandemic.
- Amendments to PAS 1, *Presentation of Financial Statements* and PFRS Practice Statement 2, *Making Materiality Judgements - Disclosure Initiative - Accounting Policies*. The amendments aim to help entities provide accounting policy disclosures that are more useful by (a) replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and (b) Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.



- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amended standard also clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors.
- Amendments to PAS 12, *Income Taxes – Deferred Tax Related to Assets and Liabilities from a Single Transaction*. The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations. According to the amended guidance, a temporary difference that arises on initial recognition of an asset or liability is not subject to the initial recognition exemption if that transaction gave rise to equal amounts of taxable and deductible temporary differences.
- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*. The amendments introduced in response to the Pillar Two model rules published by the Organization for Economic Co-operation and Development (OECD) include:
 - (1) A Company within the scope of Pillar Two legislation shall disclose that it has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, and
 - (2) An entity shall disclose separately its current tax expense (income) related to Pillar Two income taxes.

Due to the uncertain nature of the tax reforms, the Company cannot quantify the impact on the amount of deferred tax assets and liabilities not recognized on the balance sheet in the current period. No amounts were recognized in the prior period in relation to the Pillar Two Model Rules, to which these amendments would apply.

- PFRS 17, *Insurance Contracts*. This standard will replace PFRS 4, *Insurance Contracts*. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued.

New and Amended PFRS Issued but Not Yet Effective

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2023 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current. Non-current Liabilities with Covenants*. The amendments to PAS 1 together impact the classification of liabilities with covenants and any convertible notes that the Company issues with liability classified conversion features. It may impact the classification of some of the Company's debts and will require additional disclosure about the effect of the covenants of the Company.
- Amendments to PAS 7 and PFRS 7, *Supplier Financing Arrangements*. The amendments will have no impact on the amounts recognized in the financial statements but will require additional disclosures to be provided around the Company's use of supplier financing arrangements.
- Amendments to PFRS 16, *Leases – Lease Liability in a Sale and Leaseback*. The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in PFRS 15 to be accounted for as a sale. The amendments requirement seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognize a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.



The amendments do not affect the gain or loss recognized by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognized a gain on the right-of-use it retains solely because of a measurement of the lease liability (e.g. following a lease modification or change in the lease term) applying the general requirements in PFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate. Earlier application is permitted. If a seller-lessee applies the amendments for an earlier period, it is required to disclose that fact. A seller-lessee applies the amendments retrospectively in accordance with PAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period which the entity first applied PFRS 16.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28 – *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture*. The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Company.

Current versus Noncurrent Classification

The Corporation presents assets and liabilities in the statements of financial position based on current and noncurrent classification.

An asset is current when it is:

- (a) expected to be realized or intended to be sold or consumed in the normal operating cycle;
- (b) held primarily for the purpose of trading;
- (c) expected to be realized within 12 months after the reporting period; or
- (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when it is:

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

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

Financial Assets and Liabilities

Date of Recognition. The Corporation recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.



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

Classification. The Corporation classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Corporation’s business model and its contractual cash flow characteristics.

Financial Assets and Liabilities at FVPL. Financial assets and liabilities at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

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

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

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

After initial recognition, financial assets at FVPL and held for trading financial liabilities are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL and held for trading financial liabilities are recognized in profit or loss.

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

As at December 31, 2023 and 2022, the Corporation does not have financial assets and liabilities at FVPL.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

- 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.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2023 and 2022, the Corporation’s cash, trade and other receivables are included under this category (see Notes 6 and 7).



Financial Assets at FVOCI. For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect 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.

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

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

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

As at December 31, 2023 and 2022, the Corporation does not have financial assets and liabilities at FVOCI.

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

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at December 31, 2023 and 2022, the Corporation's liabilities arising from its trade and other payable, excluding statutory liabilities, and loans and borrowings are included under this category (see Notes 11 and 12).

Reclassification. The Corporation reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.



In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Impairment of Financial Assets at Amortized Cost and FVOCI. The Corporation records an allowance for "expected credit loss" (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Corporation expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Corporation has applied the simplified approach and has calculated ECLs based on the lifetime expected credit losses. The Corporation has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Corporation compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Corporation retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Corporation has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Corporation has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Corporation's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Corporation could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.



The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Corporation could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

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

Classification of Financial Instrument between Liability and Equity

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

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Corporation; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

Derivative Financial Instruments and Hedging

Freestanding Derivatives

For the purpose of hedge accounting, hedges are classified as either:

- (a) fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk);
- (b) cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or
- (c) hedges of a net investment in foreign operations.

At the inception of a hedge relationship, the Corporation formally designates and documents the hedge relationship to which the Corporation wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Fair Value Hedge. Derivatives classified as fair value hedges are carried at fair value with corresponding change in fair value recognized in the statements of comprehensive income. The carrying amount of the hedged asset or liability is also adjusted for changes in fair value attributable to the hedged item and the gain or loss associated with that remeasurement is also recognized in the statements of comprehensive income.

When the hedge ceases to be highly effective, hedge accounting is discontinued and the adjustment to the carrying amount of a hedged financial instrument is amortized immediately.

The Corporation discontinues fair value hedge accounting if:

- (a) the hedging instrument expires, is sold, is terminated or is exercised;
- (b) the hedge no longer meets the criteria for hedge accounting; or
- (c) the Corporation revokes the designation.



The Corporation has no outstanding derivatives accounted for as a fair value hedge as at December 31, 2023 and 2022.

Cash Flow Hedge. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized in other comprehensive income and presented in the statements of changes in equity. The ineffective portion is immediately recognized in the statements of comprehensive income.

If the hedged cash flow results in the recognition of an asset or a liability, all gains or losses previously recognized directly in the statements of changes in equity are transferred and included in the initial measurement of the cost or carrying amount of the asset or liability. Otherwise, for all other cash flow hedges, gains or losses initially recognized in the statements of changes in equity are transferred to the statements of comprehensive income in the same period or periods during which the hedged forecasted transaction or recognized asset or liability affects the statements of comprehensive income.

When the hedge ceases to be highly effective, hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been reported directly in the statements of changes in equity is retained until the forecasted transaction occurs. When the forecasted transaction is no longer expected to occur, any net cumulative gain or loss previously reported in the statements of changes in equity is recognized in the statements of comprehensive income.

The Corporation has no outstanding derivatives accounted for as a cash flow hedge as at December 31, 2023 and 2022.

Net Investment Hedge. Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income while any gain or loss relating to the ineffective portion is recognized in the statements of comprehensive income. On disposal of a foreign operation, the cumulative value of any such gains and losses recorded in the statements of changes in equity is transferred to and recognized in the statements of comprehensive income.

The Corporation has no hedge of a net investment in a foreign operation as at December 31, 2023 and 2022.

Changes in fair values of derivatives that do not qualify for hedge accounting are recognized directly in the statements of comprehensive income.

Embedded Derivatives

The Corporation assesses whether embedded derivatives are required to be separated from the host contracts when the Corporation becomes a party to the contract.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

- (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- (c) the hybrid or combined instrument is not recognized as at FVPL.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

The Corporation has not bifurcated any embedded derivatives as at December 31, 2023 and 2022.

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 Corporation.



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 Corporation 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 Corporation 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.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing.

The initial cost of property, plant and equipment comprises its construction cost or purchase price, including import duties, taxes, and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation (ARO). Expenditures incurred after the asset has been put into operation, such as repairs, maintenance, and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the items will flow to the Corporation and the cost of the items can be measured reliably.

Depreciation, which commences when the assets are available for their intended use, is computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Land improvements	10 – 15
Buildings and improvements	10 – 15
Diesel power plant and peripherals	15
Line and transformer protection	10
Transportation equipment	10
Office furniture, fixtures and equipment	3 – 5
Guard house, canteen/staff houses	5 – 10
Plant tools and equipment	3 - 5

The remaining useful lives, residual values and depreciation method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of depreciation are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property, plant and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statements of comprehensive income in the period of retirement and disposal.



Impairment of Non-financial Assets

The carrying amounts of investments, property and equipment, right-of-use of assets and investment property are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of comprehensive income. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Trade and Other Receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Corporation provides money, goods and services directly to the debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

The Corporation's trade receivables represent the amounts granted to its customer, and the Market Operator which happens to be its Parent Cooperative and the Independent Electricity Market Operator of the Philippines (IEMOP). Its other receivables include advances for other goods and services.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Fuel inventory

Fuel inventory is carried at the lower of cost or net realizable value (NRV). For petroleum products the NRV is the estimated selling price in the ordinary course of business, less the estimated costs to complete and/or market and distribute. Cost is determined using the weighted average cost method.

Prepayments

Prepayments are expenses paid in advance and recorded as asset before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to profit or loss when incurred. Prepayments are presented as part of "Other assets" in the statement of financial position.

Share capital and Additional Paid-in Capital

Share capital

Share capital are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.



Additional Paid-in Capital

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Corporation, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Treasury Shares

The Corporation's own equity instruments which are reacquired are carried at cost and deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of the Corporation's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Retained Earnings

Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments.

Trade and Other Payables

Trade and other payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Revenue and Cost Recognition

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

For each contract with a customer, the Corporation:

- a. Identifies the contract with a customer;
- b. Identifies the performance obligations in the contract;
- c. Determines the transaction price which takes into account estimates of variable consideration and the time value of money;
- d. 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
- e. 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 following are the specific criteria in recognizing revenue and expenses:

i. Energy Fees

Revenue from the Power Supply Agreement (PSA) with MORESCO-1 is recognized on a monthly basis for the energy delivered and capacity made available by the Corporation. This consists of fixed capacity charge, fixed and variable operation and maintenance fee, and fuel cost charge.

Revenue from fixed capacity charge, and fixed operations and maintenance fee are recognized on a straight-line basis over the term of the PSA. Revenue from variable operation and maintenance fees is recognized based on the delivered power to MORESCO-1. Fuel cost charge is a pass-through charge based on the actual cost of fuel incurred by the Corporation subject to fuel efficiency rate thresholds provided by ERC.



The Corporation schedules its meter reading and billing to MORESCO-1 at every end of the month. Any variation in the timing is considered by management as having only minimal impact in the timing of revenue and cost recognition.

ii. Interest Income

Interest income is recognized as the interest accrues, taking into account the effective yield of the asset.

iii. Other Income

Income from other sources is recognized when earned.

iv. Operating 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.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Taxes

Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax relating to items recognized directly in equity is recognized in equity and not in the statements of comprehensive income. The Corporation periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred Tax. Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized using the liability method for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.



Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax are recognized in the statements of comprehensive income, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT). Revenues, expenses, and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Accounts payable and other current liabilities" accounts in the statements of financial position.

Compensation and Employees' Benefits Expense

Employee benefits are all forms of consideration given by the Corporation in exchange for services rendered by employees or for the termination of their employments in the Corporation. The Corporation 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 Corporation 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 Corporation for all types of employees benefits, except share-based payment, to which there is none.

Short-Term Employees' 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 amounts 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 Corporation expects to pay as a result of unused entitlements at the end of the period.

The amounts recognized are included in Other Liabilities account in the statement of financial position at the undiscounted amount that the Corporation expects to pay as a result of the unused entitlement.

a. Bonus Payments (If Any)

The Corporation recognizes the expected cost of bonus payments 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 BOD. As a matter of policy, the Corporation does not declare and accrue bonuses unless approved and authorized for release by the BOD.

b. Post-Employment Benefit Plans

The Corporation has eleven (11) regular employees and has not yet covered its employees with any post-retirement benefit program considering that the operations of the Corporation is barely a few years yet, and its work force are considered young. The BOD however is cognizant of the need to provide post-employment benefits to its employees.

Post-employment benefit plans that are to be provided to employees will only cover their retirement benefits, which would be 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 will remain with the Corporation, 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 Corporation's defined benefit retirement plan will cover all regular full-time employees.

c. Termination Benefits

Termination benefits are payable when employment is terminated by the Corporation before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Corporation 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.

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service. Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Corporation in respect of services provided by employees up to the reporting date.



Leases

The Corporation has applied PFRS 16 at the beginning of 2019.

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation uses the definition of a lease in PFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

Leases – The Corporation as Lessee

The Corporation assesses whether a contract is or contains a lease, at inception of the contract. The Corporation recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these low value leases, the Corporation recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Corporation uses its incremental borrowing rate.

The incremental borrowing rate depends on the term and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Corporation and the lease does not benefit from a guarantee from the Corporation.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Corporation remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.



Whenever the Corporation incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under PAS/IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Corporation expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position or it could be joined with property and equipment.

The Corporation applies PAS/IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Rent" in the statement of profit or loss.

As a practical expedient, PFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Corporation has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Corporation allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Corporation presently has no leases that qualify as right-of-use assets. It has determined that the existing leases, if any, are considered short-term leases and leases of low value assets.

Leases – The Corporation as Lessor

Leases for which the Corporation is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. The Corporation is not a lessor of properties.

When the Corporation is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Corporation's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Corporation's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Corporation regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of PFRS 9, recognizing an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortized cost (i.e., after a deduction of the loss allowance).

When a contract includes both lease and non-lease components, the Corporation applies PFRS 15 to allocate the consideration under the contract to each component.

The Corporation is not a lessor of properties as at and for the year ended December 31, 2023 and 2022.



Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and significant influence. Related parties may be individuals or corporate entities.

Earnings per Share

Basic earnings per share (EPS) is computed by dividing the profit for the year attributable to common shareholders (by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the year).

Provisions

Provisions are recognized when: (a) the Corporation has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingencies

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

Events After the Reporting Date

Post year-end events that provide additional information about the Corporation's financial 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 the financial statements when material.

4. Use of Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income, and expenses reported in the financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments

In the process of applying the accounting policies, the Corporation has made the following judgments, apart from those involving estimations, which have an effect on the amounts recognized in the financial statements:

Business Model Assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Corporation determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.



The Corporation monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held.

Monitoring is part of the Corporation's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

Significant Increase in Credit Risk

Expected credit losses (ECL) are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. PFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Corporation takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Determining Whether an Arrangement Contains a Lease and Proper Classification of the Lease. The PSA does not qualify as a lease on the basis that the customer did not possess the right to direct the use of the power plant since it does not have any decision-making rights as to the use of the asset throughout the period of use. Accordingly, the power plant complex is recorded as part of property, plant and equipment and the fees billed to MORESCO-1 are recognized as revenue on a straight-line basis.

Evaluating deferred tax. In determining the amount of current and deferred tax, the Corporation takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Corporation believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Corporation to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Classifying financial instruments. The Corporation exercises judgments in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

Contingencies. The Corporation is a respondent in one (1) claim and lawsuit which was decided in favor of the Corporation in 2023. The Corporation's estimate of the probable costs for the resolution of the claim and lawsuit has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Corporation currently does not believe that the claims and lawsuits will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings. No accruals were made in relation to these proceedings (see Note 21).

Estimates and Assumptions

The key estimates and assumptions used in the financial statements are based upon the Corporation's evaluation of relevant facts and circumstances as at the date of the financial statements. Actual results could differ from such estimates.

Allowance for ECL on receivables. Provisions are made for specific and groups of accounts, where objective evidence of credit loss exists. The Corporation evaluates these accounts on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Corporation's relationship with the counterparties, the current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience. The amount and timing of the recorded expenses for any period would differ if the Corporation made different judgments or utilized different methodologies. An increase in the allowance for ECL would increase the recorded costs and expenses and decrease current assets.

The allowance for ECL on receivables amounted to ₱2,207,613 and ₱2,307,613 as at December 31, 2023 and 2022 (see Note 7).



The carrying amounts of receivables amounted to ₱20,774,345 and ₱12,825,758 as at December 31, 2023 and 2022, respectively (see Note 7).

Recognition of Contract Revenues

As revenue from sales of energy is recognized over time, the amount of revenue recognized in a reporting period depends on the extent to which the performance obligation has been satisfied. In performing its obligations under the PSA, the Corporation requires an estimate of the quantity of the kilowatt hour to be provided to MORESCO-1.

Taxation provisions

The Corporation's current tax provision relates to management's assessment of the amount of tax payable on open tax positions where the liabilities remain to be agreed with the BIR. Uncertain tax items for which a provision is made, relate principally to the interpretation of tax legislation regarding arrangements entered into by the Group. Due to the uncertainty associated with such tax items, there is a possibility that, on conclusion of open tax matters at a future date, the final outcome may differ significantly.

Fair Value Measurements

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible; but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Legal Contingencies

An estimate of probable costs for the resolution of possible claims is developed in consultation with outside counsel handling the Corporation's defense in these matters and is based upon an analysis of potential results. As at December 31, 2023 and 2022, the Corporation is not involved in any significant legal case that would require an estimate of probable costs. No provision for probable losses arising from legal contingencies was recognized at the end of the year.

Estimated Useful Lives of Property, Plant and Equipment

The Corporation estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property, plant and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment and investment property would increase the recorded costs and expenses and decrease noncurrent assets.

Property, plant and equipment were fully depreciated but still in use amounted to ₱26,235,323 and ₱25,998,994 as at December 31, 2023 and 2022, respectively. Accumulated depreciation of property, plant and equipment amounted to ₱332,917,474 and ₱288,355,958 as at December 31, 2023 and 2022, respectively. Net book value of the property, plant and equipment amounted to ₱342,715,126 and ₱386,887,060 as at December 31, 2023, respectively. (see Note 5).

Fuel Inventory

Management estimates the net realizable values of fuel inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by market-driven changes that may affect the costs of the inventories.

Realizability of deferred tax assets

The Corporation reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Corporation's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.



Deferred tax assets amounted to ₱657,273 and ₱682,273 as at December 31, 2023 and 2022, respectively (see Note 17).

Asset retirement obligation. Determining ARO requires estimation of the costs of dismantling, installing and restoring leased properties to their original condition. The Corporation determined that there are no ARO as at December 31, 2023 and 2022.

Impairment of Non-Financial Assets

In assessing impairment, management estimates the recoverable amount of each asset based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Provision and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision are discussed in Note 3.

5. Property, Plant and Equipment – Net

The property, plant and equipment consist of the following:

	2023	2022
Land	₱5,875,150	₱5,875,150
Land improvements	20,612,793	20,612,793
Building and improvements	24,028,868	24,028,868
Diesel power plant	609,810,640	609,810,640
Line and transformer protection (NARI)	3,780,952	3,780,952
Transportation equipment	3,600,358	3,600,358
Office furniture and equipment	3,941,998	3,593,499
Guard, canteen and staff houses	2,412,356	2,412,356
Plant tools and equipment	1,569,485	1,528,402
Total	675,632,600	675,243,018
Less: Accumulated depreciation	332,917,474	288,355,958
Net	₱342,715,126	₱386,887,060

Accounting of the Movements of Property, Plant and Equipment

	Opening Balances	Additions	Retirements	Closing Balances
December 31, 2023				
<u>Cost</u>				
Land	₱5,875,150	₱-	₱-	₱5,875,150
Land improvements	20,612,793	-	-	20,612,793
Building and improvements	24,028,868	-	-	24,028,868
Diesel power plant	609,810,640	-	-	609,810,640
Line & transformer protection (NARI)	3,780,952	-	-	3,780,952
Transportation equipment	3,600,358	-	-	3,600,358
Office furniture and equipment	3,593,499	354,537	(6,038)	3,941,998
Guard house, canteen/staff house	2,412,356	-	-	2,412,356
Plant tools and equipment	1,528,402	47,320	(6,237)	1,569,485
Total	675,243,018	401,857	(12,275)	675,632,600
<u>Accumulated Depreciation</u>	288,355,958	44,573,791	(12,275)	332,917,474
Net Book Value	₱386,887,060			₱342,715,126



	<i>Opening Balances</i>	<i>Additions</i>	<i>Retirements</i>	<i>Closing Balances</i>
<u>December 31, 2022</u>				
<u>Cost</u>				
Land	P5,875,150	P-	P-	P5,875,150
Land improvements	20,556,805	55,988	-	20,612,793
Building and improvements	24,028,868	-	-	24,028,868
Diesel power plant	609,800,143	10,497	-	609,810,640
Line & transformer protection (NARI)	3,780,952	-	-	3,780,952
Transportation equipment	4,076,358	-	(476,000)	3,600,358
Office furniture and equipment	3,165,564	432,435	(4,500)	3,593,499
Guard house, canteen/staff house	2,412,356	-	-	2,412,356
Plant tools and equipment	1,460,163	68,239	-	1,528,402
Total	675,156,359	567,159	(480,500)	675,243,018
<i>Accumulated depreciation</i>	244,300,399	44,536,059	(480,500)	288,355,958
<i>Net Book Value</i>	P430,855,960			P386,887,060

The Corporation financed the cost of its property, plant and equipment by accessing loans from a bank payable in a number of years. The loan is secured substantially by the whole power plant complex. The carrying amount of the collateralized property, plant and equipment amounted to P330,939,416 and P371,571,593 as at December 31, 2023 and 2022, respectively (See Note 11).

Property and equipment amounting to P26,235,323 and P25,998,994 as at December 31, 2023 and 2022, respectively, are fully depreciated but still in use.

Distribution of Depreciation Expenses

	2023	2022	2021
Direct costs and expenses	P40,673,078	P40,665,019	P41,426,260
Fixed and financial charges	3,900,713	3,871,040	7,291,585
	P44,573,791	P44,536,059	P48,717,845

6. **Cash**

This account consists of:

	2023	2022
Cash in banks	P60,496,668	P60,780,395
Cash on hand	388,779	278,665
Revolving funds	100,000	100,000
	P60,985,447	P61,159,060

The cash in banks earn interest at prevailing market rates ranging from 0.30% to 1.5%. Interest income from cash in banks amounted to P169,949, P116,369, and P117,405 in 2023, 2022, and 2021, respectively (see Note 13).



7. Trade and Other Receivables - Net

The trade and other receivables consist of the following:

	Note	2023	2022
Trade receivables - MORESCO-1	16	₱16,292,665	₱12,735,161
Trade receivables - others		3,517,480	202,418
Receivables from NGCP and others		1,625,816	1,626,765
Advances from officers and employees		1,207,901	322,139
Advances to contractors		227,000	135,792
Bill deposit – MORESCO-1		111,096	111,096
Total		22,981,958	15,133,371
Less: Allowance for expected credit losses		2,207,613	2,307,613
		₱20,774,345	₱12,825,758

The trade receivables - MORESCO-1 pertain to receivables from the Corporation's parent Cooperative for the sale of contracted energy which are non-interest bearing but are subject to surcharge for late payments and discounts for early payments. These are normally settled on a 15-day credit term. In 2021, the Corporation paid a bill deposit to MORESCO-1 equivalent to 1 month estimated consumption amounting to ₱111,096 for the extension of 3 phase primary line and installation of 3 units 167kVa distribution transformers to serve PACERM-1 HFO Tank Heater.

The trade receivables - others include the receivables from the IEMOP and Energy Development Corporation (EDC). The receivables from IEMOP pertain to the trading transactions of the Corporation with WESM participants while the receivables from EDC pertain to the service fees due to the Corporation from the sale of replacement power.

NGCP Receivables pertain to the preparation of the Corporation for the commercial operations in 2016, the facility initiated to purchase a Supervisory Control and Data Acquisition (SCADA) system in lieu of the NGCP to expedite the operations, as of date, the purchased amount was still an outstanding receivable by the Corporation.

Advances to contractors represent advance payments for construction contracts that are normally settled as soon as the contractor has completed said construction. Advances to officers and employees represent cash advances that are normally settled through direct liquidations or payroll deductions.

Aging of the Accounts

	Current	Past Due	Total
December 31, 2023			
Trade receivables - MORESCO-1	₱16,292,665	₱-	₱16,292,665
Trade receivables - others	3,517,480	-	3,517,480
Other receivables	-	1,625,816	1,625,816
Advances to contractors	227,000	-	227,000
Bill deposit – MORESCO-1	111,096	-	111,096
Advances to officers and employees	1,107,679	100,222	1,207,901
Total	₱21,255,920	₱1,726,038	₱22,981,958
December 31, 2022			
Trade receivables - MORESCO-1	₱12,735,161	₱-	₱12,735,161
Trade receivables - others	202,418	-	202,418
Other receivables	-	1,626,765	1,626,765
Advances to contractors	135,792	-	135,792
Bill deposit – MORESCO-1	111,096	-	111,096
Advances to officers and employees	121,917	200,222	322,139
Total	₱13,306,384	₱1,826,987	₱15,133,371



Allowance for Expected Credit Losses (ECL)

The Corporation recognizes lifetime ECL for trade receivables and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Corporation'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.

The Corporation 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 Corporation 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.

For 12-month ECL, the Corporation used 2% rate while for the past due accounts over two years, the Corporation used lifetime ECL of 100%.

In 2023, the Corporation recovered ₱100,000 from an account which was previously impaired in 2022 (see Note 13).

Roll-forward Analysis of Allowance for Expected Credit Losses

The movements of the allowance for expected credit losses follow:

	Note	2023	2022	2021
Opening balances		₱2,307,613	₱2,107,388	₱2,107,388
Provision for expected credit loss	15	-	200,225	-
Recovery of impairment during the year	13	(100,000)	-	-
Closing balances		₱2,207,613	₱2,307,613	₱2,107,388

8. Fuel Inventory

This account consists of the following:

	2023	2022
Light fuel oil	₱10,517,084	₱4,842,821
Heavy fuel oil	4,086,927	239,942
Lube oil	191,303	35,285
	₱14,795,314	₱5,118,048

The Corporation maintains fuel inventory level that will allow it to respond to the requirements of its exclusive customer. The Corporation maintains that its inventory of fuel at the end of 2023 and 2022 was not impaired.

The cost of fuel and oil incurred amounted to ₱839,006, ₱10,907,227, and ₱2,626,256 in 2023, 2022, and 2021, respectively.

9. Other Assets

This account consists of the following:

	2023	2022
Prudential deposit	₱913,000	₱913,000
Vehicle plan asset	331,071	-
Prepaid insurance	88,189	167,989
Deferred input VAT	43,886	87,772
	₱1,376,146	₱1,168,761



Prudential Deposit

As provided under WESM Rules Clause 3.15.2.1, WESM members need to comply with the prudential requirements by providing security to the Market Operator. This is to ensure the effective operation of the spot market by providing a level of comfort that WESM members will meet their obligations to make payments. The amount of security that a WESM Member is required to maintain with the Market Operator is equivalent to its Maximum Net Exposure for the financial year in the form of cash, letter of credit or surety bond. The Corporation opted to make a cash deposit to comply with this prudential requirement.

The market operator shall draw from the existing security deposit of in the event of shortfall in payment to which the Corporation will be informed in writing. Within 3 working days from receipt of the written notice, the Corporation shall be required to provide additional security deposit to ensure that, at all times, it complies with the requirements of the WESM Rule.

Vehicle plan asset

Through BOD Resolution No. 46 series of 2023, the Corporation bought 4 motorcycle vehicles intended for its vehicle plan to its employees. Under the vehicle plan, the vehicle cost is payable in 3 years plus 15% interest. As of December 31, 2023, no employee has complied with the requisites to avail of the vehicle plan.

10. Shareholders' Equity

Share Capital

The Corporation has an authorized share capital of 250,000 shares with par value of ₱1,000 per share. As of December 31, 2023, 2022, and 2021, the total authorized share capital was fully subscribed and paid.

On September 25, 2023, through the SEC Markets and Securities Regulation Department (MSRD) Order No. 50, the Corporation's securities consisting of 250,000 common shares have been registered pursuant to the requirements of Sections 8 and 12 of the Revised Securities Regulation Code. As such, the shares may now be offered or sold to the public subject to full compliance with laws and regulations. The breakdown of the shares registered follow:

Description	No. of Common Shares	Price
Primary Offering (To be offered and sold to the public by way of Direct Public Offering)	8,566*	With an offer price of ₱2,100
Secondary Offering (To be offered and sold to the public by way of Direct Public Offering)	18,325	With an offer price of ₱2,100
Outstanding Shares (Not included in the offer)	223,109	With a par value of ₱1,000 per share
TOTAL	250,000	

*Out of the treasury shares

As of December 31, 2023, 48 shareholders hold the outstanding shares of the Corporation and there are 6,506 shares available for primary offering held by the Corporation as Treasury shares.

Treasury Shares

In 2017, the Corporation purchased 12,216 of its own shares for ₱15,880,313 as treasury shares. On August 20, 2020, the BOD approved the reissuance of its treasury shares by giving the existing shareholders the right to purchase shares to maintain their respective percentage of ownership.

In 2023, 2022 and 2021, the Corporation reissued 2,060 shares for ₱2,748,040, 1,714 shares for ₱2,286,476 and 1,936 shares for ₱2,582,624 from its treasury shares, respectively. The re-issuance from treasury shares resulted in additional paid-in capital of ₱70,040, ₱58,276, ₱65,901 in 2023, 2022 and 2021, respectively.

Retained earnings - Appropriated

On December 15, 2022, the BOD approved the appropriation of the Corporation's retained earnings equal to the ending balance of the Corporation's treasury shares per BR No. 046 series of 2022. On December 29, 2023, the BOD approved the resolution to reverse the portion of the restricted retained earnings considering the sale of 2,060 treasury shares held by the Corporation equivalent to ₱2,678,000.



Dividends Declared and Paid

On January 6, 2023, February 14, 2022, and March 5, 2021, the BOD approved resolutions to distribute cash dividends out of the 2023, 2022, and 2021 earnings to all shareholders on record as of December 31, 2023, 2022, and 2021, respectively.

The Corporation declared dividends of ₱20,652,554 at ₱85.54 per share in 2023; ₱13,907,926 at ₱58.45 per share in 2022; and ₱19,997,634 at ₱84.10 per share in 2021.

Disclosure Required Under Revised SRC Rule 68 (2019)

As at December 31, 2023, 2022 and 2021, the Corporation had a total of 48, 36 and 35 shareholders, respectively. All of the Corporation's shareholder is owning 100 or more shares each.

Capital Management Objectives, Policies and Procedures

The Corporation manages its capital to ensure that it has the ability to continue as a going concern while maximizing the return to shareholders. The primary objective of the Corporation's capital management is to ensure its ability to continue as a going concern and that it maintains a strong credit rating and healthy capital ratios in order to support its business, maximize shareholder value, provide returns for shareholders and benefits for other stakeholders.

The BOD has overall responsibility for monitoring of capital in proportion to risk. The Corporation's BOD 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 BOD considers the cost of capital and the risks associated with each class of capital.

The Corporation sets the amount of capital in proportion to risk. The Corporation manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may return capital to shareholders, issue new shares or sell assets to reduce debt.

The Corporation's major stockholders have committed to continue providing financial support for the Corporation's operation when needed.

The following are the Corporation's capital:

	2023	2022	2021
Ordinary shares	₱250,000,000	₱250,000,000	₱250,000,000
Treasury shares	(8,457,390)	(11,135,390)	(13,363,590)
Additional paid-in capital on treasury share	194,217	124,177	65,901
Retained earnings - Unappropriated	122,902,736	93,447,857	77,488,406
Retained earnings – Appropriated	8,457,390	11,135,390	-
	₱373,096,953	₱343,572,034	₱314,190,717

Capital-to-Overall Financing Rate

	Note	2023	2022	2021
Total shareholders' equity		₱373,096,953	₱343,572,034	₱314,190,717
Less: Cash	6	60,985,447	61,159,060	59,855,532
Capital		312,111,506	282,412,974	254,335,185
Total shareholders' equity		373,096,958	343,572,034	314,190,717
Borrowings (total liabilities)		68,206,698	124,268,926	205,337,928
Overall financing		441,303,656	467,840,960	519,528,645
Capital-to-Overall Financing Rate		70.72%	60.37%	48.95%

Gearing Ratio

Gearing ratio focuses on the capital structure of the Corporation – that means the proportion of finance that is provided by debt (borrowings) relative to the finance provided by equity (or shareholders). It is also concerned with liquidity. However, it focuses on the long-term financial stability of the Corporation.



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 of the Corporation 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 Corporation's gearing ratio is computed as follows:

	Note	2023	2022	2021
Total liabilities		₱68,206,698	₱124,268,926	₱205,337,928
Less: cash	6	60,985,447	61,159,060	59,855,532
Net Debt		7,221,251	63,109,866	145,482,396
Total shareholders' equity		373,096,953	343,572,034	314,190,717
Equity and Net Debt		₱380,318,204	₱406,681,900	₱459,673,113
Gearing Ratio (Net Debt/Equity and Net Debt)		1.90%	15.52%	31.65%

11. Loans and Borrowings

This represents the following:

	2023	2022
Current	₱40,024,536	₱40,024,536
Noncurrent	6,068,098	70,092,634
	₱46,092,634	₱110,117,170

Movements of the Accounts During the Year

	2023	2022
Balance, beginning	₱110,117,170	₱190,141,706
Payments made during the year	(64,024,536)	(80,024,536)
Balance, ending	₱46,092,634	₱110,117,170

Nature of the Loans and Borrowings

In 2017, the Corporation obtained a 10-year loan from the Philippine Business Bank totaling ₱400,000,000 which the Corporation used to settle its loans with RCBC Savings Bank and RCBC Commercial Bank. The loans originally bear interest at 5% per annum but was later repriced based on prevailing rate. At the end of 2019, the rate of interest was pegged at 6.5% per annum. The loan is secured by a Real Estate Mortgage (REM) for ₱100,000,000 covering the 5,107 sqm. industrial lot located at Brgy. Quibonbon, El Salvador City, together with all the buildings, improvements and machineries now existing or which may still be erected or constructed thereon and attached thereto. As of December 31, 2023 and 2022, the aggregate carrying value of the collateralized properties amounted to ₱330,939,416 and ₱371,571,593, respectively (See Note 5).

These loans are subject to positive and negative covenants, including financial ratios (total debt-to-equity ratio of less than 1 and current financial ratio of more than 1). As at December 31, 2023 and 2022, the Corporation was able to comply with the prescribed financial ratios to be maintained and had not received any notice from PBB that it had violated any provisions of the debt covenant. As stipulated in the loan agreement, if the Corporation fails to properly perform any of the obligations arising from the loan agreement (including the financial ratios) will result to, among others, the whole outstanding loan balance will automatically become due and payable without the necessity of any demand, presentment, or notice from the bank and the bank shall have the rights to pursue such remedies judicially or extra judicially as it may deem necessary to enforce its legal right under the contract.

The Corporation made unscheduled principal payments of ₱ 24,000,000 in 2023 and ₱40,000,000 in 2022 and 2020 resulting to a reduction in interest expense.

Total interest paid on the loan amounted to ₱5,705,908, ₱10,097,908, and ₱13,959,937 in 2023, 2022, 2021, respectively.



12. Trade and Other Payables

This account consists of the following:

	Note	2023	2022
Accounts payable		₱10,579,215	₱5,694,327
VAT payable		5,278,779	2,264,594
Accrued expenses		2,549,018	2,193,438
Deferred output VAT		1,801,313	1,386,169
Income tax payable	17	1,559,769	2,354,542
Other payables		345,970	258,686
		₱22,114,064	₱14,151,756

Accounts payable include payables to IEMOP and EDC in relation to the Corporation's participation in the WESM and the provision of replacement power, respectively.

Accrued expenses include unreleased benefits of employees approved by the BOD, and statutory payables. The VAT payable and the statutory payables are unremitted contributions and remittances to government agencies such as the SSS, Pag-Ibig, Philhealth and BIR. These are normally settled in the following month. As of December 31, 2023 and 2022 unpaid monthly electricity bill in December amounting to ₱85,818 and ₱142,995, respectively (see Note 16).

13. Other Income

	Note	2023	2022	2021
Service fee on replacement power		₱2,770,736	₱1,914,016	₱-
Interest income	6	169,949	116,369	117,405
Recovery of impairment during the year	7	100,000	-	-
Other income		13,484	1,188,557	29,467
		₱3,054,169	₱3,218,942	₱146,872

Service Fee on Replacement Power

This pertains to the income of the Corporation from the non-firm replacement power supply agreement (NFRPSA) with a geothermal power plant. Under the agreement, the Corporation will facilitate the sale of the replacement power from the geothermal power plant to the Corporation's customer. In consideration of the Corporation's finding a ready market for the replacement power, the geothermal power plant shall pay the Corporation a Service Fee for every kilowatt-hour (kWh) of energy taken and paid by the Corporation under the NFRPSA from the effective date and throughout the duration of the agreement.

Other Income

Other income in 2022 includes adjustments to recognize the cost of recovered fuel from dead tank previously expensed amounting to ₱1,173,823.

14. Compensation and Employees' Benefits

Total compensation and employees' benefits, which are all classified as short-term benefits, amounted to ₱6,206,804, ₱4,284,801, and ₱3,881,144 for the years ended December 31, 2023, 2022, and 2021, respectively.

Distribution of Compensation and Employees' Benefits

	2023	2022	2021
Direct costs and expenses	₱4,137,637	₱2,774,680	₱2,137,396
General and administrative expenses	2,069,167	1,510,121	1,743,748
	₱6,206,804	₱4,284,801	₱3,881,144



15. Other Operating Expenses

	Note	2023	2022	2021
Donations and charitable contributions		₱3,679,464	₱4,025,893	₱3,818,268
Meetings and conferences		2,583,164	3,099,589	1,310,454
Travel and transportation		1,410,272	883,419	348,539
Utilities		1,354,780	1,294,732	1,007,168
Financial assistance		871,461	-	-
Security services		673,179	601,350	571,548
Miscellaneous		664,038	594,734	834,995
Postage and communication		433,767	550,560	380,659
Repairs and maintenance		405,073	519,449	693,135
Insurance		347,042	574,824	779,188
COVID-19 financial assistance		-	4,941,041	2,226,614
Provision for expected credit loss	7	-	200,225	-
		₱12,422,240	₱17,285,816	₱11,970,568

16. Related Party Transactions

In the ordinary course of trade or business, the Corporation has transactions with its related party. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The following are the transactions with related parties and the outstanding balances as at December 31, 2023:

Related Party	Year	Revenues from a Related Party	Purchases from a Related Party	Amounts Owed by a Related Party	Amounts Owed to a Related Party	Terms	Conditions
Parent Cooperative	2023	₱234,084,749	₱1,354,780	₱16,292,665	₱85,818	15 Days, non-interest bearing	Secured with Billing Deposits
	2022	₱190,816,070	₱1,294,732	₱12,735,161	₱142,995		
	2021	₱145,467,047	₱1,007,168	₱14,966,491	₱104,024		

- All energy generated from the Corporation's power plant is being sold exclusively to MORESCO-1 as stipulated in the PSA, summarized as follows:

	Note	2023	2022	2021
Opening balance		₱12,735,161	₱14,966,491	₱13,892,591
Billings for energy, and related fuel cost		257,028,831	218,252,698	170,567,026
Collections		(253,471,327)	(219,286,167)	(169,504,883)
Billing adjustments at the end of the year		-	(1,197,861)	11,757
Closing balances	7	₱16,292,665	₱12,735,161	₱14,966,491

Breakdown of Sales to MORESCO-1

Capital recovery fee	₱103,768,560	₱103,768,560	₱103,768,560
Fixed operation maintenance	46,471,305	44,497,884	46,034,333
Fuel cost fee	507,116	10,815,209	145,997
Variable operating maintenance	18,789	1,247,741	2,353,595
Prompt payment rebates	(5,317,316)	(5,057,959)	(6,835,438)
Power supply agreement-net	145,448,454	155,271,435	145,467,047
Replacement power	88,636,295	35,544,635	-
	₱234,084,749	₱190,816,070	₱145,467,047

As per PSA between the Corporation and MORESCO-1, the Corporation has the capacity to deliver replacement power and energy to MORESCO-1. The costs of the replacement power shall be a full pass thru cost to MORESCO-1.



2. Purchases from related party includes the electricity bill incurred from MORESCO-1 for the years 2023, 2022 and 2021.
3. Amounts owed by the related party includes PSA billings for energy and related fuel cost.
4. Amounts owed to related party includes unpaid electricity bill for the month of December 2023, 2022 and 2021. In 2022, the Corporation settled the accounts payable to MORESCO-1 amounting to ₱3,361,969, which represents the organization cost plus the added premium value on interest amounting to ₱150,000 in the preparation of feasibility studies of the peaking plant in 2013. Still in 2022, the Corporation paid a bill deposit to MORESCO-1 equivalent to 1 month estimated consumption amounting to ₱111,096 for the extension of 3 phase primary line and installation of 3 units 167kVa distribution transformers to serve PACERM-1 HFO Tank Heater.

Compensation of key management personnel, which consisted of salaries and other benefits, amounted to ₱5,393,707, ₱4,726,732, and ₱4,232,950 in 2023, 2022, and 2021, respectively.

17. Income Tax Expense

Income Tax Expense

The income tax expense for 2023, 2022, and 2021 were computed based on the provisions of Revenue Regulations No. 5-2021, 'Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to Republic Act (RA) No. 11534 or the 'Corporate Recovery and Tax Incentives for Enterprises Act' (CREATE), Which Further Amended the National Internal Revenue Code (NIRC) of 1997'. The income tax expenses for 2023, 2022, and 2021 were based on the regular rates which proved to be higher than the MCIT Rates as shown in the succeeding tables.

In accordance with the provisions of RA 11534, the following is the computation of the Income Tax Due for 2023, 2022, and 2021:

	Note	2023	2022	2021
<u>Computed at Regular Rate</u>				
Profit before income tax expense		₱63,207,246	₱54,805,820	₱48,099,173
Add (deduct) reconciling items:				
Interest income on bank deposits already subjected to final tax		(169,949)	(116,369)	(117,405)
Provision for expected credit loss	7,15	-	200,225	-
Recovery of impairment during the year	7,13	(100,000)	-	-
Interest expense limitation		42,487	29,092	-
Other non-deductible expenses (deficiency taxes)		31,467	493,670	-
Taxable income		63,011,251	55,412,438	47,981,768
Tax rate		25%	25%	25%
Current tax expense (Normal Income Tax)		15,752,813	13,853,110	11,995,442
MCIT (Please see table below)		₱1,503,062	976,655	943,387
Normal income tax or MCIT whichever is higher		15,752,813	13,853,110	11,995,442
Less prepaid taxes (creditable withholding taxes)		(6,344,846)	(3,991,991)	(3,026,873)
Less quarterly payments (first to third quarters of the year)		(7,848,198)	(7,506,577)	(7,857,966)
Income Tax Payable	12	₱1,559,769	₱2,354,542	₱1,110,603



Details of the computation for Normal Income Tax and MCIT for 2023, 2022, and 2021 follow:

	2023	2022	2021
<u>Normal Tax Rate</u>			
Taxable income	P63,011,251	P55,412,438	P47,981,768
Taxes rate	25%	25%	25%
Total Tax Due	P15,752,813	P13,853,110	P11,995,422
<u>Minimum Corporate Income Tax (MCIT) Rate</u>			
Gross income	P100,204,142	P97,665,474	P94,338,652
Tax rate	1.50%	1%	1%
Total Tax Due	P1,503,062	P976,655	P943,387

**In 2023, the MCIT tax rate was the average of the MCIT rate of 1% and 2% effective for the 1st and 2nd halves of the year 2023, respectively, in accordance with the CREATE Law.*

Deferred Tax Assets – Accounting of Movements

	2023	2022	2021
Opening balances	P682,273	P632,217	P632,217
Temporary differences arising from provision/reversal for ECL	(25,000)	50,056	-
Closing balances	P657,273	P682,273	P632,217

Management has determined that the deferred tax assets are not impaired at the end of the year.

18. Basic Earnings Per Share

	2023	2022	2021
Profit for the year	P47,429,433	P41,002,767	P36,103,731
Weighted average number of common shares	241,606	239,683	237,945
Earnings Per Common Share	P196	P171	P152

There were no dilutive potential ordinary shares for the years ended December 31, 2023, 2022, and 2021. Therefore, the Corporation's basic and diluted earnings per share were equal for the years ended December 31, 2023, 2022, and 2021.

The weighted average number of ordinary shares used as the denominator in the calculation of basic and diluted earnings per share as of December 31, 2023, 2022, and 2021 follows:

Date	2023		Weighted average number of shares
	Number of shares issued	Number of shares outstanding	
January 2, 2023	250,000	241,434	241,434
December 14, 2023*		2,060	172
		243,494	241,606



2022			
Date	Number of shares issued	Number of shares outstanding	Weighted average number of shares
January 2, 2022	250,000	239,720	239,720
December 17, 2022*		1,714	143
		241,434	239,863

2021			
Date	Number of shares issued	Number of shares outstanding	Weighted average number of shares
January 2, 2021	250,000	237,784	237,784
December 17, 2021*		1,936	161
		239,720	237,945

*Refers to reissuance of the Corporation's treasury shares

19. Fair Value Measurement

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

The following summarizes the fair value hierarchy of the Corporation's financial assets and financial liabilities which are not measured at fair value in the 2023 and 2022 but for which fair value is disclosed.

December 31, 2023	Note	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Cash	6	P60,985,447	P-	P-	P60,985,447
Trade and other receivables	7	-	-	20,774,345	20,774,345
		60,985,447		20,774,345	81,759,792
<u>Financial liabilities</u>					
Loans and borrowings	11	-	-	46,092,634	46,092,634
Trade and other payables	12	-	-	12,992,696	12,992,696
		P-	P-	P59,085,330	P59,085,330

*Trade and other payables excludes statutory payables

December 31, 2022

<u>Financial assets</u>					
Cash	6	P61,159,060	P-	P-	P61,159,060
Trade and other receivables	7	-	-	12,825,758	12,825,758
		61,159,060		12,825,758	73,984,818
<u>Financial liabilities</u>					
Loans and borrowings	11	-	-	110,117,170	110,117,170
Trade and other payables	12	-	-	7,986,630	7,986,630
		P-	P-	P118,103,800	P118,103,800

*Trade and other payables excludes statutory payables

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 counterparties or is calculated based on the expected cash flows of the underlying net asset base of the instrument.



When the Corporation 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 following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis as of December 31, 2023 and 2022:

December 31, 2023	<i>Note</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Property, plant and equipment – net	5	P-	P-	₱342,715,126	₱342,715,126
Fuel inventory	8	-	-	14,795,314	14,795,314
Other assets	9	-	-	1,376,146	1,376,146
Deferred tax asset	17	-	-	657,273	657,273
		P-	P-	₱359,543,859	₱359,543,859
<hr/>					
<u>December 31, 2022</u>					
Property, plant and equipment – net	5	P-	P-	₱386,887,060	₱386,887,060
Fuel inventory	8	-	-	5,118,048	5,118,048
Other current assets	9	-	-	1,168,761	1,168,761
Deferred tax asset	17	-	-	682,273	682,273
		P-	P-	₱393,856,142	₱393,856,142

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.

20. Risk Management Objectives and Policies

The Corporation is exposed to a variety of financial risks, which result from both its operating and financing activities. The Corporation's principal financial instruments are its cash, trade and other receivables, loans and borrowings, trade and other payables (excluding statutory payables), due to related parties and long-term debt. The existing policies and guidelines cover credit risk, liquidity risk and market risk.

The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Corporation's financial performance and financial position. The Corporation actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principle.

Risk Management Structure

The BOD is mainly responsible for the overall risk management and for the approval of risk strategies and principles of the Corporation. The BOD also has the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Corporation's approach to risk issues in order to make relevant decisions.



Market Risks

Market risk is the possibility that changes in equity prices or interest rates will adversely affect the value of the Corporation's assets, liabilities or expected future cash flows. The Corporation has no exposure arising from complex investments since it is not engaging in high-risk investments, forward contracts, hedging, and the likes, whether local or foreign transactions.

(a) Price risk.

The Corporation is supplying energy to MORESCO 1 covered by a Power Supply Agreement (See Note 1). Considering that the Corporation is already registered with WESM which started commercial operation in Mindanao on January 26, 2023, it is now exposed to the volatility of spot prices as supply and demand of energy changes. Factors such as expected outages, weather conditions, transmission constraints and changes in fuel prices may cause variability in operating results but management generally considers these factors manageable. The Corporation's policy is to minimize price risk by actively participating and monitoring the prices in the WESM and ensuring that it factors the expected outages, weather conditions, transmission constraints and changes in fuel prices in its pricing strategy.

(b) Interest rate risk.

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. To manage this risk, the Corporation's policy is to obtain loans with interest rates similar to the actual market rates. The Corporation's policy is to minimize interest rate cash flow risk exposures on long-term borrowings. Longer-term borrowings are therefore contracted usually at fixed rates. As at December 31, 2023 and 2022, the Corporation is not exposed to changes in market interest rates through bank borrowings at variable interest rates. Borrowings are at fixed interest rates.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Corporation regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take.

The following table demonstrates the sensitivity to reasonably possible changes in interest rates, with all other variables held constant, of the Corporation's income before income tax.

	<i>Increase (Decrease) in Interest Rate</i>	<i>Effect on Equity</i>
2023	+0.05%	₱23,046
	-0.05%	(23,046)
2022	+0.05%	₱55,058
	-0.05%	(55,058)
2021	+0.05%	₱95,071
	-0.05%	(95,071)

(c) Foreign currency exchange rate risk.

The Corporation is not exposed to foreign currency risks as it has no assets nor liabilities denominated in foreign currency.

Credit and Concentration Risks

Credit risk refers to the risk that counterparty will default and/or not honor its financial or contractual obligations resulting in financial losses to the Corporation. The receivable balances are monitored on an ongoing basis with the result that the Corporation's exposure to impairment is not significant. The Corporation deals only with creditworthy counterparties duly approved by the BOD. Its maximum exposure to credit risk for the components of the statement of financial position as of December 31, 2023 and 2022 is the carrying amounts as shown below:

	<i>Note</i>	2023	2022
Cash	6	₱60,496,668	₱60,780,395
Trade and other receivables	7	20,774,345	12,825,758
		₱81,271,013	₱73,606,153

*excluding cash on hand of ₱ 488,779 for 2023 and ₱378,665 for 2022.



The tables below show the credit quality by class of financial assets based on the Corporation's rating system:

December 31, 2023	<i>Note</i>	<i>High Grade</i>	<i>Standard Grade</i>	<i>Impaired</i>	<i>Total</i>
Cash	6	₱60,985,447	₱-	₱-	₱60,985,447
Trade and other receivables	7	19,812,837	961,508	₱2,207,613	22,981,958
		₱80,798,284	₱961,508	₱2,207,613	₱83,967,405

December 31, 2022

Cash	6	₱61,159,060	₱-	₱-	₱61,159,060
Trade and other receivables	7	12,345,132	480,626	₱2,307,613	15,133,371
		₱73,504,192	₱480,626	₱2,307,613	₱76,292,431

Cash

The Corporation limits its exposure to credit risk by investing its cash only with reputable banks that have good credit standing and relatively low risk of defaults. These instruments are graded in the top category by an acceptable credit rating and are considered to have low risk.

Trade and Other Receivables

The Corporation assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Receivable balances are monitored on an ongoing basis with the result that the Corporation's exposure to bad debts is not significant. The Corporation limits the impact of this risk through the required prudential deposits serving as security in case of non-payment.

As at December 31, 2023 and 2022, the Corporation's financial assets are composed of the following:

December 31, 2023	<i>Note</i>	<i>Neither Past Due Nor Impaired</i>	<i>Past Due But Not Impaired</i>	<i>Impaired portion</i>	<i>Total</i>
Cash	6	₱60,985,447	₱-	₱-	₱60,985,447
Trade and other receivables	7	19,812,837	961,508	₱2,207,613	22,981,958
		₱80,798,284	₱961,508	₱2,207,613	₱83,967,405
		96%	1%	3%	100%

December 31, 2022

Cash	6	₱61,159,060	₱-	₱-	₱61,159,060
Trade and other receivables	7	12,345,132	480,626	2,307,613	15,133,371
		₱73,504,192	₱480,626	₱2,307,613	₱76,292,431
		96%	1%	3%	100%

Liquidity Risks

The Corporation is likewise exposed to liquidity risk, the risk that it will encounter difficulty in meeting its obligation as they become due without incurring unacceptable losses or costs. The Corporation'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 Corporation manages its liquidity by carefully monitoring its scheduled servicing payments for financial liabilities as well as its cash flows due on its day-to-day business.



The following table summarizes the maturity profile of the Corporation's financial assets and liabilities based on the contractual undiscounted payments:

December 31, 2023	Note	On Demand/ Due in 1 Year	Due Over 1 Year	Total
Cash	6	₱60,985,447	₱-	₱60,985,447
Trade and other receivables	7	20,774,345	-	20,774,345
Total Financial Assets		81,759,792	-	81,759,792
Trade and other payables	12	12,992,696	-	12,992,696
Loans and borrowings	11	40,024,536	6,068,098	46,092,634
Total Financial Liabilities		53,017,232	6,068,098	59,085,330
Net Undiscounted Financial Asset (Liability)		₱28,742,560	(₱6,068,098)	₱22,674,462

**Trade and other payables excludes statutory payables*

December 31, 2022

Cash	6	₱61,159,060	₱-	₱61,159,060
Trade and other receivables	7	12,825,758	-	12,825,758
Total Financial Assets		73,984,818	-	73,984,818
Trade and other payables	12	7,986,630	-	7,986,630
Loans and borrowings	11	40,024,536	70,092,634	110,117,170
Total Financial Liabilities		48,011,166	70,092,634	118,103,800
Net Undiscounted Financial Asset (Liability)		₱25,973,652	(₱70,092,634)	(₱44,118,982)

**Trade and other payables excludes statutory payables*

21. Other Matter

Contingencies

As previously disclosed, a civil case was filed with the Regional Trial Court involving a former stockholder (now deceased) of the Corporation as the petitioner, and allegedly representing the Corporation in suing private individuals for Quo Warranto Cancellation of issuance of shares, accounting, and damages.

During 2023, the court found that the instant case is a derivative suit. Instead of dismissing the case outright, the court directed plaintiff's counsel to substitute another minority stockholder as the heirs of deceased plaintiff do not automatically become owners of the stocks without settlement of estate and have no personality to file this case.

At the end of 2023, however, because there is no substitute plaintiff to proceed with the quo warranto proceedings, the case was dismissed.



22. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

Presented below is the supplementary information which is required by the BIR under its existing Revenue Regulations (RR) to be disclosed as part of the notes to financial statements in addition to the disclosures mandated under PFRS:

REVENUE REGULATION (RR) NO. 15-2010

a. Value added tax (VAT)

Output VAT

Output VAT declared in 2023 and the revenue upon which the same was based consist of:

	Net Receipts	Output VAT
Vatable sales collection	₱227,169,725	₱27,260,367
Zero-rated sales collection	87,195,585	-
	₱314,365,310	₱27,260,367

Input VAT

As of December 31, 2023, the details of the input VAT are as follows:

Balance at beginning of the year	₱-
Add: Current year's domestic purchases/payments for:	
Domestic purchase of goods other than capital goods	9,498,576
Importation of goods other than capital goods	-
Domestic purchase of services	-
Purchases not qualified for input tax	-
Total available input VAT	9,498,576
Less: Claims for tax credit	(9,498,576)
Balance at end of year	₱-

b. Other taxes and licenses

Details of the Corporation's other taxes and licenses and permits in 2023 are as follows:

Real property taxes	₱5,176,113
Permits and licenses	1,212,464
Registration, notarial and other payments	138,053
Deficiency taxes	1,000
BIR annual registration	500
	₱6,528,130

c. Withholding taxes

Details of withholding taxes paid in 2023 are as follows:

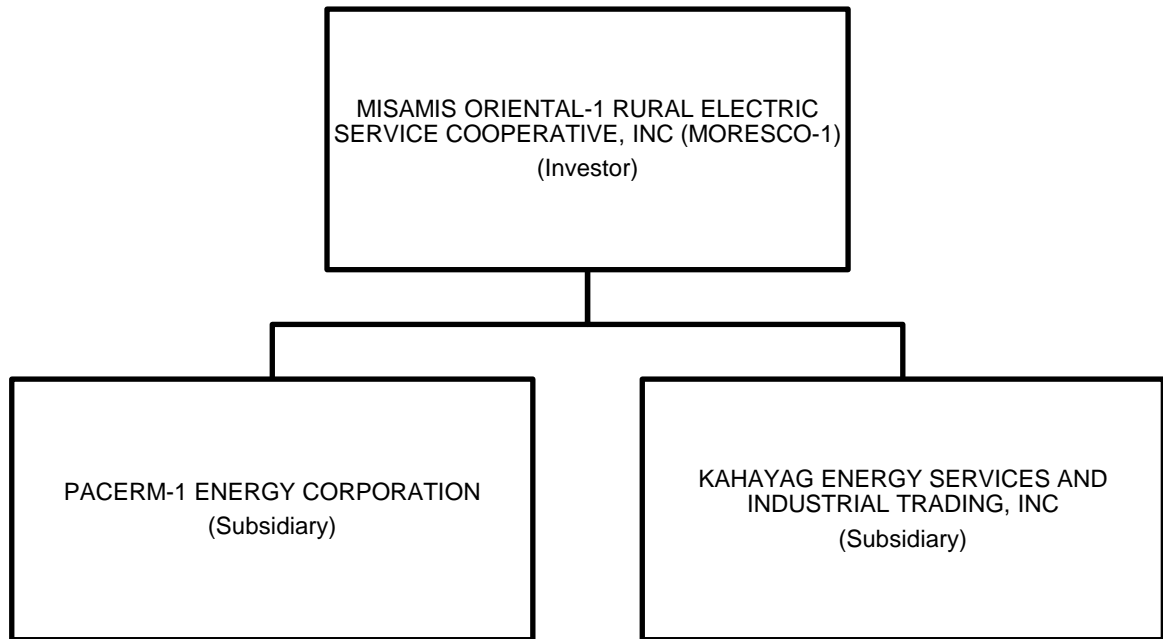
Withholding tax on compensation	₱171,599
Expanded withholding taxes	3,736,658
Final withholding taxes	2,065,255
	₱5,973,512

d. Tax assessment and cases

The Corporation has no unpaid deficiency tax assessments as of December 31, 2023 nor does it have any pending tax cases, litigation and/or prosecution in courts or bodies outside the BIR.



Schedule I. Map of the Group of Companies



Schedule II. Financial Assets

Financial asset	Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Value based on market quotation at end of reporting period	Income received	Income accrued
Cash on hand and in banks	Not applicable	Not applicable	₱60,985,447	Not applicable	₱169,949	₱-
Trade receivables and other receivables*	Not applicable	Not applicable	20,774,345	Not applicable	-	-
			₱81,759,792		₱169,949	₱-

* Exclusive of advances subject to liquidation, advances to contractors, advances to officers and employees, bill deposit and allowance for ECL



Schedule III Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements.

Name and Designation of Debtor	Balance as at January 1, 2023	Additions	Amounts Collected (i)	Billing adjustment	Amounts Written-Off (ii)	Current	Not Current	Balance as at December 31, 2023
MORESCO-1 <i>(Parent Company)</i>	₱12,735,161	₱257,028,831	(₱253,471,327)	₱-	₱-	₱16,292,665	₱-	₱16,292,665

Name and Designation of Debtor	Balance as at January 1, 2022	Additions	Amounts Collected (i)	Billing adjustment	Amounts Written-Off (ii)	Current	Not Current	Balance as at December 31, 2022
MORESCO-1 <i>(Parent Company)</i>	₱14,966,491	₱218,252,698	(₱219,286,167)	(₱1,197,861)	₱-	₱12,735,161	₱-	₱12,735,161



Schedule IV. Long – term debt

Banking institution	Annual interest rate	Terms	Security	Maturity date	2023	2022
Philippine Business Bank						
PN 10-2760-3	6.5%	10 years	Term loan	07/15/2026	₱33,294,324	₱83,772,640
PN 10-2475-1	6.5%	10 years	Term loan	10/05/2027	12,798,310	26,344,530
Total borrowings					46,092,634	110,117,170
Less: current portion of the loan					(40,024,536)	(40,024,536)
					₱6,068,098	₱70,092,634



Schedule V. Share Capital

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	250,000	243,494	-	180,819	50,000	12,675



Schedule VI. Schedule of financial soundness indicators for two comparative periods

	2023	2022
I. Current / Liquidity ratios		
Current ratio	1.58	1.48
Current assets	97,931,252	80,271,627
Current Liabilities	62,138,600	54,176,292
Quick ratio	1.34	1.39
Current assets - Inventories	83,135,938	75,153,579
Current Liabilities	62,138,600	54,176,292
II. Solvency ratios/ Debt-to-equity ratios		
Solvency ratio	1.35	0.69
After tax net profit + Depreciation	92,003,224	85,538,826
Total Liabilities	68,206,698	124,268,926
Debt-to-equity ratio	0.18	0.36
Total liabilities	68,206,698	124,268,926
Total equity	373,096,953	343,572,034
III. Asset-to-equity ratio		
Asset-to-equity ratio	1.18	1.36
Total assets	441,303,651	467,840,960
Total equity	373,096,953	343,572,034
IV. Interest coverage ratio		
Interest coverage ratio	12.08	6.43
Earnings before interest and tax	68,913,154	64,903,729
Interest expense	5,705,908	10,097,908
V. Profitability ratios		
Return on equity (ROE)	0.13	0.12
Net profit (loss)	47,429,433	41,002,767
Total equity	373,096,953	343,572,034
Gross margin	0.32	0.51
Gross profit (loss)	100,204,142	97,665,474
Revenues	315,145,126	190,816,070
Net margin	0.15	0.21
Net profit (loss)	47,429,433	41,002,767
Revenues	315,145,126	190,816,070
Return on assets	0.11	0.09
Net profit (loss)	47,429,433	41,002,767
Total Asset	441,303,651	467,840,960



Annex D

MANAGEMENT'S DISCUSSION ANALYSIS AND PLAN OF OPERATION

Results of Operation for the year ending December 31, 2023 compared to similar period in 2022

Revenue

During the year ending Dec. 31 2023, total revenue from operations significantly increased by ₱ 124.33 million or 65% as compared to similar period in 2022 mainly due to the increase in sale of replacement power by ₱ 53.09 million or 149% and sales to WESM of ₱ 81.06 million which started operations in Jan. 26, 2023.

For the year ending December 31, 2023 and 2022, the Corporation generated the following revenues:

<i>(in million pesos)</i>	2023	2022
Capital Recovery Fee	₱ 103.77	₱ 103.77
Fixed Operation	46.47	44.50
Maintenance		
Variable Operation	0.02	1.25
Maintenance		
Fuel Cost Fee	0.51	10.81
Sales of Replacement Power	88.64	35.54
Sales to WESM	81.06	-
Other Income	2.59	3.22
Prompt Payment Rebates	(5.32)	(5.06)
Total	₱ 317.74	₱ 194.03

Interest Expense and Other Income

The large decrease in interest on borrowed funds by ₱ 4.39 million or 43% is due to the advance payment of long term loan by another ₱ 24 million made in 2023 in addition to ₱ 40 million made in 2022. Other income slightly decreased by ₱ 0.16 million or 5% due to the offsetting effect of the inclusion of adjustment made in 2022 to recognize cost of recovered fuel from dead tank previously expensed amounting to ₱ 1.17 million. Other income includes mostly the service fee/trading fee on the sale of replacement power which increased by ₱ 0.86 million or 45% from ₱ 1.91 million in 2022 to ₱ 2.77 million in 2023.

Expenses

<i>(in million pesos)</i>	For year ending December 31	
	2023	2022
Direct Cost	₱ 214.94	₱ 93.15
General and Administrative	30.44	32.11
Total	₱ 245.38	₱ 125.26

The Company's direct cost tremendously increased by 131% or ₱ 121.79 million in 2023 compared to 2022 while general and administrative expenses decreased by 5% or ₱ 1.67 million for the same comparative period. The increase in direct cost is mostly due to purchases in WESM

of ₱ 80.64 million and increase in purchase of replacement power by ₱ 50.80 million or 143% in 2023 to cover similar sales as explained in “Revenue” above. For general and administrative expense, there is COVID-19 special financial assistance extended to stockholders amounting to ₱ 4.94 million in 2022. There was a significant increase in outside service cost by 42% or ₱ 2.8 million in 2023 compared to 2022 due to a combination of rate increase by 10%, compensation to CEO of ₱ 0.86 million and a special bonus of ₱ 0.38 million.

Earnings Per Share

The Company’s earnings per share for the full years 2021 to 2023 are as follows:

	2021	2022	2023
Net profit for the year	₱ 36,103,731	₱ 41,002,767	₱ 47,429,433
Weighted average number of common shares	237,945	239,683	241,606
Earnings per share:	₱ 152	₱ 171	₱ 196

Financial Condition as of December 31, 2023 compared to 2022

Assets

The total assets of the Company decreased by 5.67% or ₱ 26.54 million from ₱ 467.84 million in December 31, 2022 to ₱ 441.30 Million as of December 31, 2023. Depreciation for the year ending December 31, 2023, amounted to ₱44.57 million. This decrease was offset by increase in accounts receivable by ₱ 7.95 million or 62%. This increase was brought about by additional receivable on replacement power on WESM billings of around ₱ 6.8 million. In addition, fuel inventory significantly increased by ₱ 9.68 million or 189% due to increase in fuel reserve for WESM operation.

Liabilities

The total liabilities of the Company decreased by 45% or ₱ 56.06 million from ₱ 124.27 million in December 31, 2022 to ₱ 68.21 million as of December 31, 2023. This was mostly due to the additional advance payment of loan by ₱ 24 million in addition to regular amortization of ₱ 30 million. This decrease was offset by an increase in trade and other payables by ₱ 7.96 million. Of this increase, accounts payable on energy purchases and WESM (thru IEMOP) amounted to ₱ 4.88 million consisting of ₱ 2.72 million payable to EDC, supplier of replacement power, and ₱ 2.16 million on WESM billing payable to IEMOP.

Stockholders’ Equity

The total stockholders’ equity of the Company increased by 8.59% or ₱ 29.53 million from ₱ 343.57 million in December 31, 2022 to ₱ 373.10 million as at December 31, 2023. This was purely attributable to net increase in retained earnings by ₱ 26.77 million. Net income for 2023 amounted to ₱ 47.43 million while cash dividend pertaining to 2022 net income but declared/paid in March 2023 amounted to ₱ 20.65 million.

Results of Operation for year ending 31 December 2022 compared to year ending 31 December 2021

Revenue

From 2020 to 2022, the Company generated the following revenues:

<i>(in million pesos)</i>	2020	2021	2022
Capital Recovery Fee	103.77	103.77	103.77
Fixed Operation Maintenance	45.02	46.03	44.50
Variable Operation Maintenance	0.08	2.35	10.81
Fuel Fee	0.85	0.15	1.25
Prompt Payment Rebates		(6.83)	(5.06)
Gain on disposal of vehicle			
Recovery of impairment loss	1.57	-	-
Interest income	0.29	0.12	0.12
Other Income	2.14	0.03	3.10
Total	153.72	145.62	158.49

In 2022, total revenue from operations increased by ₱ 45.35 million or 31.17% as compared to total revenue generated in 2021 mainly due to the sale of replacement power of ₱ 35.54 million made only in 2022. In addition, variable operating maintenance and fuel charge increased by ₱ 9.56 million or 382.6% due to increase in power generation supplied to MORESCO-1 since it will result in lower generation rate for the latter considering that the fuel stock was still bought at lower cost in previous years. Special prompt payor rebates extended to MORESCO-1 decreased by ₱ 1.78 million or 26%.

Other Income

The significant increase in other income by ₱ 3.10 million is due to the service fee/trading fee on the sale of replacement power amounting to ₱ 1.91 million and recovery of fuel in a dead tank which was previously expensed amounting to ₱ 1.19 million.

Expenses

<i>(in million pesos)</i>	2021	2022
Direct Cost	51.13	93.15
General and Administrative	25.13	32.11
Total	76.26	125.26

The Company's direct cost increased by 82.19% or ₱ 42.02 million in 2022 compared to 2021 while general and administrative expenses increased by 27.75% or ₱ 6.97 million for the same comparative year.

For direct cost pertaining to plant operations and maintenance, the increase is mainly due the cost of replacement power sold amounting to ₱ 35.54 million and fuel cost on generated power amounting to ₱ 8.28 million as explained in "Revenue" section above.

In the case of general and administrative expenses, the increase is brought about by the additional COVID-19 financial assistance to stockholders, officers and employees amounting to ₱ 2.71 million, increase in cost pertaining to meetings and conferences by ₱ 1.79 million due to

WESM related trainings and increase in outside service expense by ₱ 1.61 million due to additional staff hirings for WESM trading operations.

Financial Condition as of 31 December 2022 compared to 31 December 2021

Assets

The total assets of the Company decreased by 9.95% or ₱ 52.69 million from ₱ 519.53 million in 31 December 2021 to ₱ 467.84 Million in 31 December 2022. This was mostly due to depreciation of ₱ 44.54 million in 2022 and reduction in current assets by ₱ 7.77 million mainly due to decrease in fuel inventory by ₱ 5.48 million and accounts receivable by ₱ 3.51 million. Cash balance increased by only ₱ 1.3 million due to advance loan payment of ₱ 40 million in 2022. The significant decrease in fuel inventory was the increase in power supplied for MORESCO-1, the company's sole customer since it will result in lower generation rate for the latter considering that the fuel stock was still bought at lower cost in previous years.

Liabilities

The total liabilities of the Company decreased by 39.48% or ₱ 81.07 Million from ₱ 205.34 million in 31 December 2021 to ₱ 124.27 million in 31 December 2021. This was mostly due the annual loan payment of ₱ 40 million and another loan advance payment of ₱ 40 million in 2022.

Stockholders' Equity

The total stockholders' equity of the Company increased by 9.35% or ₱ 29.38 million from ₱ 314.19 million in 31 December 2021 to ₱ 343.57 million in 31 December 2022. This was purely attributable to net increase in retained earnings by ₱ 27.09 million and sale of treasury stock by ₱ 2.29 million in 2022.

Other Information

Other material events and uncertainties known to management that would address the past and would have an impact on the Company's future operations are discussed below.

1. Except as disclosed in the management discussion and notes to the financial statements, there are no other known events that will trigger direct or contingent financial obligation that is material to the Company.
2. Except as disclosed in the management discussion and notes to the financial statements, the Company is not aware of any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on revenues or income from operations.
3. All significant elements of income or loss from continuing operations are already discussed in the management discussion and notes to financial statements. The Company is not aware of any significant elements of income or loss that did not arise from the Company's continuing operations
4. There is no material off-balance sheet transaction, arrangement, obligation, and other relationship of the Company with unconsolidated entities or other persons created during the reporting period.

-
5. The Company does not expect any liquidity or cash problem within the next twelve (12) months.

Plan of Operation:

1. The Company do not have any short term plan during the next 12 months of operation.
2. Long term plan may include registration as retail electricity supplier under the present WESM environment and engagement on renewable energy supply such as solar power.



PACERM-1 Energy Corporation
 Zone-1 Brgy. Quibonbon,
 El Salvador City, 9017 Misamis Oriental
 pacerm1energycorp@gmail.com

**MINUTES OF THE PACERM-1 ENERGY CORPORATION FIFTH ANNUAL STOCKHOLDERS' MEETING
 HELD ON MARCH 31, 2023 AT THE EMMANUEL PELAEZ TRAINING CENTER (EPTC),
 LAGUINDINGAN, MISAMIS ORIENTAL.**

PRESENT:

MORESCO-1 - REPRESENTED BY:

NONITO M. LABIS
 JOAR J. DY
 ALLAN M. SOFOCADO
 EDWIN IGLORIA
 JOY GIL S. MAHINAY
 AGUSTIN D. CABERTE
 BERNARD R. BENAVIDEZ

PACERM-1 BOD PRESIDENT
 PACERM-1 BOD VICE-PRESIDENT
 PACERM-1 BOD TREASURER
 PACERM-1 BOARD OF DIRECTOR
 MORESCO-1 REPRESENTATIVE
 MORESCO-1 REPRESENTATIVE
 MORESCO-1 REPRESENTATIVE
 PACERM-1 CEO & CHAIRMAN - VIRTUAL ATTENDEE
 PACERM-1 CHIEF OPERATING OFFICER
 PACERM-1 CONSULTANT
 PACERM-1 CONSULTANT
 PACERM-1 CONSULTANT
 PACERM-1 CONSULTANT
 PACERM-1 STOCKHOLDER (PROXY BY G. JANOBAS)
 PACERM-1 STOCKHOLDER

JUANITO S. YU
 JULIE B. REAL
 EUGENIO L. VELASCO
 ROSEL C. BUNA
 SERGIO SIMBAJON
 ATTY. IKE L. ROA
 ELMI C. JANOBAS
 GLORIA C. JANOBAS
 NORMA C. GALAGNARA
 CHRISTINE C. MORALES
 ELISEO G. ENERIO
 JOSIE M. LLAMIS
 RENATO A. ODIADA
 RONIE P. PADERO
 RUTH M. PATES
 JONATHAN L. RATUNIL
 JEANETTE B. ROSALES
 JUANITO B. TAGAYLO
 JOSELYN E. SAPLOT
 AIDA M. TAGAYLO
 NILO J. GALLOGO
 FLORENCIA M. MARBA
 SATURNINO S. SOLIS
 NASSER M. LACANG
 JOMEL A. GAID
 ELMER C. DADOLE
 IVY GRACE S. FABRIGAS
 ELIZUR P. PATIS
 RUBEN V. GALAGNARA
 VIRGIL FRANCIS MARK LABIS
 NICOLE CHRISTINE LABIS
 TONI ROSE SANDRA TUMULAK
 ARIS A. LABIS
 LEONIDES S. VILLASTIQUE
 ADELINA Q. REAL
 JEAN KIMBERLY JAMES O. YU
 EDNA P. DIANGO
 VENICE M. CERIALES
 CUADRA, JUDITH

-DO-
 -DO-
 -DO-
 -DO-
 -DO-
 -DO-
 -DO-
 -DO-
 -DO-
 -DO-
 -DO-
 -DO-
 -DO-
 -DO-
 -DO-
 -DO-
 -DO-
 -DO-
 -DO-
 -DO-
 -DO-
 -DO-
 -DO-
 -DO-
 -DO-
 -DO-
 -DO-
 -DO-
 -DO-
 -DO-
 -DO-
 -DO-
 PACERM-1 STOCKHOLDER - VIRTUAL ATTENDEE
 PACERM-1 STOCKHOLDER - VIRTUAL ATTENDEE
 PACERM-1 STOCKHOLDER - VIRTUAL ATTENDEE
 PACERM-1 STOCKHOLDER (Proxy by Stephen Diango)
 PACERM-1 STOCKHOLDER - VIRTUAL ATTENDEE
 PACERM-1 STOCKHOLDER – (Proxy by Jovel Ubay-Ubay)

65 **PROGRAM---**

66

67 **1. INVOCATION**

68

69 Mr. Ruben M. Marba 11, PACERM- 1 host, led the invocation.

70

71

72 **WELCOME ADDRESS**

73

74 PACERM-1 BOD Vice-President Joar J. Dy welcomed everybody to the fifth (5TH) annual
75 stockholders meeting of PACERM-1 Energy Corporation.

76

77

78 **11. DETERMINATION OF QUORUM**

79 Roll call was made by the BOD Secretary and acknowledged the 100% attendance of the
80 PACERM-1 stockholders and thereby a quorum was declared.

81

82

83 **CALL TO ORDER**

84

85 The meeting was called to order by the PACERM-1 Board President Nonito M. Labis at 9:30
86 in the morning.

87

88 **111. PROOF OF NOTICE OF MEETING**

89

90

91 **NOTICE AND AGENDA OF PACERM-1 5TH ANNUAL MEETING OF STOCKHOLDERS'**

92

93 **TO ALL STOCKHOLDERS:**

94

95 **NOTICE IS HEREBY GIVEN** that the 5TH ANNUAL MEETING OF THE
96 STOCKHOLDERS of PACERM- 1 Energy Corporation will be on **March 31, 2023**, at
97 Emmanuel Pelaez Training Center (EPTC), Covered Court, Laguindingan, Misamis Oriental.

98

99 Items of Business is as follow:

- 100 1. Invocation/Call to Order/Determination of Quorum
- 101 2. Proof of Notice of Meeting
- 102 3. Reading of Minutes of Last Stockholders' Meeting (2022)
- 103 4. Presentation of President's Report
- 104 5. Presentation of Treasurer's Report
- 105 6. Report of CEO/COO
- 106 7. Stock Rights on Sale of Treasury Shares
- 107 8. Election for PACERM-1 Board of Directors
- 108 9. Announcement of Elected Board of Directors (total votes)
- 109 10. Adjournment

110

111 Registration will start at 9:00 am and will end at 9:30 am. Kindly present any proof of
112 identification, aside from personal identification, representatives of the corporate stockholders
113 and other entities should also present a duly sworn Secretary's Certificate or a similar document
114 showing his/her authority to represent the corporation or entity.

115

116 Should you be unable to attend the meeting physically, you may want to execute a proxy in favor
117 of a representative or you can also attend virtually thru zoom. In accordance with the By-Laws of
118 the Corporation, proxies must be presented to the Secretary for inspection and validation and
119 sending of the active email address at least a week prior to the Stockholders' Meeting date. We
120 will also be sending the meeting link as soon as it is available.

121

122 For your information.

123
124
125
126
127
128
129
130
131
FLORENCIA M. MARBA

Corporate Secretary

132
133
134
135
136
137
138
139
1V. Reading of Minutes of Last Stockholders' Meeting

On motion of Ms. Ivy Grace S. Fabrigas and severally seconded, the reading of the minutes of the previous stockholders meeting of the PACERM-1 Energy Corporation dated March 25, 2022 was thereby dispensed with.

The body proceeded with the update on matters arising from the minutes of the previous stockholders meeting dated March 25, 2022. PACERM-1 BOD President Labis requested the body to see and read the previous minutes of PACERM-1 Stockholders meeting as distributed.

Thereafter, on motion of Ms. Norma C. Galagnara, and severally seconded, the minutes of the previous stockholders meeting of the PACERM-1 Energy Corporation dated March 25, 2022 was thereby approved and adopted.

140
141
142
143
144
145
146
147
148
V. Presentation and Consideration of the Following Reports:

149
150
A. Report of the President

At the outset, PACERM-1 BOD President Nonito M. Labis expressed his respect to everyone especially to our dear stockholders, Members of the Board, MORESCO-1 & PACERM-1 Management and guests and to the MORESCO-1 MANCOM headed by GM Jovel B. Ubay-Ubay.

BOD Pres. Labis presented PACERM-1 Fourth (5th) Annual Stockholders Meeting, and at the same time, he was pleased to be able to start the year with the knowledge that the Corporation is doing well as the year goes by.

BOD Pres. Labis reported that this year, PACERM-1 continued its operations despite the market uncertainty by keeping up with our mission to support the mother company MORESCO-1 in aiding with the electrification program for its member-consumers.

One thing that the BOD President could highlight this year is that PACERM-1's financial position in 2022 ended strong thanks to the steady implementation of PACERM-1's financial strategy. A decrease in interest on loans resulted from the advance payments to PBB in February and September 2022 amounting to Php40 million. The Corporation's revenue surged because of the operations in October-November 2022 utilizing the plant's bunker oil purchased last 2016 at a much lower price. There was also an increase in cash dividends which were released to the stockholders which correspond with the Corporation's increasing financial position over the past years.

Lastly, BOD Pres. Labis stated that the Board will be more focused on ensuring that the Corporation can be of help to its client in the future and be more sustainable in this evolving world. He is fortunate to work with a highly engaged and committed Board and Management. We reached out to the community this past year with the help of the Local Government Unit through the ER-194 program allocations to give back to the community for its support to the Corporation.

Once again, BOD Pres. Labis expressed his pleasure considering that most of the stockholders are retirees and invested their hard-earned money to the corporation. PACERM-1 is grateful for the continued support and cooperation of the stockholders.

183 **B. Presentation of the Treasurer's Report**

184
185 Dir. Allan M. Sofocado, PACERM-1 BOD Treasurer reported on the Statement of Financial
186 Position of PACERM-1 Energy Corporation and the Results of Operation for 2022. PACERM-1 BOD
187 Treasurer Sofocado requested the body to see and read the audited Financial Statements of
188 PACERM-1 as distributed, to wit:

189
190 **BALANCE SHEET**

	2022	2021
ASSETS		
Noncurrent Assets		
Property, plant and equipment – net	₱386,887,060	₱430,855,960
Deferred tax asset	682,273	632,217
Total Noncurrent Assets	387,569,333	431,488,177
Current Assets		
Cash	61,159,060	59,855,532
Trade and other receivables – net	12,825,758	16,337,681
Fuel inventory	5,118,048	10,602,598
Other assets	1,168,761	1,244,657
Total Current Assets	80,271,627	88,040,468
	₱467,840,960	₱519,528,645
	2022	2021
Shareholders' Equity		
Ordinary common shares – ₱1,000 par value		
Authorized – 250,000 shares		
Issued – 250,000 shares in both years	₱250,000,000	₱250,000,000
Treasury shares – 8,566 in 2022 and 10,280 in 2021	(11,135,390)	(13,363,590)
Additional paid-in capital on treasury shares	124,177	65,901
Retained earnings	104,583,247	77,488,406
Total Shareholders' Equity	343,572,034	314,190,717
Non-Current Liability		
Loans and borrowings – noncurrent	70,092,634	150,117,170
Current Liabilities		
Trade and other payables	14,151,756	15,196,222
Loans and borrowings - current	40,024,536	40,024,536
Total Current Liabilities	54,176,292	55,220,758
Total Liabilities	124,268,926	205,337,928
	₱467,840,960	₱519,528,645

225 **Treasury Shares:**

Opening Balances	Php (13,363,590)	(15,880,313)
Shares sold during the year	<u>2,228,200</u>	<u>2,516,723</u>
Closing Balances	Php (11,135,390)	(13,363,590)

230 **Retained Earnings**

Opening Balances	Php 77,488,406	61,382,309
Profit for the year	41,002,767	36,103,731
Cash dividend paid	<u>(13,907,926)</u>	<u>(19,997,634)</u>
Closing Balances	Php 104,583,247	77,488,406

243 **INCOME STATEMENT**

	2022	2021
ENERGY FEES – NET	₱190,816,070	₱145,467,047
DIRECT COSTS AND EXPENSES		
Depreciation	40,665,019	41,426,260
Replacement power	35,544,635	-
Fuel costs	10,907,227	2,626,256
Compensation and employees' benefits	2,774,680	2,137,396
Repairs and maintenance	2,747,260	603,646
Outside services employed	301,879	313,263
Repair parts and plant supplies	209,896	4,021,574
Total Direct Costs and Expenses	93,150,596	51,128,395
NET ENERGY FEES	97,665,474	94,338,652
GENERAL AND ADMINISTRATIVE EXPENSES		
Taxes and licenses	6,685,936	6,405,381
Outside services employed	6,627,774	5,015,132
Compensation and employees' benefits	1,510,121	1,743,748
Other operating expenses	17,285,816	11,970,568
Total General and Administrative Expenses	32,109,647	25,134,829
PROFIT BEFORE FIXED AND FINANCIAL (CHARGES) INCOME	65,555,827	69,203,823
FIXED AND FINANCIAL (CHARGES) INCOME		
Interest on borrowed funds	(10,097,908)	(13,959,937)
Depreciation	(3,871,040)	(7,291,585)
Other income	3,218,942	146,872
	(10,750,006)	(21,104,650)
PROFIT BEFORE INCOME TAX EXPENSE	54,805,821	48,099,173
INCOME TAX EXPENSE		
Current	13,853,110	11,995,442
Deferred	(50,056)	-
Net income tax expense	13,803,054	11,995,442
PROFIT FOR THE YEAR	₱41,002,767	₱36,103,731

277 **Basic Earnings Per Share** **Php 171** **Php 151**

Operating Expenses:	2022	2021
COVID-19 financial assistance	₱4,941,041	₱2,226,614
Donations and charitable contributions	4,025,893	3,818,268
Meetings and conferences	3,099,589	1,310,454
Utilities	1,294,732	1,007,168
Travel and transportation	883,419	348,539
Security services	601,350	571,548
Insurance	574,824	779,188
Postage and communication	550,560	380,659
Repairs and maintenance	519,449	693,135
Provision for expected credit loss	200,225	-
Miscellaneous	594,734	834,995
	₱17,285,816	₱11,970,568

292
293
294
295
296
297
298
299
300
301
302

CASH FLOW STATEMENTS

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax expense	P54,805,821	P48,099,173
Add (deduct) adjustments for:		
Depreciation	44,536,059	48,717,845
Interest income from bank deposits	(116,369)	(117,405)
Provision for expected credit loss	200,225	-
Operating income before changes in working capital	99,425,736	96,699,613
Changes in working capital excluding cash:		
Decrease (increase) in:		
Trade and other receivables	3,311,699	(2,691,778)
Fuel inventory	5,484,550	2,520,400
Other current assets	75,896	(911,323)
Increase (decrease) in trade and other payables	(2,288,406)	331,967
Net cash generated from operations	106,009,475	95,948,879
Interest income from bank deposits	116,369	117,405
Income taxes paid	(12,609,171)	(13,340,582)
Net Cash Provided by Operating Activities	93,516,673	82,725,702
CASH FLOWS USED IN INVESTING ACTIVITY		
Additions to property and equipment	(567,159)	(1,352,623)
CASH FLOWS FROM FINANCING ACTIVITIES		
Treasury shares sold during the year	2,228,200	2,516,723
Additional paid-in capital on treasury shares	58,276	65,901
Principal payments on loans and borrowings	(80,024,536)	(40,024,536)
Cash dividends paid	(13,907,926)	(19,997,634)
Net Cash Used in Financing Activities	(91,645,986)	(57,439,546)
NET INCREASE IN CASH	1,303,528	23,933,533
CASH, JANUARY 1	59,855,532	35,921,999
CASH, DECEMBER 31	P61,159,060	P59,855,532

FINANCIAL EVENTS:

- Advance payment on loan was made on 2020 and 2022 as follows: September 15, 2020 (P40M), February 15, 2022 (P20M), September 15, 2022 (P20M); bringing the total advance payment to P 80 million. Board & Management decided to do this instead of putting the same in time deposit which only earns less than 2% per year while the loan bears an interest of 6.5% per year which increased to 7% as of December 15, 2022. Because of this, the total savings on interest cost amount to as follows: 2020 – P657,222; 2021 – 2,636,111; 2022 – 4,092,222; 2023 – 5,677,778; 2024 – 5,708,889; 2025 – 5,322,272; 2026 – 3,162,154; 2027- 764,865.
- The public offering of shares of stock which started in December 2020 was made to comply with one of the ERC's requirements in the renewal of the company's Certificate of Compliance (COC). As of end of 2021, the company was able to sell 1,936 shares of its treasury shares with total proceeds of P 2,582,624 and 1,714 shares with total proceeds of P 2,286,476 at the end of 2022. The company is yet to register with SEC to complete the 15% public offering.
- Financial assistance due to the COVID-19 pandemic was further made amounting to P 3.94 million while MORESCO-1 was granted special rebate on prompt payment amounting to P 5.05 million.
- The Corporation was registered as WESM member on June 6, 2022, and the commercial operation in Mindanao commenced on January 26, 2023.

On motion of Ms. Aida M. Tagaylo, and severally seconded, the Treasurer's Report was approved and thereby adopted.

363 **C. Presentation of the CEO/COO Report**

364
365 Before the presentation of the report, COO Real welcome the presence of the PACERM-1
366 Stockholders, MORESCO-1 Board of Directors and PACERM-1 Board of Directors headed by BOD
367 Pres. Nonito M. Labis, his colleagues and friends at the MORESCO-1 and PACERM-1. COO Real
368 updated the body that the workforce of PACERM-1 consists of eleven (11) employees, four (4)
369 consultants, namely, Atty. Ike L. Roa the legal consultant, Mr. Eugene L. Velasco the Finance
370 Consultant, Engr. Sergio Simbajon the Mechanical Consultant and Ms. Rosel Buna the Tax
371 Consultant.

372
373 PACERM-1 was grateful for the attendance of stockholders on the 5TH annual stockholders'
374 meeting and expressed gratitude to all stakeholders for their great support throughout the years.
375 PACERM-1's financial position for 2022-2021 has seen a significant increase due to the decrease of
376 interest of loans which resulted from the advance payments of loans to PBB.

377
378 COO Real gave an update on the Corporation Management's accomplishments/highlights in
379 2022, to wit:

- 380
381 1. Entered Memorandum of Agreement (MOA) with Barangay Quibonbon, Local Government
382 Unit of El Salvador City, Province of Misamis Oriental, and Region 10 for the
383 implementation of the ER-1-94 program.
384 2. Providing streetlights to Barangay Quibonbon as part of the Corporate Social Responsibility
385 (CSR) of the Corporation.
386 3. Entered into a Replacement Power Agreement with Energy Development Corporation
387 (EDC) to help attain affordable energy for the member-consumers of our mother company
388 MORESCO-1.

389
390 The business of PACERM-1 is growing, and it's transforming, in the past years. We've
391 grown revenue from the operations we had in 2022 using the purchased bunker oil acquired at
392 significant quantities in 2016 and at much lower cost compared to present.

393
394 A challenge was the renewal of CERTIFICATE OF COMPLIANCE (COC) of PACERM-1 with
395 ERC. The said COC was approved by the Energy Regulatory Commission (ERC) last December
396 19, 2016, effective for five (5) years, or until December 19, 2021. After application for renewal,
397 PACERM-1 was only granted a Provisional Authority to Operate (PAO) by the ERC for a period of
398 one (1) year from December 2021 up to December 2022 pending PACERM-1's compliance with
399 and submission of additional requirements/documents particularly the ERC's requirement for the
400 Company to offer at least 15% of its shares of stock to the public.

401
402 PACERM-1 sent a letter request at the ERC for an extension of PAO for another period of one
403 (1) year from December 20, 2022 to December 19, 2023. ERC replied and emailed an engagement
404 letter for the physical Technical Inspection as part of the compliance. So, PACERM-1 submitted the
405 updated additional documents during the technical inspection. PACERM-1 made a follow up to the
406 ERC on January 2023, which the latter acknowledged, stating that the application is still under
407 evaluation and pending approval.

408
409 On February 28, 2023, PACERM-1 compiled and submitted the requested documents required
410 by the ERC, to wit:

- 411
412 1. NWRB Water Permit
413 2. 2023 Business Permit
414 3. Financial Position
415 4. 2022 GIS (Received by SEC)
416 5. DOE Audit PACERM-1 ER-194 Funds
417 6. PACERM-1 ER-194 Fund Monitoring
418 7. Memorandum of Agreement for ER-194
419 8. Annual Work Plan – ER-194

420
421 The same day, the Corporation received a certification from ERC that PACERM-1 Energy
422 Corporation is being currently evaluated for another extension of its Provisional Authority to Operate

423 (PAO). The extension PAO was granted with a validity of six (6) months from the date of issuance,
424 or until 27 August 2023.
425

426

427

427 **Update on Wholesale Electricity Spot Market (WESM)**

428

429 COO Real explained WESM to the body. WESM is the venue for trading electricity as a
430 commodity in the Philippines. The WESM was created by virtue of Sec. 30, of Republic Act No.
431 9136, otherwise known as the Electric Power Industry Act (EPIRA) of 2001. WESM was introduced
432 to Mindanao in 2016 brought about by the entry of more than 700 MW of capacity in 2016 and
433 expected additional capacity of 1,260 MW by the end of 2018 since Mindanao has started to
434 experience ample power supply.
435

436

437 The Department of Energy (DOE) has declared the launch of the Wholesale Electricity Spot
438 market (WESM) in Mindanao through DOE DC2017-05-0009, similar to its function for the Luzon
439 and Visayas grids, the WESM would be the venue for efficient scheduling, dispatch, and settlement
440 of energy withdrawal and injections in the Mindanao grid.

441

442 PACERM-1 is registered in WESM and was approved on June 6, 2022 as Direct WESM
443 Member and Trading Participant. (Generation Company Category). The management attended
444 several training and Focus Group Discussions (FGD) as part of the preparation for the Commercial
445 Operations to be launched in Mindanao.

446

447 WESM launched its Commercial Operations in Mindanao last January 26, 2023 (DOE
448 DC2022-12-0039). Participants shall effectively dispatch interval 0005H of 26 January 2023.

449

449 PACERM-1 as Generation Company:

450

- 451 ➤ Updates generation Offers/nominations during trading days.
- 452 ➤ Strictly followed RTD schedules to avoid penalties based on WESM Penalty Manual.
- 453 ➤ Check the capability to declare Bilateral Contract Quantities for the Contracted
454 Customers in the Central Registration and Settlement System (CRSS).
- 455

456

457 Lastly, COO Real stated that MORESCO-1 must have a total support of power from
458 PACERM-1 in compliance with the EPIRA Law, to wit:

459

- 459 a. Security of power supply. In case of fault or outage on the transmission line or a
460 problem on the generating plants will occur, PACERM-1 will automatically back-up.
461
- 462 b. Power Quality. PACERM-1 is not only a generating plant but also an ancillary service to
463 operate and inject voltage power.
464

465

466 The outlook of PACERM-1 is the good economic condition that will bring power quality to
467 MORESCO-1 with the good voltage that was injected during the operation and the apparent power
468 on volt and ampere. The rule of PACERM-1 to MORESCO-1 in empowering lives in energizing
469 development. To promote industrial peace, love and unity. With the presence of PACERM-1,
470 MORESCO-1 can render a better service.

471

472 On motion by Ms. Aida M. Tagaylo, and severally seconded, the Chief Operating Officer's
473 report was thereby adopted.
474

475

475 **V1. New Business:**

476

477 **A. Sale of Treasury Shares**

478

479 PACERM-1 BOD Pres. Nonito M. Labis reported that during the third (4th) annual
480 Stockholders meeting held last March 25, 2022, the reissuance of 12,216 treasury shares worth
481 Php15 million existing in the corporate books were offered for sale but the proceeds was only
482 Php2.9 million for 1,936 shares.

483
484 Pres. Labis reiterated that this time, the remaining 10,280 shares should be offered for sale
485 to comply one of the requirements to renew the COC in compliance with the mandate of the ERC
486 that 15% of the common shares of stock of the corporation should be offered for sale to the public.
487 These treasury shares will be priced at Php1,334 per share. In accordance with the corporation's
488 existing By-Laws and Corporate Code, the existing shareholders are given the right to apply for the
489 purchase of said shares. If an application and payment is not received, the corporation may then
490 choose to invite new investors to apply for the available shares.

491
492 The Board agreed to accept application for Subscription on Reissuance of the remaining
493 10,280 treasury shares of PACERM-1 Energy Corporation. Thus,

494
495 **STOCKHOLDERS' RESOLUTION NO. 001**
496 **Series of 2023**

497
498 **RESOLUTION TO AUTHORIZE THE MANAGEMENT OF PACERM-1 ENERGY**
499 **CORPORATION TO REISSUE 10,280 SHARES FROM THE CORPORATION'S**
500 **EXISTING TREASURY SHARES OF STOCK TO THE PUBLIC SUBJECT TO THE**
501 **EXERCISE OF PRE-EMPTIVE RIGHTS TO ALL EXISTING STOCKHOLDERS AT**
502 **ONE THOUSAND THREE HUNDRED THIRTY-FOUR PESOS (PHP 1,334.00) PER**
503 **SHARE, PAYABLE IN CASH.**

504
505 **WHEREAS**, the existing treasury shares of stock must be offered for sale to the public,
506 as mandated by the ERC;

507
508 **WHEREAS**, in accordance with the corporation's By-Laws and Corporate Code, the
509 existing shareholders are given the right to apply for the purchase from the
510 corporation's existing treasury shares of stock;

511
512 **WHEREAS**, if an application and payment is not received, the existing shareholders will
513 be treated as having waived the right to apply for shares, the corporation may then
514 choose to invite new investors to apply for the available shares.

515
516 **NOW THEREFORE**, upon motion of Ms. Aida Tagaylo, and severally seconded, it was;

517
518 **RESOLVED, as this body hereby resolved**, to authorize the management of
519 PACERM-1 Energy Corporation to reissue 10,280 shares from the corporation's existing
520 treasury shares of stock to the public subject to the exercise of pre-emptive rights to all
521 existing stockholders at One Thousand Three Hundred Thirty-four Pesos (Php1,334.00)
522 per share, payable in cash.

523
524 **UNANIMOUSLY APPROVED.**

525
526
527 **B. Election of PACERM-1 Board of Directors**

528
529 Before starting the election of the Board of Directors, PACERM-1 BOD created a committee
530 for election duly selected and approved by the Board of Directors, to wit:

531
532 Chairman - Atty. Ike Roa for Legal
533 Co-Chairman - Mr. Eugene Velasco for the voting rights
534 Member - Ms. Norma Galagnara for the stockholder's representative

535
536 PACERM-1 Chairman on Committee for election, Atty. Ike Roa reiterated on the manner of
537 election to be followed, and clarified on how the stockholders could exercise their voting rights and
538 the mechanics of election on the following procedures:

- 539
540 1. Stockholders are automatically qualified to run based on the number of voting rights.
541 2. Proxy voting is allowed, provided that the proxy form was submitted prior to the holding
542 of the election.
543 3. Nominees should own at least one (1) share of stock.

- 544 4. Number of voting right of each stockholder is computed by multiplying five (5).
545 5. The candidates with the top 5 highest number of votes will comprise PACERM-1's Board
546 of Directors for 2023 until March 2024.

547
548 PACERM-1 Co-Chairman, Mr. Velasco was requested to explain the procedure of the
549 weighted ballot. The weighted ballot, the number of shares was stated and multiplied by five as
550 previously explained by Atty. Roa. For the corporate votes, MORESCO-1 has 180,819 shares. It is
551 up to MORESCO-1 on how to allocate their shares.

552
553 The body was informed that the floor was open for nomination. The following were
554 nominated, to wit:

- 555
556 1. Labis, Nonito M.
557 2. Igloria, Edwin M.
558 3. Joy Gil S. Mahinay
559 4. Yu, Juanito
560 5. Dy, Joar J.

561
562 The body started to vote after the weighted ballots were distributed to the stockholders.
563

564 **C. Announcement of Elected Board of Directors (Total Votes)**

565
566 The counting and tabulation of the election are completed. The election committee
567 presented its official results, to wit:

	Total Votes
569 1. Labis, Nonito M.	- 246,080
570 2. Joy Gil S. Mahinay	- 230,935
571 3. Igloria, Edwin M.	- 230,875
572 4. Yu, Juanito	- 254,335
573 5. Dy, Joar J.	- <u>231,415</u>
574 TOTAL	1,193,640

575
576
577 The Election Committee Chairman, Atty. Ike Roa declared the newly elected five (5) Board
578 of Directors of PACERM-1 Energy Corporation. Thus,
579
580

581 **RESOLUTION NO. 003**

582 *Series of 2023*

583
584 **RESOLUTION CONFIRMING THE NEWLY ELECTED SET OF THE BOARD OF**
585 **DIRECTORS OF PACERM-1 ENERGY CORPORATION BE ADOPTED**

586
587 **WHEREAS**, the stockholders of PACERM-1 Energy Corporation have elected a new set of
588 Board of Directors in accordance with the PACERM-1 By-laws;

589
590 **WHEREAS**, the following are the new set of PACERM-1 Board Of Directors, to wit:

- 591
592 1. BOD JUANITO S. YU
593 2. BOD NONITO M. LABIS
594 3. BOD JOAR J. DY
595 4. BOD EDWIN M. IGLORIA
596 5. BOD JOY GIL S. MAHINAY

597
598 **NOW THEREFORE**, on mass motion, and unanimously seconded, it was

599
600 **RESOLVED as the body hereby RESOLVED**, confirming the newly elected set of the
601 Board of Directors of PACERM-1 Energy Corporation be adopted.

602
603 **UNANIMOUSLY APPROVED.**

604

605
606
607
608
609
610
611
612
613
614
615
616
617
618
619
620
621
622
623
624
625
626
627
628
629
630
631
632
633
634
635
636
637
638
639
640
641
642
643
644
645
646

D. Adjournment

There being no other matters to be discussed, the adjournment of the meeting has been moved by Ms. Ruth M. Pates and was unanimously seconded. The meeting was adjourned at 2:00 o'clock in the afternoon.

V11. Distribution of Minor Prizes to All Stockholders of PACERM-1

V111. Raffle Draw for Major Prizes :

The following are the winners for major prizes:

- First Prize - Samsung 9.1cuft refrigerator - Mr. Elmi Janobas
- Second Prize - Sharp 50" Android TV - Mr. Jomel Gaid
- Third Prize - Samsung Top load Washing Machine - Mr. Eliseo Enerio
- Fourth Prize - Haier Gas Range Oven - Mr. Elizur Patis
- Fifth Prize - Asahi Water Dispenser - Ms. Kimberly Yu

Thereafter, The Chairman proposed and unanimously approved by the body present that beginning this year and henceforth, the winners of last year's major prizes would not be included for the current year's raffle of major prizes to give chance to every stockholders to win a major prize, until every stockholders would win a major prize.

1X. Closing Prayer

Closing Prayer was led by Ms. Aida M. Tagaylo

+++++

Certified True and Correct:

647
648
649
650
651
652
653

Attested by:


FLORENCIA M. MARBA
 Board Secretary


NONITO M. LABIS, DVM
 Board President



PACERM-1 Energy Corporation

Zone-1 Brgy.Quibonbon,
El Salvador City, 9017 Misamis Oriental
pacerm1energycorp@gmail.com

MINUTES OF THE PACERM-1 ENERGY CORPORATION SPECIAL STOCKHOLDERS' MEETING HELD ON JUNE 16, 2023 VIA ZOOM.

PRESENT:

MORESCO-1 - REPRESENTED BY:

- NONITO M. LABIS
- JOAR J. DY
- EDWIN M. IGLORIA
- JOY GIL S. MAHINAY

- PACERM-1 BOD PRESIDENT
- PACERM-1 BOD VICE-PRESIDENT
- PACERM-1 BOARD OF DIRECTOR
- MORESCO-1 REPRESENTATIVE
- PACERM-1 CEO & CHAIRMAN - VIRTUAL ATTENDEE
- PACERM-1 CHIEF OPERATING OFFICER
- PACERM-1 STOCKHOLDER

- JUANITO S. YU -DO-
- JULIE B. REAL -DO-
- GLORIA C. JANOBAS -DO-
- NORMA C. GALAGNARA -DO-
- CHRISTINE C. MORALES -DO-
- ELISEO G. ENERIO -DO-
- JOSIE M. LLAMIS -DO-
- RENATO A. ODIADA -DO-
- RONIE P. PADERO -DO-
- RUTH M. PATES -DO-
- JONATHAN L. RATUNIL -DO-
- JEANETTE B. ROSALES -DO-
- JUANITO B. TAGAYLO -DO-
- JOSELYN E. SAPLOT -DO-
- AIDA M. TAGAYLO -DO-
- LEONIDES S. VILLASTIQUE -DO-
- ADELINA Q. REAL -DO-
- FLORENCIA M. MARBA -DO-
- SATURNINO S. SOLIS -DO-
- NASSER M. LACANG -DO-
- ELMER C. DADOLE -DO-
- IVY GRACE S. FABRIGAS -DO-
- RUBEN V. GALAGNARA -DO-
- VENICE M. CERIALES -DO-
- VIRGIL FRANCIS MARK LABIS -DO-
- NICOLE CHRISTINE LABIS -DO-
- TONI ROSE SANDRA TUMULAK -DO-
- ARIS A. LABIS -DO-

PROGRAM---

1. INVOCATION

Ms. Florencia Marba, PACERM- 1 BOD Secretary, led the invocation.

WELCOME ADDRESS

PACERM-1 BOD Vice-President Joar J. Dy welcomed everybody to the Special stockholders meeting of PACERM-1 Energy Corporation.

64 **DETERMINATION OF QUORUM**

65 Roll call was made by the BOD Secretary and confirmed that out of thirty-five (36)
66 stockholders of record of PACERM-1, thirty (30) stockholders are in attendance and thereby a
67 quorum was declared.

68
69
70 **CALL TO ORDER**

71
72 The meeting was called to order by the PACERM-1 Board President Nonito M. Labis at 2:00
73 o'clock in the afternoon.

74
75 **11. PROOF OF NOTICE OF MEETING**

76
77
78 **NOTICE OF PACERM-1 SPECIAL STOCKHOLDERS' MEETING**

79
80 TO ALL STOCKHOLDERS:

81
82 **NOTICE IS HEREBY GIVEN** that the Special Stockholders' Meeting of PACERM-1
83 ENERGY CORPORATION (PACERM-1) will be conducted virtually on June 16, 2023 (Friday) at
84 2:00 P.M. at which meeting the following matters shall be taken up:

- 85
86 1. Invocation/Call to Order/Determination of Quorum
87
88 2. Proof of Notice of Meeting
89
90 3. Rationale behind the election for PACERM-1 Independent Board of Director
91
92 4. Guidelines for the Conduct of Nomination and Election Committee
93
94 5. Conduct of Election for PACERM-1 Independent Board of Directors

95
96 **NOMINATION / ELECION COMMITTEE:**

- 97 - Chairman : Atty. Ike L. Roa
98 - Members : Mr. Eugene L. Velasco & Ms. Norma C. Galagnara
99

- 100 6. Report of the Committee Chairman on Election
101
102 7. Adoption of the elected PACERM-1 Independent Board of Director
103
104 8. Adjournment

105
106 PACERM-1 will host the said meeting. The meeting ID, password and link will be sent to all
107 stockholders a week prior to the Stockholders' Meeting date. The list of nominees will be sent to you
108 prior to the meeting date after screening by the nomination committee.

109
110 Only Stockholders of Record as of 5:00 PM of March 01, 2023 shall be entitled to vote at
111 this meeting. Votes cast remotely or *in absentia* should be received by the Corporation on or before
112 June 16, 2023.

113
114 **PLEASE NOTE THAT PACERM-1 IS NOT SOLICITING PROXIES**

115
116 For confirmation of attendance and any other inquiries, please kindly direct communication
117 to PACERM-1 Administrative officer Ms. Jezza Mae Dacu at 0991 3718758 and/or 0995 4982922.

118
119 For your information.

120
121 **FLORENCIA M. MARBA**
122 Corporate Secretary
123

124
125
126
127
128
129
130
131
132
133
134
135
136
137
138
139
140
141
142
143
144
145
146
147
148
149
150
151
152
153
154
155
156
157
158
159
160
161
162
163
164
165
166
167
168
169
170
171
172
173
174
175
176
177
178
179
180
181
182
183
184
185
186
187
188
189
190

111. Rationale behind the election for PACERM-1 Independent Board of Director

Chairman Atty Ike Roa presented and explain the rationale behind the need to elect an Independent Director. He said that when we filed our registration for public offer of shares of stock with the SEC on May 23, 2023 to comply with the minimum 15% public ownership requirement of ERC before the latter could renew our Certificate of Compliance (COC), SEC immediately requires PACERM-1 to have an Independent Director after considering that PACERM-1 is a power generation company vested with public interest as defined under the EPIRA law (RA 9136). Under Rule 38 of the IRR of the Securities Regulation Code (SRC), issuers of registered securities and public companies are required to have at least two (2) independent directors or at least twenty percent (20%) of its board size, whichever is lesser. Presently, there is vacancy for one Board seat due to the resignation of Dir. Joy Gil Mahinay last June 7. Hence this should be filled up by an Independent Director to complete the required five (5) directors under the company's by-laws.

1V. Guidelines for the Conduct of Nomination and Election for an independent Director

Member Eugenio Velasco then presented the Guidelines on the Conduct of the Nomination and Election for an Independent Director, to wit:

Nomination Committee Members duly selected and approved by the Board of Directors

Chairman: Atty Ike Roa – Legal Counsel
Members: Eugenio Velasco-Finance Consultant
Norma Galagnara – minority stockholder

Policies and Rules

1. Members of the Nomination Committee should act independently in the selection process free from any interference and recommendations from the present members of the Board of Directors.
2. Nominees should be selected from among the minority stockholders (e.g those holding less than 2% of the company's outstanding shares of stock)
3. The nomination committee should properly check the profile and background of all the qualified minority stockholders to determine who will be qualified to become nominees on the basis of Rule 38 of the Implementing Rules and Regulation of the 2015 Revised Securities Regulation Code. (refer also to attached checklist)
4. From among the nominees selected and who possessed the qualifications and non of the disqualifications under the said Rules, the Nomination Committee should properly screen and identify at least of two of who is best qualified to be nominated.
5. The Nomination Committee should inform the selected final nominees in writing or thru email and should obtain their acceptance of their nomination.
6. The Committee should conduct the nomination before the date of the stockholders' meeting on the election of the independent director. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the nominees.
7. The stockholders should be informed thru email not later than the date prior to election day of the list of final nominees.
8. The Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required under Part IV(A) and (C) of Annex "C" of SRC Rule 12, which list, shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the company is required to submit to the Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominees.
9. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual stockholders' meeting.

ELECTION OF INDEPENDENT DIRECTOR

1. Except as those required under this Rule and subject to pertinent existing laws, rules and regulations of the Commission, the conduct of the election of independent director/s shall be made in accordance with the standard election procedures of the company or its by-laws.
2. It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing an independent director. He shall ensure that an independent director is elected during the meeting.

- 191 3. Since the special meeting of the stockholders for the conduct of the election will be
192 conducted virtually via Zoom, the votation will be done online via email. A ballot form will be
193 emailed on the date before the start of the meeting together with the zoom link. The voting
194 stockholder shall fill up the required data in the form and select his/her candidate together
195 with the number of votes not exceeding the number of the voting rights. He/she shall vote
196 only one nominee of his/her choice. Afterwards, he/she shall click on the submit button.
197 4. The nomination committee shall validate each vote prior to the tabulation. The results will
198 then be projected thru screen share to all the participating stockholders.
199 5. The chairman of the nomination committee will then proclaim the nominee who garnered the
200 majority votes as the new independent director who will be accepted by the Board of
201 Directors thru a Board Resolution.
202
203

204 Prepared by:

205
206 **NOMINATION COMMITTEE**
207

208
209
210 Atty Ike Roa
211 Chairman

Eugenio Velasco
Member

Norma Galagnara
Member

212
213
214
215 **V. NOTICE TO STOCKHOLDERS' NOMINEES**
216

217 TO : ALL STOCKHOLDERS
218 RE : LIST OF NOMINATED CANDIDATES FOR INDEPENDENT DIRECTOR

219 GREETINGS!
220

221
222 In connection with the scheduled special meeting of stockholders for the election of an
223 independent director on June 16, 2023, please be informed that after a meeting conducted by
224 the nomination committee as chaired by Atty Ike Roa with members: Eugene Velasco and Norma
225 Galagnara on this date and attended by Board President Nonito Labis representing MORESCO-
226 1 (majority stockholder), Ruth Pates and Jeanette Rosales (minority stockholders), the final list
227 of nominees for the election of an independent director was presented by the committee after a
228 thorough evaluation on the required qualification. Selection was limited only from among the
229 minority stockholders since they already owned shares as required.
230

231 The following were considered by the committee as highly qualified with none of the
232 disqualifications under the SEC rules:
233

- 234 - Jocelyn Saplot
235 - Saturnino Solis
236

237 Nomination was then conducted with Ruth Pates nominating Jocelyn Saplot and Jeanette
238 Rosales nominating Saturnino Solis for the election of an independent director.
239

240 For your information.
241
242

243 **FLORENCIA M. MARBA**

244 Corporate Secretary
245
246
247

248 **V1. Conduct of Election for PACERM-1 Independent Board of Director**
249

250 Before starting the election of the Independent Board of Director, PACERM-1 BOD
251 presented the committee for nomination / election, to wit:
252
253
254
255

256 NOMINATION / ELECTION COMMITTEE:

257

258 - Chairman : Atty. Ike L. Roa

259 - Members : Mr. Eugene L. Velasco & Ms. Norma C. Galagnara

260

261 NOMINATION / ELECTION COMMITTEE Chairman, Atty. Ike Roa reiterated on the manner
262 of election to be followed, and clarified on how the stockholders could exercise their voting rights
263 and the mechanics of on-line election on the following procedures:

- 264 1. There are only two (2) final list of nominees for the election of an independent director
265 Presented by the committee after a thorough evaluation on the required qualification.
266 Selection was limited only from among the minority stockholders since they already
267 owned shares as required.
268 3. Nominees should own at least one (1) share of stock.
269 4. Number of voting right is computed or multiplied by one (1).
270 5. The nominee who garnered highest vote becomes the PACERM-1 Independent Board of
271 Director.

272

273 Mr. Velasco was requested to explain the procedure of the weighted ballot. The weighted
274 ballot, the number of shares was stated and multiplied by one as previously explained by Atty. Roa.
275 To get the maximum number of votes, the number of shares is multiplied by one. For the corporate
276 votes, MORESCO-1 has 180,819 shares. MORESCO-1 BOD President on a resolution to authorize
277 how to allocate their shares.

278

279 The stockholders started to vote via on-line.

280

281 V. Announcement of Elected Independent Board of Directors (Total Votes)

282

283 The counting and tabulation of the election are completed. The election committee
284 chairman presented its official results, to wit:

285

		Total Votes
286	1. Saturnino S. Solis	- 185,121
287	2. Jocelyn E. Saplot	- <u>51,910</u>
288	TOTAL	237,031

289

290

291 The Election Committee Chairman, Atty. Ike Roa declared the newly elected Independent
292 Board of Director of PACERM-1 Energy Corporation. Thus,

293

RESOLUTION NO. 001

294

Series of 2023

295

296

RESOLUTION CONFIRMING MR. SATURNINO SABAÑA SOLIS AS THE NEW INDEPENDENT BOARD OF DIRECTOR OF PACERM-1 ENERGY CORPORATION BE ADOPTED

297

298

299

300

301

302

303

304

305

306

307

308

309

WHEREAS, the stockholders of PACERM-1 Energy Corporation have elected an
Independent Board of Director in accordance with the PACERM-1 Energy Corporation By-
laws;

WHEREAS, the counting and tabulation of the election are completed. The election committee
chairman presented its official results, to wit:

Total Votes

307	1. Saturnino S. Solis	- 185,121
308	2. Jocelyn E. Saplot	- <u>51,910</u>
309	TOTAL	237,031

310

311

312

313

314

315

WHEREAS, the Election Committee Chairman, Atty. Ike L. Roa declared MR. SATURNINO
S. SOLIS as the newly elected Independent Board of Director of PACERM-1 Energy
Corporation;

NOW THEREFORE, on motion by Director Joar J. Dy, and duly seconded by Director Edwin
M. Igloria, it was

316
317
318
319
320
321
322
323
324
325
326
327
328
329
330
331
332
333
334
335
336
337
338
339
340
341
342
343
344
345
346
347
348
349
350
351
352
353
354
355
356
357
358

RESOLVED as the body hereby RESOLVED, confirming MR. SATURNINO SABAÑA SOLIS as the new Independent Board of Director of PACERM-1 Energy Corporation be adopted.

UNANIMOUSLY APPROVED.

VI. Adjournment

There being no other matters to be discussed, the adjournment of the meeting has been moved by Director Joar J. Dy, and was unanimously seconded. The meeting was adjourned at 4:00 o'clock in the afternoon.

+++++

Certified True and Correct:


FLORENCIA M. MARBA
Corporate Secretary

Attested by:

JUANITO S. YU *CEO & CHAIRMAN*
NONITO M. LABIS *President*
JOAR J. DY *Vice-President*
ALLAN M. SOFOCADO *Treasurer*
EDWIN M. IGLORIA *Board of Director*
JULIE B. REAL *Chief Operating Officer*

