

COVER SHEET

C S 2 0 1 3 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

2 0 - I S

FORM TYPE

Last Friday of March

0 3 2 7

Month Day

Annual Meeting

N/A

Secondary License Type, if Applicable

CFD

Dept. Requiring this Doc

N/A

Amended Articles Number/Section

Total No. of Stockholders

x

Domestic

Foreign

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 8TH ANNUAL MEETING OF THE STOCKHOLDERS of PACERM- 1 Energy Corporation will be on March 27, 2026 @ 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 28, 2025.
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 2025 Annual Report and Financial Statements
8. Confirmation of External Auditor for 2025 FS
9. Presentation on Westmore Energy Corporation as PACERM's subsidiary for Retail Electricity Supply (RES) and ratification of Board Resolution creating/investing in the new corporation.
10. Ratification of the Acts, Resolutions, and Proceedings of the Board of Directors, Corporate Officers, and Management from March 29, 2025 to March 26, 2026.
11. Presentation on Quibonbon Energy Corporation as PACERM's subsidiary for Solar Power Generation and ratification of Board Resolution creating/investing in the new corporation with 25% to be owned by the public.
12. Election of the members of the Board of Directors
13. Other matters
14. Adjournment

Only stockholders of record at the close of business hours on December 31, 2025 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

**The rationale for each Agenda item is explained in the attached Annex "A"*

SECURITIES AND EXCHANGE COMMISSION SEC

FORM 20-IS

**INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE
SECURITIES REGULATION CODE**

1. Check the appropriate box:

[X] 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: **CS20138898**
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 27, 2026 (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: **March 6, 2026.**
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, 2025: **246,469**

Number of treasury shares as of December 31, 2025: **3,531**

- 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 27, 2026** 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 **March 13, 2026.**

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 27, 2026** 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, 2025, the total number of shares outstanding and entitled to vote in the annual stockholders' meeting is 246,469 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, 2025.
- (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, 2025 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, 2025 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	73.36%
Common	Juanito Sy Yu (Filipino) Verde Oro, Commonwealth Ave., Quezon City	Please see footnote 2 below. ²	Filipino	50,000 (D)	20.29%

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, 2025, 15,650 common shares or 6.35 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, 2025 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	20.29%

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.

² Based 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 (20.29%).

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	Joy Gil S. Mahinay	1 (D)	Filipino	Negligible
Common	Florencia Marba	225	Filipino	Negligible
N.A.	Julie B. Real	0	Filipino	N. A.
	TOTAL	50,408 (D)		20.45%

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 2025 is as follows:

Directors	No. of Board Meetings Held	No. of Board Meetings Attended	Percent Present
Juanito S. Yu	16	15	94%
Nonito M. Labis	16	14	100%
Joar J. Dy (term ended Mar. 4, 2025)	6	6	100%
Edgar G. Buhian (term started April 4, 2025)	10	10	100%
Saturnino S. Solis	16	16	100%
Joy Gil S. Mahinay	16	15	94%

The following are the current directors and executive officers of the Company as of December 31, 2025.

<p>Juanito S. Yu <i>Chairman and Chief Executive Officer of the Board of Directors</i></p>	<p>Juanito S. Yu, 71 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 AMPERAGE SOLUTION INC. that deals on electricity, gas, steam and air conditioning supply companies in Philippines.</p>
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<p>Nonito M. Labis <i>Director, President</i></p>	<p>Nonito M. Labis, 64 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 2025 during the Company's 7th Annual Stockholder's Meeting. He sits as NEA's representative to the Board of Directors of Misamis Oriental - 1 Rural Electric Service Cooperative (MORESCO-1) the mother company of the Corporation.</p>
<p>Edgar G. Buhian <i>Director, Vice President</i></p>	<p>Edgar G. Buhian, 63 years old, Filipino citizen, has newly joined the Company and was elected as the Board of Directors Vice President on March 2025 during the 7th Annual Stockholder's Meeting. Currently he is the member of Misamis Oriental - 1 Rural Electric Service Cooperative (MORESCO-1) Board of Directors representing the District of Initao.</p>
<p>Joy Gil S. Mahinay <i>Director</i></p>	<p>Joy Gil S. Mahinay, 64 years old, Filipino citizen, has joined the Company and was elected as the Board of Directors Treasurer on March 2025 during the 7th Annual Stockholder's Meeting. Currently he is the President of Misamis Oriental - 1 Rural Electric Service Cooperative (MORESCO-1) Board of Directors..</p>
<p>Saturnino S. Solis <i>Director (independent)</i></p>	<p>Saturnino S. Solis, 73 years old, Filipino citizen, has joined the Company and was re-elected an Independent Director during the 7th Annual Stockholder's Meeting last March 2025. 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, 69 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, 73 years old. Filipino citizen is concurrently the Corporate Secretary of the Company elected since September 2017. She has previously worked with MORESCO-1 as Meter Reading Billing and Collection Supervisor.</p>

The Board of Directors under the newly formulated Manual of Good Governance have created a Nomination Committee. This committee is chaired by the Board President whose members include the Vice President and the sole Independent Director.

The directors of the Company are last elected at the annual stockholders' meeting on March 28, 2025 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.

Independent Director

Following the guidelines previously formulated, a Nomination Committee composed of the independent director, President and Vice President was formed by the Board of Directors during its meeting on February 7, 2025. Application to run as independent director was opened for qualified stockholders deadline of which was set on February 23, 2026. There were three (3) stockholders from the minority group who were nominated and applied to run as independent director though there was one who still applied after the deadline but still disqualified for failing to reach the five year employment rule in an executive position in MORESCO-1, a parent company. On February 27, 2025, the Committee convened to select and identify qualified candidates for nomination. After proper screening as to qualifications as provided under Rule 38.1 of the Rules implementing the Securities Regulations Code and the Company's Manual of Good Governance, the following final list of nominees were confirmed:

Nominator	Nominee
Aries Labis	Saturnino S. Solis (current independent director)
Juanito Tagaylo	Aida M. Tagaylo
Ruben Galagnara	Norma C. Galagnara

Applicant, Edna P. Diango who applied after the due date still was disqualified for failing to reach the five year employment rule in an executive position in MORESCO-1, a parent company. a ground for disqualification under the Manual of Good Governance.

Copies of the Certifications on the Qualifications of the confirmed Nominees for Independent Directors are attached hereto as **ANNEX "B-1 to B-3"**.

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 2024

Name/Position	Year	Salary	Bonus	Other Annual Compensation
Julie Real/COO	2024	₱ 1,095,809.80	₱ 1,095,809.80	₱10,000.00
Juanito Yu/CEO	2024	₱ 250,470.00	₱ 200,000.00	₱10,000.00
Nonito Labis/President	2024	₱ 250,470.00	₱ 200,000.00	₱10,000.00
Joar Dy/Vice President	2024	₱ 250,470.00	₱ 200,000.00	₱10,000.00
Joy Gil Mahinay/Treasurer	2024	₱ 250,470.00	₱ 36,833.33	₱10,000.00
Saturnino Solis/ Independent Dir.	2024	₱ 250,470.00	₱ 200,000.00	₱10,000.00
Florencia Marba/Secretary	2024	₱ 250,470.00	₱ 200,000.00	₱10,000.00

YEAR 2025

Name/Position	Year	Salary	Bonus	Other Annual Compensation
Julie Real/COO	2025	₱ 1,150,600.32	₱ 1,150,600.32	₱10,000.00
Juanito Yu/CEO	2025	₱262,993.56	₱ 200,000.00	₱10,000.00
Nonito Labis/President	2025	₱262,993.56	₱ 200,000.00	₱10,000.00
Edgar Buhian/Vice President	2025	₱197,245.17	₱ 81,166.67	₱10,000.00
Joy Gil Mahinay/Treasurer	2025	₱262,993.56	₱ 200,000.00	₱10,000.00
Saturnino Solis/ Independent Dir.	2025	₱262,993.56	₱ 200,000.00	₱10,000.00
Florencia Marba/Secretary	2025	₱262,993.56	₱ 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 Information Sheet, 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/Compliance 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 September 5, 2025 Board Meeting, the Finance Compliance 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 & Co. (MRT). Based on the results of his evaluation, he advised the Board of Directors that he is satisfied with MRT's performance for the previous year and recommended MRT's re-appointment as the Company's external auditor for the 2025 financial statements.

The Board of Directors discussed the Compliance/Finance Consultant's recommendation, and after discussion, approved the re-appointment of MRT. The Board of Directors will endorse to the shareholders the re-appointment of MRT as the Company's external auditor for the 2025 financial statements

The accounting firm of MRT has been PACERM's Independent Public Accountant since 2023. Mr. Dexter Garcia, will be the engagement partner from MRT for the 2025 audit. 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 MRT 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 MRT will be present during the 2026 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 2026 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 2026 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 shares purchased in 2020. Following is a summary of the sales of the treasury shares:

Year	No. of Investors	No of Shares	Proceeds of Sales
2021	15	1,936	2,582,624
2022	13	1,714	2,286,476
2023	13	2,060	2,748,040
2025	17	2,975	4,619,750

As at December 31, 2025, there remains 3,531 number of treasury shares amounting to ₱4,590,160. After SEC's approval of the public offer as discussed above, a total of 8,685 treasury shares were sold as of December 31, 2025.

Item 10. Modification or Exchange of Securities

No action is to be taken during the 2026 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

No other action to be taken during the 2026 ASM with respect to any matter specified in Items 9 or 10.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action is to be taken during the 2026 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 2026 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 2026 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 2026 ASM:

1. Approval of the minutes of the annual stockholders' meeting held on March 28, 2025.
2. Approval of the 2025 Annual Report and Financial Statements
3. Approval of the of the President, Treasurer and COOs reports
4. Confirmation of External Auditor for 2025 AFS
5. Ratification on the creation of Westmore Energy Corporation
6. Ratification on the creation of Quibonbon Energy Corporation
7. General ratification of the Acts, Resolutions, and Proceedings of the Board of Directors, Corporate Officers, and Management from March 29, 2025 to March 26, 2026.

Except for the election of directors which is discussed in other parts of the report, there are no other matters that require the approval of stockholders.

The Company's President Mr. Nonito M. Labis will present the President's Report during the 2026 ASM. The President's Report will be an assessment of the Company's 2025 performance and will include information on any material change in the Company's business, strategy, and other affairs, if any. The President's Report for the 2026 ASM is not yet available at the time that the Company's Preliminary Information Statement is due to be submitted to the SEC as of to date. It will be uploaded and may be viewed at the Company's website at www.pacerm1.com as soon as available.

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.

Ratification of the acts of the Board, corporate officers, and management from March 29, 2025 up to March 26, 2026 refers only to acts done in the ordinary course of business and operations of PACERM1. Ratification is being sought in the interest of transparency and as a matter of customary practice or procedure, undertaken at every annual meeting of PACERM1's stockholders.

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 ____ day of February 2026.

PACERM-1 ENERGY CORPORATION

By:



FLORENCIA MARBA
Corporate Secretary

Annex "A" – Explanation of Agenda Items

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 27, 2026. 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 2026 Annual Stockholders' Meeting (2026 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, 2025 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

pacerm1energy corp@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 28, 2025

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

The minutes of the ASM held on March 28, 2025 will be posted at PACERM-1's website, www.pacerm1.com and the stockholders' Group Chat, on March 23, 2026. Copies of the 2025 ASM minutes will also be made part of the Definitive Information Statement and will be provided to the stockholders on March 6, 2026.

A resolution approving the minutes of the March 28, 2025 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. Rubio, shall deliver a report to the stockholders on the 2025 overall operating and financial performance of the Company, as well as its outlook for 2026.

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. Joy Gil Mahinay, shall deliver a report to the stockholders on the 2025 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 affects 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 2025 significant event that affects the Company's performance and what to expect in 2026 and the near future.

ITEM NO. 7: Approval of the 2025 Annual Report and Financial Statements

RATIONALE: *To present to the stockholders the results of the Company's operations in 2025, in accordance with Section 74 of the Revised Corporation Code.*

The Company's audited financial statements as of December 31, 2025 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 2026 ASM. The Information

Statement and the Company's 2025 Annual Report will be posted on the Company's website, at www.pacerm1.com.

A resolution approving the 2025 Annual Report and Audited Financial Statements shall be presented to the stockholders for approval.

ITEM NO. 8: Confirmation of External Auditor for 2025 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 2025 financial statements for the stockholders to confirm.*

The Company's Board of Directors approved for stockholders' consideration the appointment of Roxas, Tabamo and Co. as the Company's external auditor for the 2025 financial statements

The accounting firm of Roxas, Tabamo and Co. has been PACERM1's Independent Public Accountant since 2023. Mr Dexter R. Garcia, PACERM1's audit partner of the firm will handle the 2025 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 MRT 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 2025, and ratifying the fees approved by the BOD shall be presented to the stockholders for approval.

ITEM NO.9: Presentation on Westmore Energy Corporation as PACERM's subsidiary for Retail Electricity Supply (RES) and ratification of Board Resolution creating/investing in the new corporation

RATIONALE: *The declaration of Retail Competition Open Access (RCOA) in Mindanao, had greatly affected MORESCO-1 the parent company of PACERM-1 since its customers having an average monthly consumption of then 500 kwh and presently 100 kwh and above will have a choice of their supplier of electricity leading to possible excess in power supply contracts or stranded cost. To be able to alleviate the consequent financial impact to MORESCO-1, management have considered engaging into the Retail Electricity Supply business ;*

The Company's Board of Directors approved for stockholders' ratification the creation of Westmore Energy Corporation as a wholly owned subsidiary of PACERM-1 to engage in Retail Electricity Supply. The company was registered with SEC on January 20, 2026 with an authorized capital stock of P 15 million.

A resolution for the ratification of this Resolution (No. 25 series of 2025) shall be presented to the stockholders for approval.

ITEM NO. 10: Presentation on Quibonbon Energy Corporation as PACERM's subsidiary for Solar Power Generation and ratification of Board Resolution creating/investing in the new corporation

RATIONALE: *PACERM-1 as a generation company is required to comply with the Renewable Portfolio Standards under the Renewable Energy Act of 2018 (RA 9513) and MORESCO-1 as the parent company and a distribution utility is required to source at least 2.52% of its power supply from renewable sources. In relation to this, the stockholders during the 2024 Annual Meeting approved for the investment in solar power plant.*

The Company's Board of Directors approved for stockholders' ratification the creation of Quibonbon Energy Corporation as a 75% owned subsidiary of PACERM-1 to engage in solar power generation. The company is still to be registered with SEC with an authorized capital stock of P 100 million. 25% of the subscribed capital of P 60 million shall be owned by the public to comply with EPIRA's public offering requirement

A resolution for the ratification of this Resolution (No. 12 series of 2026) shall be presented to the stockholders for approval.

ITEM NO. 11: Ratification of the Acts, Resolutions, and Proceedings of the Board of Directors, Corporate Officers, and Management from March 29, 2025 to March 26, 2026

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 2024 ASM last March 22, 2024 until March 28, 2025. 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 17, 2025 and the table of nominations closed on February 25, 2025, 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 2025 ASM.

ANNEX "B-1

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **SATURNINO S. SOLIS**, Filipino, of legal age and with address at Laguindingan, Misamis Oriental, after having been duly sworn in accordance with the law do hereby declare that:

1. I am a nominee for Independent Director of **PACERM-1 ENERGY CORPORATION** 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 RURALELECTRIC COOPERATIVE (MORESCO-I), Inc.**, the majority stockholder of **PACERM-1 ENERGY CORPORATION**, in various capacities as enumerated hereinbelow, to wit:

Company/ Organization	Last Position/Relationship	Period of Service
MORESCO-I.	Sales & Marketing Supervisor	Jan.3, 1977 to Oct. 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 27, 2026 at Laguindingan, Misamis Oriental.

SATURNINO SOLIS
Affiant

SUBSCRIBED AND SWORN to before me this MAR 19 2026 day of at Naawan, Mis. O.
Affiant personally appeared before me and exhibited to me his TIN 136-341-345 issued at Cagayan de Oro City.

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ATTY. IKEL L. ROA
Notary Public
Not. Com. No. 2024-024, until December 31, 2026
IBP No. 574335/17/27-2025/ CY 2026
PTR No. 4660101/01.05.2026/Naawan, Misamis Oriental
Roll No. 35052; TIN No. 113-309-485
MCLE Compliance No. VM1-0029556 until 04.14.2028
Purok-3, Poblacion, Naawan, Misamis Oriental
atty.ikelrao@yahoo.com

ANNEX "B-2

CERTIFICATION OF INDEPENDENT DIRECTOR

I, AIDA M. TAGAYLO, Filipino, of legal age and with address at Alubijid, Misamis Oriental, after having been duly sworn in accordance with the law do hereby declare that:

- 1. I am a nominee for Independent Director of PACERM-1 ENERGY CORPORATION.
2. I used to be affiliated and had worked with MISAMIS ORIENTAL RURALELECTRIC COOPERATIVE (MORESCO-I), Inc., the majority stockholder of PACERM-1 ENERGY CORPORATION, in various capacities as enumerated hereinbelow, to wit:

Table with 3 columns: Company/Organization, Last Position/Relationship, Period of Service. Row 1: MORESCO-I, Treasury Division Head, 1981 - 2019

- 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 27, 2026 at Alubijid, Misamis Oriental.

AIDA M. TAGAYLO
Affiant

SUBSCRIBED AND SWORN to before me this MAR 19 2026 of at Naawan, Mis. Ori
Affiant personally appeared before me and exhibited to me his TIN issued at

Doc. No. 196
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Book No. 08
Series of 2026

ATTY. IRINA ROA
Notary Public
Not. Com No. 2024-027, Until December 31, 2026
IBP No. 874335, 12.27.2025/ CY 2026
PTR No. 4663161, 01.07.2026/Naawan, Misamis Oriental
Roll No. 35027, TIN No. 113-309-485
MCLE Compliance No. VII-C029856 until 04.14.2028
Purok-3, Poblacion, Naawan, Misamis Oriental
atty.irlr2roa@yahoo.com

ANNEX "B-3

CERTIFICATION OF INDEPENDENT DIRECTOR


I, **NORMA C. GALAGNARA**, Filipino, of legal age and with address at El Salvador,, Misamis Oriental , after having been duly sworn in accordance with the law do hereby declare that:

1. I am a nominee for Independent Director of **PACERM-1 ENERGY CORPORATION**.
2. I used to be affiliated and had worked with **MISAMIS ORIENTAL RURALELECTRIC COOPERATIVE (MORESCO-I), Inc.**, the majority stockholder of **PACERM-1 ENERGY CORPORATION**, in various capacities as enumerated hereinbelow, to wit:

Company/ Organization	Last Position/Relationship	Period of Service
MORESCO-I.	Treasury Division Head	1972 - 2011

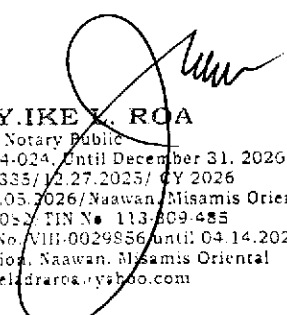
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **PACERM-1 ENERGY CORPORATION**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any 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 27, 2026 at El Salvador, Misamis Oriental.


NORMA C. GALAGNARA
Affiant

SUBSCRIBED AND SWORN to before me this MAR 19 2026 of at Naawan, Mis. O
Affiant personally appeared before me and exhibited to me his TIN _____ issued at _____

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Page No. 40
Book No. 08
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ATTY. IKE L. ROA
Notary Public
Not. Com No. 2024-024, until December 31, 2026
IBP No. 574335/12.27.2025/ CY 2026
PTR No. 4663101/01.05.2026/Naawan, Misamis Oriental
Rol No. 35052, TIN No. 113-09-485
MCLE Compliance No. VII-0029856 until 04.14.2028
Purok-3, Poblacion, Naawan, Misamis Oriental
atty.ikel@drroa.lpsbdo.com

Annex C

PACERM-1 ENERGY CORPORATION

**FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2025, 2024 AND 2023
AND FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023**

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, 2025, 2024 and 2023, and for the years ended December 31, 2025, 2024, and 2023 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., the independent auditor appointed by the stockholders for the years ended December 31, 2025, 2024 and 2023, has audited the financial statements of the Corporation in accordance with the Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


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



JOY GIL S. MAHINAY
Treasurer

Signed this 2nd day of March 2026 in Laguindingan, Misamis Oriental.

SUBSCRIBED and SWORN to, before me, in the city/municipality of EL SALVADOR CITY, this _____ day of 13 MAR 2026 by the affiants who exhibited to me proof of identity as follows:
[details if identification card]

Notary Public
Doc. No. 237
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Series of 2026




ATTY. JIM S. DE LOS SANTOS, CPA, REB, REA
NOTARY PUBLIC
CDO; EL SALVADOR TO BINUANGAN, MIS. OR
ROLL NO. 79431
NC-2026-116, until Dec. 31, 2027
PTR No. 6461571; 13 Nov. 2025; Cag. de Oro
IEP No. INV 558761; 13 Nov. 2025; Mis. Or.
MCLE Compliance No. VIII-006143 valid until 04-14-2028

INDEPENDENT AUDITOR'S REPORT

The Shareholders and the Board of Directors
PACERM-1 Energy Corporation
Zone-1, Brgy. Quibonbon
El 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, 2025 and 2024, and as at January 1, 2024 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2025, 2024 and 2023, 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, 2025 and 2024, and as at January 1, 2024, and its financial performance and its cash flows for the years ended December 31, 2025, 2024 and 2023 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.

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:

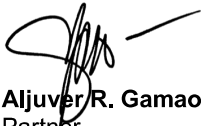
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 24 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. 08-001682-023-2025, issued on January 8, 2025,
effective until January 7, 2028SEC Accreditation No. 126931-SEC, Group A, issued on November 8, 2022,
effective for the audit of 2022 to 2026 financial statements of SEC covered institutions

PTR No. 10795851, issued on January 28, 2026, Makati City, Philippines

March 2, 2026
Cagayan de Oro City

PACERM-1 ENERGY CORPORATION

STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2025 AND 2024

		DECEMBER 31, 2025	DECEMBER 31, 2024 (As restated) (Note 23)	JANUARY 1, 2024 (As restated) (Note 23)
	Note			
ASSETS				
Noncurrent Assets				
Property, plant and equipment – net	5	P259,001,768	P299,005,054	P342,715,126
Deferred tax asset	18	1,152,490	1,302,941	1,065,874
Total Noncurrent Assets		260,154,258	300,307,995	343,781,000
Current Assets				
Cash	6	128,278,112	92,217,406	60,985,447
Trade and other receivables – net	7	23,068,546	14,192,286	20,774,345
Fuel inventory	8	14,398,294	11,213,180	14,795,314
Other assets	9	19,389,740	1,750,342	1,376,146
Total Current Assets		185,134,692	119,373,214	97,931,252
		P445,288,950	P419,681,209	P441,712,252
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' Equity				
Ordinary common shares – P1,000 par value				
Authorized – 250,000 shares				
Issued – 250,000 shares in both years	10	P250,000,000	P250,000,000	P250,000,000
Treasury shares – 3,531 in 2025 and 6,506 in 2024		(4,590,160)	(8,457,390)	(8,457,390)
Additional paid-in capital on treasury shares		946,737	194,217	194,217
Retained earnings – Unappropriated		157,633,610	145,694,677	121,687,189
Retained earnings – Appropriated		4,590,160	8,457,390	8,457,390
Remeasurement loss on defined benefit obligation		(432,326)	(453,574)	(10,257)
Total Shareholders' Equity		P408,148,021	P395,435,320	P371,871,149
Liabilities				
Non-Current Liabilities				
Retirement liability – net	12	P1,980,872	P2,582,676	P1,634,405
Loans and borrowings – noncurrent	11	-	-	6,068,098
Total Non-Current Liabilities		1,980,872	2,582,676	7,702,503
Current Liabilities				
Trade and other payables	13	16,240,468	15,593,488	20,554,295
Dividend payable	10	14,000,000	-	-
Deposit for stock subscription		-	3,674,750	-
Loans and borrowings – current	11	-	-	40,024,536
Income tax payable	18	4,919,589	2,394,975	1,559,769
Total Current Liabilities		35,160,057	21,663,213	62,138,600
Total Liabilities		37,140,929	24,245,889	69,841,103
		P445,288,950	P419,681,209	P441,712,252

See Notes to the Financial Statements.

PACERM-1 ENERGY CORPORATION

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023**

			2024 (As restated) (Note 23)	2023 (As restated) (Note 23)
	Note	2025		
ENERGY FEES				
Power supply agreement-net	17	₱149,232,857	₱148,336,403	₱145,448,454
Replacement power	17	-	7,510,600	88,636,295
Other WESM participants		22,858,274	17,906,217	81,060,377
Total Energy Fees-net		172,091,131	173,753,220	315,145,126
DIRECT COSTS AND EXPENSES				
Depreciation	5	41,027,713	40,715,236	40,673,078
Fuel and oil costs	8	11,593,517	8,358,027	839,006
Compensation and employees' benefits	15	4,598,301	4,281,238	3,988,586
Repairs and maintenance		1,386,134	1,366,056	780,931
Outside services employed		183,929	133,333	260,000
Repair parts and plant supplies		149,039	255,868	1,267,798
Power purchases (WESM)		8,687	7,715,880	80,636,354
Replacement power-net		-	7,285,282	86,346,181
Total Direct Costs and Expenses		58,947,320	70,110,920	214,791,934
NET ENERGY FEES		113,143,811	103,642,300	100,353,192
GENERAL AND ADMINISTRATIVE EXPENSES				
Outside services employed		10,725,677	12,650,622	9,424,907
Taxes and licenses		6,468,318	7,053,426	6,528,130
Compensation and employees' benefits	15	2,860,100	2,652,461	2,373,280
Other operating expenses	16	11,953,413	11,645,830	12,422,240
Total General and Administrative Expenses		32,007,508	34,002,339	30,748,557
PROFIT BEFORE FIXED AND FINANCIAL INCOME (CHARGES)		81,136,303	69,639,961	69,604,635
FIXED AND FINANCIAL INCOME (CHARGES)				
Depreciation	5	(3,900,959)	(3,916,246)	(3,900,713)
Interest on borrowed funds	11	-	(1,005,271)	(5,705,908)
Other income	14	3,596,856	832,346	3,054,168
		(304,103)	(4,089,171)	(6,552,453)
PROFIT BEFORE INCOME TAX EXPENSE		80,832,200	65,550,790	63,052,182
INCOME TAX EXPENSE				
Current	18	19,617,129	18,027,658	15,752,813
Deferred		143,368	(89,295)	(13,766)
		19,760,497	17,938,363	15,739,047
PROFIT FOR THE YEAR		₱61,071,703	₱47,612,427	₱47,313,135
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items that will not be reclassified to profit or loss</i>				
Actuarial gain (loss) on defined benefit obligation	12	28,331	(591,089)	(498,099)
Deferred tax effect	18	(7,083)	147,772	124,525
		21,248	(443,317)	(373,574)
TOTAL COMPREHENSIVE INCOME		61,092,951	47,169,110	46,939,561
Basic Earnings Per Share	19	₱250	₱196	₱196

See Notes to the Financial Statements.

PACERM-1 ENERGY CORPORATION

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023**

	Note	2025	2024 (As restated) (Note 23)	2023 (As restated) (Note 23)
SHARE CAPITAL				
Ordinary (common) shares	10	₱250,000,000	₱250,000,000	₱250,000,000
TREASURY SHARES				
Opening balances	10	(8,457,390)	(8,457,390)	(11,135,390)
Shares re-issued during the year		3,867,230	-	2,678,000
Closing balances		(4,590,160)	(8,457,390)	(8,457,390)
ADDITIONAL PAID – IN CAPITAL ON TREASURY SHARES				
Opening balances	10	194,217	194,217	124,177
Addition during the year		752,520	-	70,040
Closing balances		946,737	194,217	194,217
Share capital – net		246,356,577	241,736,827	241,736,827
RETAINED EARNINGS – UNAPPROPRIATED				
Opening balances, as previously reported	10	145,694,677	122,902,736	93,447,857
Effect of restatements		-	(1,215,547)	(1,099,249)
Opening balances, as restated		145,694,677	121,687,189	92,348,608
Profit for the year, as previously reported		61,071,703	47,880,313	47,429,433
Effect of restatements		-	(267,886)	(116,298)
Profit for the year, as restated		61,071,703	47,612,427	47,313,135
Cash dividends declared during the year		(53,000,000)	(23,604,939)	(20,652,554)
Return of appropriated retained earnings		3,867,230	-	2,678,000
Closing balances, as restated		157,633,610	145,694,677	121,687,189
RETAINED EARNINGS – APPROPRIATED				
Opening balances	10	8,457,390	8,457,390	11,135,390
Return of appropriated retained earnings		(3,867,230)	-	(2,678,000)
Closing balances		4,590,160	8,457,390	8,457,390
REMEASUREMENT LOSS ON DEFINED BENEFIT OBLIGATION				
Opening balances, as previously reported		(453,574)	-	-
Effect of restatements		-	(10,257)	363,317
Opening balances, as restated		(453,574)	(10,257)	363,317
Actuarial gain (loss)	12	28,331	(591,089)	(498,099)
Deferred tax effect	12,18	(7,083)	147,772	124,525
Closing balances, as restated		(432,326)	(453,574)	(10,257)
		₱408,148,021	₱395,435,320	₱371,871,149

See Notes to the Financial Statements.

PACERM-1 ENERGY CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023

	<i>Note</i>	2025	2024 (As restated) (Note 23)	2023 (As restated) (Note 23)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax expense		₱80,832,200	₱65,550,790	₱63,052,182
Add (deduct) adjustments for:				
Interest expense	11	-	1,005,271	5,705,908
Depreciation	5	44,928,672	44,631,482	44,573,791
Interest income from bank deposits	6,14	(2,678,502)	(559,118)	(169,949)
Provision for retirement benefits	12	426,527	357,182	304,113
Gain on sale of equipment	5	(250,000)	-	-
Recovery on impairment loss	7,14	-	-	(100,000)
Operating income before changes in working capital		123,258,897	110,985,607	113,366,045
Changes in working capital excluding cash:				
Decrease (increase) in:				
Trade and other receivables		(8,676,260)	6,582,059	(7,848,587)
Fuel inventory		(3,185,114)	3,582,134	(9,677,266)
Other assets		(17,639,398)	(374,197)	(207,389)
Increase (decrease) in trade and other payables		(132,371)	(7,049,887)	8,757,086
Net cash generated from operations		93,625,754	113,725,716	104,389,889
Interest income from bank deposits	6,14	2,678,502	559,118	169,949
Retirement benefits paid	12	-	-	(149,050)
Income taxes paid		(16,313,164)	(15,103,371)	(16,547,586)
Net Cash Provided by Operating Activities		79,991,092	99,181,463	87,863,202
CASH FLOWS USED IN INVESTING ACTIVITIES				
Additions to property and equipment	5	(4,925,386)	(921,410)	(401,857)
Proceeds from sale of equipment		50,000	-	-
Contribution to retirement plan	5	(1,000,000)	-	-
Net Cash Used in Investing Activities		(5,875,386)	(921,410)	(401,857)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from treasury shares sold during the year		192,480	-	2,678,000
Additional paid-in capital on treasury shares	10	752,520	-	70,040
Principal payments on loans and borrowings	11	-	(46,092,634)	(64,024,536)
Interest paid	11	-	(1,005,271)	(5,705,908)
Cash dividends paid	10	(39,000,000)	(23,604,939)	(20,652,554)
Collection of deposits for stock subscription		-	3,674,750	-
Net Cash Used in Financing Activities		(38,055,000)	(67,028,094)	(87,634,958)
NET INCREASE (DECREASE) IN CASH		36,060,706	31,231,959	(173,613)
CASH, JANUARY 1		92,217,406	60,985,447	61,159,060
CASH, DECEMBER 31	6	₱128,278,112	₱92,217,406	₱60,985,447

See Notes to the Financial Statements.

PACERM-1 ENERGY CORPORATION

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023

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 primary 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 Zone-1, Brgy Quibonbon, El Salvador City, 9017 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 44,810kWh to MORESCO 1 for the whole year of 2025 and 98,042kWh to MORESCO 1 for the whole year of 2024.
- (b) Future minimum receivable from capital recovery fee and fixed operation and maintenance fee amounted to ₱150,141,204 in 2025 and ₱150,961,160 in 2024.
- (c) The fixed operating and maintenance fee has an average rate of ₱382.45/kW/month in 2025 and ₱374.54/kW/month in 2024.
- (d) The variable operating and maintenance fee has an average rate of ₱0.64/kW in 2025 and ₱0.63/kW in 2024.

The financial statements were approved and authorized for issuance in accordance with a resolution by the Board of Directors (BOD) on March 2, 2026.

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 Policy Information

The material accounting policy information that have been used in the preparation of the financial statements are set below.

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, 2025:

Amendments to PAS 21, Lack of Exchangeability. This amendment requires companies to apply a consistent approach in assessing whether a currency is exchangeable and how to estimate the exchange rate if it is not. It also requires additional disclosures in estimating the exchange rate.

The comparative period is not restated for this amendment.

Amended PFRS Issued but Not Yet Effective

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2025 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2026:

Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*. The amendments clarify the requirements relating to (a) timing of derecognition of liabilities when they are settled using an electronic payments system and (b) how to assess contractual cash flow characteristics of financial assets, including those with environment, social and governance (ESG)-linked features. It also amends the disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and added disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and cost.

While the amendment is applied retrospectively, the comparative period is not restated for this amendment.

Annual Improvements to PFRS Accounting Standards – Volume 11

- Amendments to PFRS 1, *First-time Adoption of PFRS – Head Accounting as a First-time Adopter*. The amendment addressed a potential confusion arising from an inconsistency in wording between paragraph B6 of PFRS 1 and requirements for hedge accounting in PFRS 9, *Financial Instruments*.
- Amendments to PFRS 7, *Financial Statements – Disclosures*. The amendment addressed a potential confusion in paragraph B38 of PFRS 7 which requires entities to disclose the gain or loss on derecognition of financial assets where a fair value measurement involves unobservable inputs. The confusion arose from an obsolete reference to a paragraph that was deleted from the standard when PFRS 13, *Fair Value Measurement* was issued. The implementation guidance accompanying PFRS 7 clarifies the disclosures of deferred differences between fair values and transaction prices and, credit risk.
- Amendments to PAS 7, *Statement of Cash Flows – Cost Method*. The amendment addressed a potential confusion of applying paragraph 37 of PAS 7 that arises from the use of the term 'cost method' that is no longer defined in PFRS Accounting Standards.

These amendments are applied retrospectively with the comparative period restated, except for the amendments relating to derecognition of lease liabilities in PFRS 9, which only applies to lease derecognized on or after the amendment is adopted.

Effective for annual periods beginning on or after January 1, 2027:

- PFRS 18, *Presentation and Disclosures of Financial Statements*. This standard will replace PAS 1, *Presentation of Financial Statements*. It requires the statement of profit or loss to be broken down into three subsections, operating, investing and financing, similar to the layout of the cash flow statement. It also requires management performance measures that are used by a company in other communications to be included in a note to the financial statements including a reconciliation to the nearest PFRS equivalent measure. The standard provides additional guidance on the aggregation and disaggregation of information on the face of financial statements and the notes to provide a useful structured summary of the reporting entity's assets, liabilities, equity, income, and expenses that are useful to users in assessing the prospects for future net cash inflows to the entity and in assessing management's stewardship of the entity's economic resources.

PFRS 18 is applied retrospectively with the comparative period restated

- PFRS 19, *Subsidiaries without Public Accountability*. The standard specifies the disclosure requirements an entity is permitted to apply instead of the disclosure requirements in other PFRS Accounting Standards. It requires companies who meet the specific criteria to apply the recognition and measurement of other standards.

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 Corporation.

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.

The Corporation 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, 2025 and 2024, 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, 2025 and 2024, 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, 2025 and 2024, 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, 2025 and 2024, 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 13).

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.

Cash and Cash Equivalents

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Property 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.

Fair Value Measurements

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.

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.

Capital Stock and Additional Paid-in Capital

Capital Stocks

Capital stocks 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.

Retained Earnings

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

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.

Other Comprehensive Income

Other comprehensive income comprises items of income and expense, including items previously presented under the statements of changes in equity, that are not recognized in profit or loss for the year. Other comprehensive income of the Corporation pertains to remeasurement gain on retirement benefits and Fair value reserves on investment securities at FVOCI.

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 Recognition

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

The Corporation also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Corporation has assessed that it acts as a principal in all of its revenue sources.

Costs and Expenses

Costs and expenses are recognized in the statements of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Costs and expenses are recognized in the statements of comprehensive income: on the basis of a direct association between the costs incurred and the earning of specific items of income; 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 immediately when an expenditure produces no future economic benefit or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Costs and expenses are presented in the statements of comprehensive income using the function of expense method. The nature of expense method is applied when presenting the components of the functional expense categories in the notes to the financial statements.

Costs of services are directly attributable in the rendition of services. Operating expenses are costs attributable to the administrative and other business activities of the Company.

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

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.

Retirement Benefits

The Corporation's net obligation in respect of the defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount, and deducting the fair value of plan assets.

The calculation of defined benefit obligation and valuation of the plan assets is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Corporation, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurement of the net defined benefit liability or asset, which comprise actuarial gains and losses, the return on plan assets (excluding interest), if any, and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in the Other Comprehensive Income (OCI). The Company determines the net interest expense or income on the net defined benefit liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payment. Net interest expense and other expenses related to the defined benefit plan are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to the past service or the gain or loss on curtailment is recognized immediately in profit or loss.

The Corporation recognizes gains or losses on the settlement of a defined benefit plan when the settlement occurs.

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 22).

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 for December 31, 2025 and 2024 (see Note 7).

The carrying amounts of receivables amounted to ₱23,068,546 and ₱14,192,286 as at December 31, 2025 and 2024, 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 of 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, 2025 and 2024, 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 ₱28,042,709 and ₱28,463,679 as at December 31, 2025 and 2024, respectively. Accumulated depreciation of property, plant and equipment amounted to ₱421,453,498 and ₱377,548,956 as at December 31, 2025 and 2024, respectively. Net book value of the property, plant and equipment amounted to ₱259,001,768 and ₱299,005,054 as at December 31, 2025 and December 31, 2024, 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 ₱1,152,490 in 2025 and ₱1,302,941 in 2024, respectively (see Note 18).

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, 2025 and 2024.

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:

	Land and Land Improvements	Building and Improvements	Diesel Power plant	Line & transformer protection (NARI)	Transportation Equipment	Office Furniture and Equipment	Guard house, canteen, staff house	Plant tools and Equipment	Total
Cost									
At December 31, 2023	₱26,487,943	₱24,028,868	₱609,810,640	₱3,780,952	₱3,600,358	₱3,941,998	₱2,412,356	₱1,569,485	₱675,632,600
Additions	-	-	-	-	-	863,494	-	57,916	921,410
At December 31, 2024	26,487,943	24,028,868	609,810,640	3,780,952	3,600,358	4,805,492	2,412,356	1,627,401	676,554,010
Additions	-	-	2,142,857	-	1,737,908	1,044,621	-	-	4,925,386
Disposal/Retirement	-	-	-	-	(750,000)	(274,130)	-	-	(1,024,130)
At December 31, 2025	26,487,943	24,028,868	611,953,497	3,780,952	4,588,266	5,575,983	2,412,356	1,627,401	680,455,266
Accumulated									
Depreciation									
At December 31, 2023	18,333,960	17,026,294	284,746,374	3,780,952	2,683,077	3,315,952	1,531,713	1,499,152	332,917,474
Depreciation	397,149	2,340,875	40,655,443	-	539,012	397,974	241,235	59,794	44,631,482
At December 31, 2024	18,731,109	19,367,169	325,401,817	3,780,952	3,222,089	3,713,926	1,772,948	1,558,946	377,548,956
Depreciation	396,440	2,325,250	40,976,871	-	284,253	704,622	241,236	-	44,928,672
Disposal/Retirement	-	-	-	-	(750,000)	(274,130)	-	-	(1,024,130)
At December 31, 2025	19,127,549	21,692,419	366,378,688	3,780,952	2,756,342	4,144,418	2,014,184	1,558,946	421,453,498
Carrying amount									
At December 31, 2025	₱7,360,394	₱2,336,449	₱245,574,809	₱-	₱1,831,924	₱1,431,565	₱398,172	₱68,455	₱259,001,768
At December 31, 2024	₱7,756,834	₱4,661,699	₱284,408,823	-	₱378,269	₱1,091,566	₱639,408	₱68,455	₱299,005,054

In 2017, 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. In 2023, the carrying amount of the collateralized property, plant and equipment amounted to ₱290,307,236. In 2024, the Corporation has fully paid its outstanding loans thereby releasing the property, plant and equipment from encumbrance.

In 2025, the Corporation sold fully depreciated transportation equipment resulting in a gain on sale of ₱250,000. Of the total consideration, ₱50,000 was received in cash, while the remaining ₱200,000 remains outstanding and is recognized as accounts receivable. In addition, fully depreciated office furniture and equipment which were damaged, were also disposed of during the year.

Fully depreciated assets with a cost of ₱28,042,709 and ₱28,463,679 were still being used by the Corporation as at December 31, 2025 and 2024, respectively.

Distribution of Depreciation Expenses

	2025	2024	2023
Direct costs and expenses	₱41,027,713	₱40,715,236	₱40,673,078
Fixed and financial charges	3,900,959	3,916,246	3,900,713
	₱44,928,672	₱44,631,482	₱44,573,791

6. Cash and Cash Equivalents

This account consists of:

	2025	2024
Cash in banks	₱52,493,502	₱40,502,711
Cash on hand	87,277	1,105,139
Revolving fund	100,000	100,000
Time deposit	75,597,333	50,509,556
	₱128,278,112	₱92,217,406

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 ₱232,979, ₱49,562, and ₱169,949 in 2025, 2024, and 2023, respectively. In 2024 the Corporation also availed of various short term time deposits with different banks with interests ranging from 5.125% to 5.6%. The interest income generated from time deposits that matured in 2025 and 2024 amounted to ₱2,445,523 and ₱509,556 respectively (see Note 14).

7. Trade and Other Receivables - Net

The trade and other receivables consist of the following:

	Note	2025	2024
Trade receivables – MORESCO-1	17	₱11,823,171	₱12,926,149
Trade receivables – others		11,023,739	277,448
Receivables from NGCP and others		1,963,676	1,795,698
Advances to Suppliers		-	1,189,286
Accrued interest income		139,470	-
Bill deposit – MORESCO-1		112,881	111,096
Advances to Officers and Employees		213,222	100,222
Total		25,276,159	16,399,899
Less: Allowance for expected credit losses		2,207,613	2,207,613
		₱23,068,546	₱14,192,286

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 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.

Receivables from NGCP 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.

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.

Aging of the Accounts

	Current	Past Due	Total
<i>December 31, 2025</i>			
Trade receivables - MORESCO-1	P11,823,171	P-	P11,823,171
Trade receivables - others	10,279,659	744,080.	11,023,739
Other receivables	40,482	1,923,194	1,963,676
Accrued interest income	139,470	-	139,470
Bill deposit – MORESCO-1	112,881		112,881
Advances to officers and employees	88,000	125,222	213,222
Total	P22,483,663	P2,792,496	P 25,276,159
<i>December 31, 2024</i>			
Trade receivables - MORESCO-1	P12,926,149	P-	P12,926,149
Trade receivables - others	277,448	-	277,448
Other receivables	168,099	1,627,599	1,795,698
Advances to contractors	1,189,286	-	1,189,286
Bill deposit – MORESCO-1	-	111,096	111,096
Advances to officers and employees	-	100,222	100,222
Total	P14,560,982	P1,838,917	P16,399,899

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 P100,000 from an account which was previously impaired in 2022 (see Note 14).

Roll-forward Analysis of Allowance for Expected Credit Losses

The movements of the allowance for expected credit losses follow:

	Note	2025	2024	2023
Opening balances		₱2,207,613	₱2,207,613	₱2,307,613
Recovery of impairment during the year	14	-	-	(100,000)
Closing balances		₱2,207,613	₱2,207,613	₱2,207,613

8. Fuel Inventory

This account consists of the following:

	2025	2024
Light fuel oil	₱9,712,956	₱7,973,070
Heavy fuel oil	4,346,926	3,144,458
Lube oil	338,412	95,652
	₱14,398,294	₱11,213,180

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 2025 and 2024 was not impaired.

The cost of fuel and oil incurred amounted to ₱11,593,517, ₱8,358,027, and ₱839,006 in 2025, 2024, and 2023, respectively.

9. Other Assets

This account consists of the following:

	2025	2024
Inventory asset	₱17,201,954	₱249,973
Prudential deposit	913,000	913,000
Creditable withholding tax	450,579	139,992
Prepaid insurance	95,909	134,133
Deferred input VAT	2,813	-
Other assets	725,485	313,244
	₱19,389,740	₱1,750,342

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.

Inventory asset

These are bolts and spare parts regularly used for the repairs and maintenance of property, plant and equipment. In 2025, the Corporation acquired test equipment and generator set which were not yet used in operations as at December 31, 2025.

Other assets

This amount represents an outstanding balance from employees who have complied and availed with the requisites of the vehicle plan offered by the Corporation.

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, 2025, 2024, and 2023, 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, 2025 and 2024, there are 62 and 49 shareholders, respectively, who hold the outstanding shares of the Corporation. There are 3,531 and 6,506 shares available for primary offering held by the Corporation as Treasury shares as of December 31, 2025 and 2024, respectively.

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 2025, the Corporation reissued 2,975 treasury shares for ₱4,619,750 while nil in 2024. In 2023, it reissued 2,060 shares for ₱2,748,040, while in 2022, it reissued 1,714 shares for ₱2,286,476. The reissuance of treasury shares resulted in Additional Paid-in Capital of ₱752,520 in 2025, nil in 2024 and ₱70,040 in 2023.

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.

On December 5, 2025, the Board BOD approved the resolution to reverse the portion of the restricted retained earnings considering the sale of 2,975 treasury shares held by the Corporation equivalent to ₱3,867,230.

Dividends Declared and Paid

In 2025, 2024 and 2023, the BOD approved resolutions to distribute cash dividends out of the 2025, 2024 and 2025 earnings to all shareholders on record as of December 31, 2025, 2024 and 2023, respectively, as follows:

Date of Declaration	Dividend per Share	Total Dividends Declared	Dividends Paid	Dividends Payable
November 5, 2025	₱113.60	₱28,000,000	₱14,000,000	₱14,000,000
February 14, 2025	₱101.62	₱25,000,000	₱25,000,000	₱-
February 2, 2024	₱96.94	₱23,604,939	₱23,604,939	₱-
January 6, 2023	₱85.54	₱20,652,554	₱20,652,554	₱-

Disclosure Required Under Revised SRC Rule 68 (2019)

As at December 31, 2025, 2024 and 2023, the Corporation had a total of 62, 49 and 48 shareholders, respectively. All of the Corporation's shareholders own 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 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:

	2025	2024 (as restated)	2023 (as restated)
Ordinary shares	₱250,000,000	₱250,000,000	₱250,000,000
Treasury shares	(4,590,160)	(8,457,390)	(8,457,390)
Additional paid-in capital on treasury share	946,737	194,217	194,217
Retained earnings – Unappropriated	157,633,610	145,694,677	121,687,189
Retained earnings – Appropriated	4,590,160	8,457,390	8,457,390
Remeasurement loss on defined benefit obligation	(432,326)	(453,574)	(10,257)
	₱408,148,021	₱395,435,320	₱371,871,149

Capital-to-Overall Financing Rate

	Note	2025	2024 (as restated)	2023 (as restated)
Total shareholders' equity		408,145,097	395,435,320	371,871,149
Less: Cash	6	128,278,112	92,217,406	60,985,447
Capital		279,866,985	303,217,914	310,885,702
Total shareholders' equity		408,148,021	395,435,320	371,871,149
Borrowings (total liabilities)		37,140,929	24,245,889	69,841,103
Overall financing		445,288,950	419,681,209	441,712,252
Capital-to-Overall Financing Rate		62.85%	72.25%	70.38%

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	2025	2024 (as restated)	2023 (as restated)
Total liabilities		37,140,929	24,245,889	69,841,103
Less: Cash	6	128,278,112	92,217,406	60,985,447
Net Debt		(91,137,183)	(67,971,517)	8,855,656
Total shareholders' equity		408,148,021	395,396,555	371,871,149
Equity and Net Debt		317,010,838	327,425,038	380,726,805
Gearing Ratio (Net Debt/Equity and Net Debt)		(28.75%)	(20.76%)	2.33%

11. Loans and Borrowings

Movements of the Accounts During the Year

	2025	2024
Balance, beginning	P-	₱46,092,634
Payments made during the year	-	(46,092,634)
Balance, ending	P-	P-

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.

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, 2024, 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 ₱6,932,775 in 2024 resulting to a reduction in interest expense.

Total interest paid on the loan amounted to nil, ₱1,005,271, and ₱5,705,908 in 2025, 2024 and 2023, respectively.

As of December 31, 2025, the Corporation has no outstanding loan as it has been fully paid by the Corporation through unscheduled early principal payments in 2024 and prior years.

12. Retirement Liability - Net

Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. As of valuation date, the retirement plan is 34% funded.

Interest rate risk

A decrease in the government bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The present value of defined benefit obligation and fair value of plan assets are based on computations prepared by management. Based on management's assessment, the recognized retirement liability represents a reasonable estimate of its retirement obligation.

The net amount of retirement liability shown in the statements of financial position is composed of:

	2025	2024 (As restated)	2023 (As restated)
Present value of defined benefit obligation	P2,981,643	P2,582,676	P1,634,405
Fair value of plan assets	1,000,771	-	-
	P1,980,872	P2,582,676	P1,634,405

The Corporation made contributions to plan asset of P1,000,000 and nil in 2025 and 2024, respectively.

The principal annual assumptions used in determining the retirement benefit obligation of the Corporation for the years ended December 31, 2025 and 2024 follow:

	2025	2024 (As restated)	2023 (As restated)
Discount rate	6.10%	6.10%	6.18%
Future salary increase	5.00%	5.00%	5.00%
Average expected future service years	25.09	24.09	24.09

The sensitivity analysis below had been determined based on the reasonably possible changes in the significant assumption on the retirement benefit obligation as at December 31, 2025 and 2024 assuming all other assumptions were held constant:

	2025	2024 (As restated)	2023 (As restated)
Discount rate + 100bps*	(P601,682)	(P541,703)	(P268,306)
Discount rate - 100bps	761,754	692,772	338,680
Salary increase rate + 100bps	608,790	546,706	339,320
Salary increase rate - 100bps	(P773,182)	(P700,975)	(P273,302)

*100 basis points (bps) is equivalent to 1%

The reconciliations for the fair value of plan assets and the present value of the defined benefit obligation, showing current service cost, interest expense or income and remeasurements, follow:

	2025	2024 (As restated)	2023 (As restated)
Movement in net defined benefit liability			
Net defined benefit liability, beginning of the year (BOY)	P2,582,676	P1,634,405	P981,243
Net periodic pension cost in profit and loss	426,527	357,182	304,113
Contributions to plan asset	(1,000,000)	-	-
Benefits paid	-	-	(149,050)
Net actuarial loss in OCI	(28,331)	591,089	498,099
Net defined benefit liability, end of the year (EOY)	P1,980,872	P2,582,676	P1,634,405

	2025	2024 (As restated)	2023 (As restated)
Movement in present value of defined benefit obligation (DBO)			
PV of defined benefit obligation, BOY	₱2,582,676	₱1,634,405	₱981,243
Current service cost	268,984	256,175	231,599
Interest cost	157,543	101,007	72,514
Benefits paid			(149,050)
Actuarial loss (gain) on DBO	(27,560)	591,089	498,099
PV of defined benefit obligation, EOY	₱2,981,643	₱2,582,676	₱1,634,405
Movement in fair value of plan assets			
FV of plan asset, BOY	₱-	₱-	₱-
Actual return	771	-	-
Contributions	1,000,000	-	-
FV of plan asset, EOY	1,000,771	-	-
Actual return on plan asset	₱771	₱-	₱-

Shown below is the computation of the overall actuarial gain (loss) of the retirement plan:

	Note	2025	2024 (As restated)	2023 (As restated)
Net Actuarial gain (loss) recognized in OCI				
Changes in financial assumptions		₱28,331	(₱591,089)	(₱498,099)
Tax effect	18	(7,083)	147,772	124,525
		₱21,248	(₱443,317)	(₱373,574)

13. Trade and Other Payables

This account consists of the following:

	2025	2024
VAT payable	₱7,448,991	4,428,828
Accounts payable	5,698,664	5,694,328
Accrued expenses	2,689,833	2,896,622
Deferred output VAT	-	2,145,882
Other payables	402,980	427,828
	₱16,240,468	₱15,593,488

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, 2025 and 2024 unpaid monthly electricity bill in December amounted to ₱154,965 and ₱123,096, respectively (see Note 17).

14. Other Income

	Note	2025	2024	2023
Interest income	6	₱2,678,502	559,118	169,949
Gain on sale of assets		250,000	-	-
Service fee on replacement power		-	₱228,286	₱2,770,736
Recovery of impairment during the year	7	-	-	100,000
Other income		668,354	44,942	13,483
		₱3,596,856	₱832,346	₱3,054,168

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.

Interest Income

Interest income from cash in banks amounted to ₱232,979, ₱49,562, and ₱169,949 in 2025, 2024, and 2023. Interest income from time deposits that have matured in 2025 and 2024 amounted to ₱2,445,523 and ₱509,556, respectively

Other Income

Other income includes default payments from WESM transactions. In 2025, it includes adjustments to recognize the additional 32,000 liters of heavy fuel oil dead tanks.

15. Compensation and Employees' Benefits

Total compensation and employees' benefits, which are all classified as short-term benefits, amounted to ₱7,458,401, ₱6,933,699, and ₱6,361,866 for the years ended December 31, 2025, 2024, and 2023, respectively.

Distribution of Compensation and Employees' Benefits

	2025	2024	2023
Direct costs and expenses	₱4,598,301	₱4,281,238	₱3,988,586
General and administrative expenses	2,860,100	2,652,461	2,373,280
	₱7,458,401	₱6,933,699	₱6,361,866

16. Other Operating Expenses

	Note	2025	2024	2023
Meetings and conferences		₱2,351,115	₱3,311,739	₱2,583,164
Utilities expense		2,102,429	1,357,369	1,354,780
Corporate Social Responsibility	17	1,980,000	1,826,786	3,679,464
Travel and transportation		1,844,478	1,689,227	1,410,272
Security services		956,867	809,834	673,179
Repairs and maintenance		628,010	502,339	405,073
Postage and Communications		495,133	354,621	433,767
Donations and Charitable Contributions		255,138	500,000	-
Insurance		202,529	180,935	347,042
Financial assistance		-	-	871,461
Miscellaneous administrative expenses		1,137,714	1,112,980	664,038
		₱11,953,413	₱11,645,830	₱12,422,240

Donations and charitable contributions

As part of its Corporate Social Responsibility (CSR) program, the Corporation extended donations to MORESCO-1 in the form of galvanized steel poles and street lightings to be allocated to every municipal district within the coverage area of MORESCO-1. The cost of donations to MORESCO-1 in 2025, 2024, and 2023 amounted to ₱1,980,000, ₱1,826,786, and ₱3,679,464, respectively. In 2025 and 2024, the Corporation also made donations to other entities amounting to ₱255,138 and ₱500,000, respectively.

17. 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. Related party consists of the following:

Name of related party	Relationship	Nature of business
Misamis Oriental-1 Rural Electric Service Cooperative, Inc. (MORESCO-1)	Parent Cooperative	Electric Cooperative
Amperage Solution Incorporated	Entity with common key management personnel	Trading and distribution of equipment

The following are the transactions with related parties and the outstanding balances as at December 31, 2025:

Related Party	Year	Revenues from a Related Party	Donations to a Related Party	Purchases from a Related Party	Amounts Owed by a Related Party	Amounts Owed to a Related Party	Terms	Conditions
Parent Cooperative	2025	₱149,232,857	₱1,980,000	₱2,102,429	₱11,823,171	₱154,965	15 Days, non-interest bearing	Secured with Billing Deposits
	2024	₱155,847,003	₱1,826,786	₱1,357,370	₱12,926,149	₱123,096		
	2023	₱234,084,749	₱3,679,464	₱1,354,780	₱16,292,665	₱85,818		
Entity with common key management personnel	2025	₱-	₱-	₱18,505,648	₱-	₱-	On demand	Unsecured

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

	Note	2025	2024	2023
Opening balance		₱12,926,149	₱16,292,665	₱12,735,161
Billings for energy, and related fuel cost		168,835,687	174,490,389	257,028,831
Collections		(168,425,373)	(177,856,905)	(253,471,327)
Billing adjustments at the end of the- year		(1,513,292)	-	-
Closing balances	7	₱11,823,171	₱12,926,149	₱16,292,665

Breakdown of Sales to MORESCO-1

Capital recovery fee	₱103,768,560	₱103,768,560	₱103,768,560
Fixed operation maintenance	48,188,593	47,192,600	46,471,305
Fuel cost fee	576,532	1,256,202	507,116
Variable operating maintenance	28,413	62,114	18,789
Prompt payment rebates	(3,329,241)	(3,943,073)	(5,317,316)
Power supply agreement-net	149,232,857	148,336,403	145,448,454
Sale of Replacement power	-	7,510,600	88,636,295
	₱149,232,857	₱155,847,003	₱234,084,749

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 include the electricity bill incurred from MORESCO-1 for the years 2025, 2024 and 2023. It also includes the acquisition of test equipment and generator set.
3. The Corporation recognizes its CSR as part of good governance, an opportunity for the Corporation to strengthen its relations with stakeholders at every level, having become an integral part of developing company strategies and partnerships. As approved by its BOD, the Corporation made donations of galvanized steel poles and street lightings to be allocated to every municipal district within the coverage area of MORESCO-1. The cost of donations to MORESCO-1 in 2025, 2024, and 2023 amounted to ₱1,980,000, ₱1,826,786, and ₱3,679,464, respectively (see Note 16).
4. Amounts owed by the related party include PSA billings for energy and related fuel cost.
5. Amounts owed to related party includes unpaid electricity bill for the month of December 2025, 2024 and 2023. In 2023, 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 ₱7,076,187, ₱7,432,861, and ₱5,393,707 in 2025, 2024, and 2023, respectively.

18. Income Tax Expense

The Components of provision for income tax expense consists of:

	2025	2024 (as restated)
Current	₱19,617,129	₱18,027,658
Deferred	143,368	(89,295)
	₱19,760,497	₱17,938,363

The Provision for Income tax in 2025 and 2024 represent the Corporations income tax due under normal income tax. However, for 2024, the amount includes income tax deficiency for the taxable year 2022 that were paid by the Corporation in 2024 amounting to ₱1,289,678.

Income Tax Expense

The income tax expense for 2025, 2024, and 2023 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 2025, 2024, and 2023 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 2025, 2024, and 2023:

	Note	2025	2024	2023
<u>Computed at Regular Rate</u>				
Profit before income tax expense		₱80,832,200	₱65,550,789	₱63,052,182
Add (deduct) reconciling items:				
Interest income on bank deposits already subjected to final tax		(2,678,502)	(559,118)	(169,949)
Contributions to retirement fund	12	(1,000,000)	-	-
Recovery of impairment during the year	7,14	-	-	(100,000)
Interest expense limitation		669,625	139,780	42,487
Provision for retirement		426,527	357,182	304,113
Payment of retirement benefits		-	-	(149,050)
Other non-deductible expenses (deficiency taxes and others)		218,666	1,463,286	31,467
Taxable income		78,468,516	66,951,919	63,011,250
Tax rate		25%	25%	25%
Current tax expense (Normal Income Tax)		19,617,129	16,737,980	15,752,813
MCIT		2,281,243	2,078,311	1,503,062
Normal income tax or MCIT whichever is higher		19,617,129	16,737,980	15,752,813
Less prepaid taxes (creditable withholding taxes)		(779,352)	(799,404)	(6,344,846)
Less quarterly payments (first to third quarters of the year)		(13,918,188)	(13,543,601)	(7,848,198)
Income tax payable still due		₱4,919,589	₱2,394,975	₱1,559,769

Details of the computation for Normal Income Tax and MCIT for 2025, 2024, and 2023 follow:

	2025	2024	2023
<u>Normal Tax Rate</u>			
Taxable income	₱78,468,516	₱66,951,919	₱63,011,250
Taxes rate	25%	25%	25%
Total Tax Due	₱19,617,129	₱16,737,980	₱15,752,813
<u>Minimum Corporate Income Tax (MCIT) Rate</u>			
Gross income	₱114,062,164	₱103,915,527	₱100,204,142
Tax rate	2%	2%	1.50%
Total Tax Due	₱2,281,243	₱2,078,311	₱1,503,062

*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

	2025	2024	2023
Opening balances, as previously reported	₱1,302,941	₱1,065,874	₱682,273
Effects of restatement - retirement expense	-	-	366,416
Effects of restatement - actuarial gain/loss	-	-	(121,106)
Opening balances, as restated	1,302,941	1,065,874	927,583
Reversal for ECL	-	-	(25,000)
Actuarial loss or gain	(7,083)	147,772	124,525
Payment to retirees	-	-	(37,262)
Contribution to the fund	(250,000)	-	-
Provision for retirement benefits	106,632	89,295	76,028
Closing balances	₱1,152,490	₱1,302,941	₱1,065,874

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

19. Basic Earnings Per Share

	2025	2024	2023
Profit for the year	₱61,071,703	₱47,612,427	₱47,313,135
Weighted average number of common shares	244,253	243,494	241,606
Earnings Per Common Share	₱250	₱196	₱196

There were no dilutive potential ordinary shares for the years ended December 31, 2025, 2024, and 2023. Therefore, the Corporation's basic and diluted earnings per share were equal for the years ended December 31, 2025, 2024, and 2023.

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, 2025, 2024, and 2023 follows:

Date	2025		Weighted average number of shares
	Number of shares issued	Number of shares outstanding	
January 2, 2025	250,000	243,494	243,494
March 4, 2025	-	2,525	421
December 4, 2025	-	450	338
		246,469	244,253

Date	2024		Weighted average number of shares
	Number of shares issued	Number of shares outstanding	
January 2, 2024	250,000	243,494	243,494
		243,494	243,494

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

*Refers to reissuance of the Corporation's treasury shares

20. 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 2025 and 2024 but for which fair value is disclosed.

December 31, 2025	Note	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Cash	6	₱128,278,112	₱-	₱-	₱128,278,112
Trade and other receivables	7	-	-	23,068,546	23,068,546
		128,278,112	-	23,068,546	151,346,658
<u>Financial liabilities</u>					
Trade and other payables	13	₱-	₱-	₱8,181,633	₱8,181,633
Dividend Payable	10	14,000,000	-	-	14,000,000
Retirement Liability	12	-	-	1,980,872	1,980,872
		14,000,000	-	10,162,505	24,162,505

*Trade and other payables excludes statutory payables and deposits for future stock subscription

December 31, 2024	Note	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Cash	6	₱92,217,406	₱-	₱-	₱92,217,406
Trade and other receivables	7	-	-	14,192,286	14,192,286
		92,217,406	-	14,192,286	106,409,692
<u>Financial liabilities</u>					
Trade and other payables	13	₱-	₱-	₱8,468,004	₱8,468,004
Dividend Payable	10	-	-	-	-
Retirement Liability	12	-	-	2,582,676	2,582,676
		-	-	11,050,680	11,050,680

*Trade and other payables excludes statutory payables and deposits for future stock subscription

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, 2025 and 2024:

December 31, 2025	Note	Level 1	Level 2	Level 3	Total
Property, plant and equipment – net	5	₱-	₱-	₱259,001,768	₱259,001,768
Fuel inventory	8	-	-	14,398,294	14,398,294
Other assets	9	-	-	19,389,740	19,389,741
Deferred tax asset	18	-	-	1,113,725	1,113,725
		₱-	₱-	₱293,903,527	₱293,903,528
<u>December 31, 2024</u>					
Property, plant and equipment – net	5	₱-	₱-	₱299,005,054	₱299,005,054
Fuel inventory	8	-	-	11,213,180	11,213,181
Other assets	9	-	-	1,750,342	1,750,341
Deferred tax asset	18	-	-	1,264,176	1,264,176
		₱-	₱-	₱313,232,752	₱313,232,752

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.

21. 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, 2025 and 2024, 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>
2025	+0.05%	₱-
	-0.05%	-
2024	+0.05%	₱-
	-0.05%	-
2023	+0.05%	₱23,046
	-0.05%	(23,046)

(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, 2025 and 2024 is the carrying amounts as shown below:

	<i>Note</i>	2025	2024
Cash	6	₱128,090,835	₱91,012,267
Trade and other receivables	7	23,068,546	14,192,286
		₱151,159,381	₱105,204,553

*Excluding cash on hand of ₱187,277 for 2025 and ₱1,205,139 for 2024.

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

December 31, 2025	<i>Note</i>	High Grade	Standard Grade	Impaired	Total
Cash	6	₱128,278,112	₱-	₱-	₱ 128,278,112
Trade and other receivables	7	22,102,830	380,833	2,792,496	25,276,159
		₱150,380,942	₱380,833	₱2,792,496	₱153,554,271

December 31, 2024

Cash	6	₱92,217,406	₱-	₱-	₱92,217,406
Trade and other receivables	7	13,823,588	368,698	2,207,613	16,399,899
		₱106,040,994	₱368,698	₱2,207,613	₱108,617,305

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, 2025 and 2024, the Corporation's financial assets are composed of the following:

December 31, 2025	<i>Note</i>	Neither Past Due Nor Impaired	Past Due But Not Impaired	Impaired portion	Total
Cash	6	₱128,278,112	₱-	₱-	₱ 128,278,112
Trade and other receivables	7	22,102,830	380,833	2,792,496	25,276,159
		₱150,380,942	₱380,833	₱2,792,496	₱153,554,271
		98%	2%	2%	100%
December 31, 2024					
Cash	6	₱92,217,406	₱	₱	₱92,217,406
Trade and other receivables	7	13,823,588	368,698	2,207,613	16,399,899
		₱106,040,994	₱368,698	₱2,207,613	₱108,617,305
		97%	1%	2%	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, 2025	<i>Note</i>	On Demand/ Due in 1 Year	Due Over 1 Year	Total
Cash	6	128,278,112	₱-	128,278,112
Trade and other receivables	7	23,068,546	-	23,068,546
Total Financial Assets		151,346,658	-	151,346,658
Trade and other payables	13	8,181,633		8,181,633
Dividend payable	10	14,000,000		14,000,000
Total Financial Liabilities		22,181,633		22,181,633
Net Undiscounted Financial Asset (Liability)		₱129,165,025	₱-	₱129,165,025

*Trade and other payables exclude statutory payables and deposits for future stock subscription

December 31, 2024	<i>Note</i>	On Demand/ Due in 1 Year	Due Over 1 Year	Total
Cash	6	₱92,217,406	₱-	₱92,217,406
Trade and other receivables	7	14,192,286	-	14,192,286
Total Financial Assets		106,409,692	-	106,409,692
Total Financial Liabilities		8,713,894	-	8,713,894
Net Undiscounted Financial Asset (Liability)		₱97,695,798	₱-	₱97,695,798

*Trade and other payables exclude statutory payables and deposits for future stock subscription

22. Other Matter

Contingencies

Years ago, 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 2024, the court found that the instant case is a derivative suit. Instead of dismissing the case outright, the court directed the 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 2024, because there is no substitute plaintiff to proceed with the quo warranto proceedings, the case was dismissed. However, while the main case has been dismissed, the order dismissing the complaint was elevated before the Court of Appeals in December 2024.

As of December 31, 2025, the appeal of the dismissal remains pending before the Court of Appeals. Meanwhile, the Corporation is pursuing counterclaims for damages against the plaintiff, which are currently undergoing trial before the Regional Trial Court of the Philippines.

The defendants assert claims for damages in excess of ₱5,000,000, while the complainant asserts claims exceeding ₱20,000,000. Given the present procedural posture of the case and the fact that the matter remains under judicial determination, management, based on the advice of legal counsel, is unable to determine the probable outcome of the litigation and cannot reliably estimate the amount of any potential recovery or liability that may arise from the case. Accordingly, no provision has been recognized in the accompanying financial statements.

Events after reporting period

On March 2, 2026, the Board of Directors approved the additional declaration of cash dividends amounting to ₱3,000,000, thereby increasing the total dividends declared from the 2025 net income to ₱31,000,000, payable to shareholders of record as of December 31, 2025.

Of the total dividends declared, the remaining ₱14,000,000 payable to shareholders, together with the additional ₱3,000,000, totaling ₱17,000,000, shall be released and distributed to shareholders in 2026, subject to applicable laws, regulations, and the Corporation's internal policies and procedures.

Since the additional dividend declaration was approved after the reporting date, no liability has been recognized in the accompanying financial statements as of December 31, 2025.

23. Restatement of Prior Balances

Certain adjustments have been made on the December 31, 2024 and 2023 financial statements of the Corporation to record the adjustments to its retirement liability.

The effects of the adjustments in year 2023 follow:

Note	As at December 31, 2023 (As previously reported)	Restatement	As at December 31, 2023 (As restated)
ASSETS			
Noncurrent Assets			
Deferred tax asset	₱657,273	₱408,601	₱1,065,874
Effect on total assets	₱657,273	₱408,601	₱1,065,874
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' Equity			
Retained earnings - unappropriated	₱75,473,303	₱46,213,886	₱121,687,189
Remeasurement loss on defined benefit obligation		(10,257)	(10,257)
Effect on Total Shareholders' Equity	₱75,473,303	₱46,203,629	₱121,676,932
LIABILITIES			
Retirement liability, net	₱-	₱1,634,405	₱1,634,405
Effect on Total Non-current liabilities	₱-	₱1,634,405	₱1,634,405

The details and effects of the restatements to the previously reported result of operations in 2023 are as follows:

	As at December 31, 2023 <i>(As previously reported)</i>	Restatement	As at December 31, 2023 <i>(As restated)</i>
DIRECT COSTS AND EXPENSES			
Compensation and employees' benefits	₱4,137,636	(₱149,050)	₱3,988,586
GENERAL AND ADMINISTRATIVE EXPENSES			
Compensation and employees' benefits	2,069,167	304,113	2,373,280
INCOME TAX EXPENSE			
Deferred Income Tax Expense	25,000	(38,766)	(13,766)
<i>Effect on net income</i>	₱6,231,803	₱116,297	₱6,358,100

The effects of the adjustments in year 2024 follow:

	Note	As at December 31, 2024 <i>(As previously reported)</i>	Restatement	As at December 31, 2024 <i>(As restated)</i>
ASSETS				
Noncurrent Assets				
Deferred tax asset		₱657,273	₱645,668	₱1,302,941
Effect on total assets		₱657,273	₱645,668	₱1,302,941
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' Equity				
Retained earnings - unappropriated		₱147,178,110	(₱1,483,433)	₱145,694,677
Remeasurement loss on defined benefit obligation		-	(453,574)	(453,574)
Effect on Total Shareholders' Equity		₱147,178,110	(₱1,937,007)	₱145,241,103
LIABILITIES				
Retirement liability, net		₱-	₱2,582,676	₱2,582,676
<i>Effect on Total Non-current liabilities</i>		₱-	₱2,582,676	₱2,582,676

The details and effects of the restatements to the previously reported result of operations in 2024 are as follows:

	As at December 31, 2024 <i>(As previously reported)</i>	Restatement	As at December 31, 2024 <i>(As restated)</i>
GENERAL AND ADMINISTRATIVE EXPENSES			
Compensation and employees' benefits	₱2,295,279	₱357,182	₱2,652,461
INCOME TAX EXPENSE			
Deferred Income Tax Expense	-	(89,295)	(89,295)
<i>Effect on net income</i>	₱2,295,279	₱267,887	₱2,563,166

Deferred tax asset

The Deferred Tax Asset was restated to recognize the tax effects arising from the recognition of retirement benefit obligation, retirement benefit expense, and actuarial remeasurement in accordance with PAS 19R.

Retirement liability, net

The Retirement Liability was recognized to record the Corporation's obligation for retirement benefits arising from the adoption of the retirement plan, as determined based on actuarial valuation.

Remeasurement Loss on Defined Benefit Obligation

Remeasurement loss on defined benefit obligation was recognized to record actuarial gains and losses arising from the measurement of the retirement benefit obligation, including the corresponding deferred tax effect. These remeasurements are recognized in other comprehensive income.

Retained Earnings – Unappropriated

Retained Earnings – Unappropriated was restated to reflect the cumulative effect of the recognition of retirement benefit expense and related adjustments in prior periods.

Compensation and Employees' Benefits

Compensation and Employees' Benefits expense was restated to recognize retirement benefit cost and separation pay attributable to prior periods.

24. 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

The Information on taxes, duties and license paid or accrued during the taxable year required under RR 15-2010 issued on November 25, 2010 are as follows:

a. Value added tax (VAT)

Output VAT

Output VAT declared in 2024 and the revenue upon which the same was based consist of:

	Net Receipts	Output VAT
Vatable sales collection	₱172,194,468	₱20,663,336
Zero-rated sales collection	1,409,955	-
	₱173,604,423	₱20,663,336

Input VAT

As of December 31, 2025, the details of the input VAT are as follows:

Balance at beginning of the year	₱2
Add: Current year's domestic purchases/payments for:	
Domestic purchase of goods other than capital goods	4,945,602
Importation of goods other than capital goods	-
Domestic purchase of services	220,268
Purchases not qualified for input tax	-
Total available input VAT	5,165,872
Less: Claims against output VAT	5,165,231
Balance at end of year	₱641

b. Other taxes and licenses

Details of the Corporation's other taxes and licenses and permits in 2025 are as follows:

Real property taxes	₱5,176,113
Permits and licenses	962,071
Registration, notarial and other payments	109,511
Deficiency taxes	1,456
BIR annual registration	500
	₱6,249,651

Deficiency Taxes in other taxes and licenses amounting to ₱1,456 pertain to the interest paid by the Corporation in relation to 4th Quarter VAT late payment interest.

c. Withholding taxes

Details of withholding taxes paid in 2025 are as follows:

Withholding tax on compensation	₱275,035
Expanded withholding taxes	971,210
Final withholding taxes	2,500,000
	₱3,746,245

d. Tax assessment and cases

The Corporation has no unpaid deficiency tax assessments as of December 31, 2025 nor does it have any pending tax cases, litigation and/or prosecution in courts or bodies outside the BIR.

MANAGEMENT'S DISCUSSION ANALYSIS AND PLAN OF OPERATIONResults of Operation for the year ending December 31, 2025 compared to similar period in 2024

Revenue

During the year ending Dec. 31 2025, total revenue from operations slightly decreased by ₱ 1,66 million or 0.96% as compared to 2024 mainly due to the decrease in sale of replacement power by ₱ 7.51 million or 100%. This decrease was offset by an increase in sales in WESM by ₱ 4.95 million or 28%. All other charges to MORESCO-1 increased by ₱ 0.28 million or 1%. Prompt payment rebates decreased by ₱ 0.61 million or 16%.

For the year ending December 31, 2025 and 2024, the Corporation generated the following revenues:

<i>(in million pesos)</i>	2025	2024
Capital Recovery Fee	₱ 103.77	₱ 103.77
Fixed Operation Maintenance	48.19	47.19
Variable Operation Maintenance	0.03	0.06
Fuel Cost Fee	0.58	1.26
Sales of Replacement Power		7.51
Sales to WESM	22.86	17.91
Interest Income	2.68	0.56
Other Income	0.67	0.27
Prompt Payment Rebates	(3.33)	(3.94)
Total	₱ 175.43	₱ 174.59

Expenses

<i>(in million pesos)</i>	For year ending December 31	
	2025	2024
Direct Cost	₱ 58.95	₱ 70.11
General and Administrative	32.00	34.00
Total	₱ 90.95	₱ 104.11

Direct Cost and Expenses

Direct cost in 2025 decreased by ₱ 11.16 million or 16% as compared to 2024 mainly due to the zero purchase of replacement power in 2025 compared to ₱ 7.28 million in 2024

decrease in purchases from WESM by ₱ 4.71 million or 29%. . The Net Energy Fees of Gross Profit therefore increased by ₱ 9.20 million or 9% in 2025 compared to 2024 mainly due to the profit earned in WESM transactions.

General and Administrative Expense

General and Administrative expense in 2025 decreased by around ₱ 2 million or 6% as compared to 2024 due to the decrease in outside service cost by ₱ 1.92 million or 15% considering the legal fees incurred in settling the 2022 tax assessments that was made in 2024.

Interest Expense, Interest Income and Other Income

There's no more interest on borrowed funds in million due to the full payment of the remaining balance of long term loan of ₱ 46 million made in 2024. Other income increased by ₱ 0.64 million or 136% due to the gain on sale of a vehicle by ₱ 0.25 million and some adjustments in fuel inventory. Interest income significantly increased by ₱ 2.12 million or 379% due to the additional short term time deposit made in 2025 accumulating to ₱ 75 million compared to ₱ 50 million in 2024 as a result of increase in cash flow due to the full payment of the long term loan. Interest rate ranged from 5.12% to 5.6% per annum.

Earnings Per Share

The Company's earnings per share for the full years 2023 to 2025 are as follows:

	2023	2024	2025
Net profit for the year	₱ 47,313,135	₱ 47,612,427	₱ 61,071,703
Weighted average number of common shares	241,606	243,494	244,253
Earnings per share:	₱ 196	₱ 197	₱ 250

Note: There were restatements of prior year balances made as disclosed in Note 23 of the audited financial statements for years 2023-25.

Results of Operation for the year ending December 31, 2024 compared to similar period in 2023

Revenue

During the year ending Dec. 31 2024, total revenue from operations significantly decreased by ₱ 141,39 million or 45% as compared to 2023 mainly due to the decrease in sale of

replacement power by ₱ 81.12 million or 92% and sales to WESM by ₱ 63.15 million or 78%.

For the year ending December 31, 2024 and 2023, the Corporation generated the following revenues:

<i>(in million pesos)</i>	2024	2023
Capital Recovery Fee	₱ 103.77	₱ 103.77
Fixed Operation	47.19	46.47
Maintenance		
Variable Operation	0.06	0.02
Maintenance		
Fuel Cost Fee	1.26	0.51
Sales of Replacement Power	7.51	88.64
Sales to WESM	17.91	81.06
Interest Income	0.56	0.17
Other Income	0.27	2.88
Prompt Payment Rebates	(3.94)	(5.32)
Total	₱ 174.59	₱ 318.20

Expenses

<i>(in million pesos)</i>	For year ending December 31	
	2024	2023
Direct Cost	₱ 70.11	₱ 214.94
General and Administrative	33.64	30.44
Total	₱ 103.75	₱ 245.38

Direct Cost and Expenses

Direct cost in 2024 significantly decreased by ₱ 144.83 million or 67% as compared to 2023 mainly due to the decrease in purchase of replacement power by ₱ 79.06 million or 92% and sales to WESM by ₱ 72.92 million or 90%. This is consistent with the explanation on the significant decrease in revenue. Hence, the effect on the Net Energy Fees of Gross Profit is small increase by ₱ 3.44 million or 3% in 2024 compared to 2023.

General and Administrative Expense

General and Administrative expense in 2024 increased by ₱ 3.2 million or 10% as compared to 2023 due to the increase in outside service cost by ₱ 3.22 million or 34% brought about by legal fees incurred in settling the 2022 tax assessments.

Interest Expense, Interest Income and Other Income

The large decrease in interest on borrowed funds by ₱ 4.70 million or 82% is due to the full

payment of the remaining balance of long term loan by ₱ 46 million made in 2024. Other income significantly decreased by ₱ 2.61 million or 90% due to the reduction in service fee on replacement power by ₱ 2.54 million or 92% as a result of cessation in the purchase of replacement power. Interest income significantly increased by ₱ 0.39 million or 229% due to the short term time deposit made during the last quarter of 2024 accumulating to ₱ 50 million at per annum interest rate ranging from 5.12% to 5.6%.

Earnings Per Share

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

	2022	2023	2024
Net profit for the year	₱ 41,002,767	₱ 47,429,433	₱ 47,880,313
Weighted average number of common shares	239,683	241,606	243,494
Earnings per share:	₱ 171	₱ 196	₱ 197

Financial Condition as of December 31, 2025 compared to 2024

Assets

The total assets of the Company increased by 6% or ₱ 25.61 million from ₱ 419.68 million in December 31, 2024 to ₱ 445.29 million as of December 31, 2025. Contributing to this increase are the current assets that went up by ₱ 65.76 million or 55%. Accounts receivable increased by ₱ 8.88 million or 63% while fuel inventory increased by ₱ 3.18 million or 28% both due to the increases in transactions in WESM. Other current assets significantly increased by ₱ 17.64 million or 1,008% due to the acquisition of a test equipment worth ₱ 18 million which is not yet used in operation. Cash balance increased by ₱ 36.06 million or 39%. This will be explained later in the discussion on Cash Flow Statement. The increase in current assets is offset by the decrease in non-current assets by ₱ 40.15 million or 13% largely due to depreciation amounting to ₱ 44.93 million in 2025. Total fixed asset acquired in 2025 amounted to ₱4.92 million.

Liabilities

The total liabilities of the Company increased by 53% or ₱ 12.89 million from ₱ 24.24 million in December 31, 2024 to ₱ 37.14 million as of December 31, 2025. This was mostly due to dividends payable of ₱ 14 million which was declared in 2025 for a total of ₱ 28 million with partial payment of ₱ 14 million.

Stockholders' Equity

The total stockholders' equity of the Company increased by 3% or ₱ 12.71 million from ₱ 395.43 million in December 31, 2024 to ₱ 408.15 million as at December 31, 2025. This was wholly attributable to the net increase in unappropriated retained earnings by ₱ 11.94 million. Net income

for 2025 amounted to ₱ 61.07 million while cash dividend declared/paid pertaining to 2024 net income amounted to ₱ 25 million. Dividend declared pertaining to 2025 net income amounted to ₱ 28 million (where partial payment of ₱ 14 million was made in 2025). In addition appropriated retained earnings amounting to ₱ 3.87 million where reclassified as appropriated due to additional sale of treasury shares for the same amount.

Cash Flow for year ending 31 December 2025 compared to year ending 31 December 2024

Net cash inflow amounted to ₱ 36.06 million in 2025 compared to ₱ 31.23 million in 2024 raising cash balance to ₱ 128.28 million as of end of 2025. In 2025 cash flow provided by operations amounted to ₱ 80 million with cash outflow made on acquisition of equipment and contribution to retirement plan amounted to ₱ 5.87 million. Cash dividend less sale of treasury shares amounted to ₱ 38.05 million. In 2024, cash flow provided by operations amounted to ₱ 99.18 million with cash outflow made on loan payment and cash dividend amounting to ₱ 70.70 million. Additional funds were however provided in 2024 on the additional sale of treasury shares amounting to ₱ 3.67 million. As more idle funds became available in 2024, the company decided to place an amount of ₱ 50 million in short term time deposit and late ₱ 80 million increased to

Financial Condition as of December 31, 2024 compared to 2023

Assets

The total assets of the Company decreased by 5% or ₱ 22.27 million from ₱ 441.30 million in December 31, 2023 to ₱ 419.04 Million as of December 31, 2024. Contributing to this decrease is the depreciation for the year ending December 31, 2024 amounting to ₱ 44.63 million. In addition, accounts receivable decreased by ₱ 6.47 million or 31% due to significant reduction in replacement power and WESM purchases. Lastly, fuel inventory decreased by ₱ 3.48 million or 24% since no additional purchases were made to replenish the fuel consumed in WESM operations. This decrease was offset by increase in cash balance by ₱ 31.23 million or 51%. This will be explained later in the discussion on Cash Flow Statement.

Liabilities

The total liabilities of the Company decreased by 68% or ₱ 46.54 million from ₱ 68.21 million in December 31, 2023 to ₱ 21.66 million as of December 31, 2024. This was mostly due to full payment of the remaining balance of the long term loan of ₱ 46 million.

Stockholders' Equity

The total stockholders' equity of the Company increased by 6.51% or ₱ 24.27 million from ₱ 373.10 million in December 31, 2023 to ₱ 397.37 million as at December 31, 2024. This was wholly attributable to the net increase in retained earnings. Net income for 2024 amounted to ₱ 47.43 million while cash dividend pertaining to 2022 net income but declared/paid in March 2023 amounted to ₱ 20.65 million.

Cash Flow for year ending 31 December 2024 compared to year ending 31 December 2023

Net cash inflow amounted to ₱ 31.23 million in 2024 compared to a net cash outflow of ₱ 0.17 million

in 2023 raising cash balance to ₱ 92.22 million. In 2024 cash flow provided by operations amounted to ₱ 98.18 million with cash outflow made on loan payment and cash dividend amounted to ₱ 69.70 million while in 2023, cash flow provided by operations amounted to ₱ 82.16 million with cash outflow made on loan payment and cash dividend amounting to ₱ 84.68 million. Additional funds were however provided in 2023 on the additional sale of treasury shares amounting to ₱ 2.68 million. As more idle funds became available in 2024, the company decided to place an amount of ₱ 50 million in short term time deposit and later on increased to ₱ 75 million by end of 2025.

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. In 2025, the company had created a wholly owned subsidiary company, Westmore Energy Corporation (Westmore) and registered the same with the Securities and Exchange Commission. This company will operate as a retail electricity supplier (RES) under the present WESM environment after considering the full implementation of Retail Competition and Open Access (RCOA) in 2024. Currently, Westmore is in the process of securing a RES license from the Energy Regulatory Commission before it can operate.
2. Engage in renewable energy supply project such as solar power in 2026 to comply with

the Renewable Portfolio Standard under RA 9513 or the Renewable Energy Act of 2018. Currently, PACERM-1 had undergone a project feasibility study for a 2 MW solar power plant and will form another subsidiary company to operate it and which will be 75% owned by PACERM-1 and 25% owned by the public in compliance with the 15% public offering requirement under the EPIRA law.