



Republic of the Philippines

National Electrification Administration

September 8, 2010

MEMORANDUM No. 2010-021

TO : ALL ELECTRIC COOPERATIVES (ECs)

SUBJECT : APPRAISAL OF THE ELECTRIC COOPERATIVES (ECs) ASSETS

There are growing concerns facing the ECs' operational viability and credit worthiness primarily due to ECs unsound Balance Sheet. This condition can be related to the under valuation of ECs assets.

Companies expanding through acquisitions like ECs are required to obtain assets appraisal to conform to financial reporting requirements established by the Accounting Standard Council (ASC). Appraisal shall be conducted annually if the assets experience significant and volatile changes in fair value; and if not, revaluation can be conducted every 3 or 5 years (PAS 16-Property Plant and Equipment).

NEA issued Memorandum No. 2006-004 to all ECs on March 1, 2006 requiring the conduct of appraisal of the ECs' assets in order to determine the true financial and business valuation of each electric cooperative, and to maximize opportunities in the financial market. However, the MFSRs as of Dec. 31, 2009 of the majority of ECs still do not reflect revaluation cost. An appraisal can be leveraged to address many business challenges such as obtaining working capital by securing a term loan and optimizing the business capital structure.

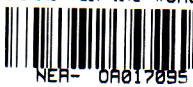
In this connection, all ECs are enjoined to conduct appraisal of their assets by any of the NEA's five (5) accredited appraisal companies posted at NEA website (www.nea.gov.ph) and to submit copy of the Appraisal Report to Accounts Management and Guarantee Department (AMGD).

For your compliance.


EDITA S. BUENO
Administrator

NATIONAL ELECTRIFICATION
ADMINISTRATION

IN REPLYING, PLS. CITE: #OR017095



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