Stichting BRAC International, Inc.
- Philippine Branch
(A Nonstock, Nonprofit Organization)

Supplementary Information to the
Financial Statements
December 31, 2023 and 2022
(Translated to US Dollars)

and

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Stichting BRAC International, Inc. - Philippine Branch
(A Nonstock, Nonprofit Organization)

Opinion

We have audited the financial statements of Stichting BRAC International, Inc. - Philippine Branch (a nonstock, nonprofit organization) (the Branch), expressed in Philippine peso, which comprise the statements of assets, liabilities and home office account as at December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in home office account and statements of cash flows for the years then ended, all expressed in Philippine peso, and notes to the financial statements, including a summary of significant accounting policies. We have also reviewed the translation of these financial statements into United States (US) dollars on the basis described in Note 2 to the financial statements.

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

Basis for Opinion

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

Other Matter

The financial statements are prepared solely for the information and use of the Board of Directors and management of the Branch. As a result, the financial statements may not be suitable for other purpose. Our report is intended solely for the Board of Directors and management of the Branch and should not be used by anyone other than these specified parties.

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

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

In preparing the financial statements, management is responsible for assessing the Branch'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 Branch or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch'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 Branch'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 Branch 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.

SYCIP GORRES VELAYO & CO.

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BOA/PRC Reg. No 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-113-2022,
January 25, 2022, valid until January 24, 2025
PTR No. 10079901, January 5, 2024, Makati City

March 26, 2024

STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)
STATEMENTS OF ASSETS, LIABILITIES AND HOME OFFICE ACCOUNT

	December 31			
	2023		2022	
	(In US Dollars, see Note 2)	**(In Philippine Peso)**	(In US Dollars, see Note 2)	(In Philippine Peso)
ASSETS				
Current Assets				
Cash (Note 4)	**US$166,662**	**₱9,260,903**	US$310,600	₱17,430,877
Receivables (Note 5)	**236,154**	**13,122,396**	84,426	4,738,010
Other current assets (Note 6)	**21,889**	**1,216,260**	11,557	648,521
	424,705	**23,599,559**	406,583	22,817,408
Noncurrent Assets				
Property and equipment - net (Note 7)	**19,290**	**1,071,878**	11,698	656,519
TOTAL ASSETS	**US$443,995**	**₱24,671,437**	US$418,281	₱23,473,927
Current Liabilities				
Accounts payable and accrued expenses (Note 8)	**US$325,049**	**₱18,062,022**	US$237,899	₱13,350,879
Deferred grants (Note 9)	**182,445**	**10,137,896**	209,714	11,769,127
	507,494	**28,199,918**	447,613	25,120,006
HOME OFFICE ACCOUNT				
Home office account	**(63,927)**	**(3,528,481)**	(30,110)	(1,646,079)
Cumulative translation adjustment	**428**	**–**	778	–
	(63,499)	**(3,528,481)**	(29,332)	(1,646,079)
TOTAL LIABILITIES AND HOME OFFICE ACCOUNT	**US$443,995**	**₱24,671,437**	US$418,281	₱23,473,927

See accompanying Notes to Financial Statements.

STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31			
	2023		2022	
	(In US Dollars, see Note 2)	**(In Philippine Peso)**	(In US Dollars, see Note 2)	(In Philippine Peso)
INCOME				
Grants (Note 9)	**US$1,180,082**	**₱65,687,117**	US$1,128,587	₱61,698,748
Interest income (Note 4)	**44**	**2,477**	36	1,977
	1,180,126	**65,689,594**	1,128,623	61,700,725
PROJECT EXPENSES (Note 10)				
Salaries and employee benefits	**592,293**	**32,968,796**	481,597	26,328,405
Project supplies	**266,117**	**14,812,845**	410,848	22,460,680
Transportation and travel	**124,764**	**6,944,774**	74,120	4,052,064
Logistics and management expense	**52,892**	**2,944,210**	93,412	5,106,737
Rent (Note 10 and 12)	**44,309**	**2,466,446**	13,205	721,918
Office utilities	**39,996**	**2,226,304**	23,951	1,309,420
Outside services	**24,607**	**1,369,757**	32,327	1,767,265
Training and orientation	**13,447**	**748,491**	3,666	200,419
Evaluation activity	**4,245**	**236,291**	2,620	143,260
Bank charges	**343**	**19,152**	901	49,264
Miscellaneous	**27,720**	**1,542,958**	20,683	1,130,673
	1,190,733	**66,280,024**	1,157,330	63,270,105
OTHER INCOME (EXPENSE)				
Foreign exchange gain (loss)	**(28,349)**	**(1,577,987)**	2,728	149,161
Depreciation (Note 7)	**(7,588)**	**(422,395)**	(4,131)	(225,860)
Other income	**12,727**	**708,410**	–	–
	(23,210)	**(1,291,972)**	(1,403)	(76,699)
	1,213,943	**67,571,996**	1,158,733	63,346,804
NET DEFICIENCY OF INCOME OVER EXPENSES	**(33,817)**	**(1,882,402)**	(30,110)	(1,646,079)
OTHER COMPREHENSIVE INCOME (LOSS)	**(350)**	**–**	778	–
TOTAL COMPREHENSIVE LOSS	**(US$34,167)**	**(₱1,882,402)**	(US$29,332)	(₱1,646,079)

See accompanying Notes to Financial Statements

STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

STATEMENTS OF CHANGES IN HOME OFFICE ACCOUNT

	Years Ended December 31			
	2023		2022	
	(In US Dollars, see Note 2)	**(In Philippine Peso)**	(In US Dollars, see Note 2)	(In Philippine Peso)
HOME OFFICE ACCOUNT				
At January 1	**(US$30,110)**	**(₱1,646,079)**	US$ –	₱ –
Net deficiency of income over expens	**(33,817)**	**(1,882,402)**	(30,110)	(1,646,079)
At December 31	**(63,927)**	**(3,528,481)**	(30,110)	(1,646,079)
CUMULATIVE TRANSLATION ADJUSTMENT				
At January 1	**778**	**–**	–	–
Other comprehensive income (loss)	**(350)**	**–**	778	–
At December 31	**428**	**–**	778	–
	(US$63,499)	**(₱3,528,481)**	(US$29,332)	(₱1,646,079)

See accompanying Notes to Financial Statements

STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

STATEMENTS OF CASH FLOWS

	2023		2022	
	(In US Dollars, see Note 2)	**(In Philippine Peso)**	(In US Dollars, see Note 2)	(In Philippine Peso)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net deficiency of income over expenses	**(US$33,817)**	**(₱1,882,402)**	(US$30,110)	(₱1,646,079)
Adjustments for:				
Foreign exchange loss (gain)	**28,349**	**1,577,987**	(2,728)	(149,161)
Depreciation (Note 7)	**7,588**	**422,395**	4,131	225,860
Interest income (Note 4)	**(44)**	**(2,477)**	(36)	(1,977)
Excess (deficiency) of income over expenses before working capital changes	**2,076**	**115,503**	(28,743)	(1,571,357)
Decrease (increase) in:				
Receivables	**(151,728)**	**(8,384,386)**	21,010	615,395
Other current assets	**(10,332)**	**(567,739)**	(8,479)	(492,281)
Increase (decrease) in:				
Accounts payable and accrued expenses	**87,150**	**4,711,143**	93,201	6,003,998
Deferred grants	**(27,269)**	**(1,631,231)**	46,193	3,466,535
Net cash generated from (used in) operating activities	**(100,103)**	**(5,756,710)**	123,182	8,022,290
Interest received	**44**	**2,477**	36	1,977
Net cash flows from (used in) operating activities	**(100,059)**	**(5,754,233)**	123,218	8,024,267
CASH FLOWS FROM AN INVESTING ACTIVITY				
Additions to property and equipment (Note 7)	**(15,076)**	**(837,754)**	(10,410)	(584,220)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	**(28,349)**	**(1,577,987)**	2,728	149,161
NET INCREASE (DECREASE) IN CASH BEFORE EFFECT OF CURRENCY TRANSLATION	**(143,484)**	**(8,169,974)**	115,536	7,589,208
EFFECT OF CURRENCY TRANSLATION ON CASH	**(454)**	**–**	1,231	–
NET INCREASE (DECREASE) IN CASH	**(143,938)**	**(8,169,974)**	116,767	7,589,208
CASH AT BEGINNING OF YEAR	**310,600**	**17,430,877**	193,833	9,841,669
CASH AT END OF YEAR (Note 4)	**US$166,662**	**₱9,260,903**	US$310,600	₱17,430,877

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. **Branch Information**

Stichting BRAC International, Inc. (the "Head Office"), a foundation registered under the laws of The Netherlands, was granted by the Philippine Securities and Exchange Commission (SEC) a license to transact business in the Philippines (the "Branch") on January 25, 2012, to manage the implementation of education assistance projects in Mindanao as part of the then Australian Agency for International Development (AusAID) program, which subsequently changed its name to Department of Foreign Affairs and Trade (DFAT) - Australian Aid Program. The Branch implements the "Alternative Delivery Model (ADM) Project" of the Basic Education Assistance for Mindanao in the Autonomous Region in Muslim Mindanao (BEAM-ARMM) with an objective of improving access to quality pre-school and elementary education, particularly in communities without access to or which have difficulty in accessing government schools.

On December 6, 2017, the Branch revised its purpose, as registered with SEC, to manage the implementation of education assistance projects to Mindanao as part of the AusAid Program and to develop, implement and manage social welfare activities in education, health, livelihoods, and community resilience by creating opportunities for people to realize their potential for change and development by linking and working with associated stakeholders in the Philippines.

On June 1, 2020, the Branch entered a contract with the Palladium Global Philippines as a sub-contractor for Abot Kaalaman sa Pamilyang Bangsamoro (AKAP) Program. The AKAP Program is an Australian Government-funded education program in the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM). It is designed to support the efforts of the Ministry of Basic, Higher and Technical Education (MBHTE) and other local stakeholders in improving educational performance, quality, and equity.

Palladium Global Philippines' Pathways Project is designed to facilitate delivery of quality and accessible education to the most deprived communities through the establishment and operation of community-based learning centers that are attached to a public catchment school. Having started with 93 unserved barangays initially, AKAP is currently supporting 106 out of the 210 school-less barangays. The program supports Kinder, Grade 1 and Grade 2 classes per Learning Center. As of 2023, the MBHTE is fully funding the Grade 1 and Grade 2 teachers in addition to the learning center supervision and management provided by the catchment schools.

On its first year of implementation (covering School Year 2020-2021, also referred to as AKAP Phases 1 and 2), the AKAP provided learning opportunities to approximately 2,800 learners in 93 school-less communities. These learners progressed to Grade 1 and another set of 2,000 learners was enrolled in kinder for the same learning centres during school year 2021-2022. Under a prior subcontract to Pathways, the Branch was responsible for the coaching and mentoring of the Access Technical Working Group, resulting in a modified alternative delivery model that suited the evolving requirements of the home-based learning environment.

As the AKAP program reached its Phase 3 (covering school year 2021-2022), the Branch had developed into a recognised strategic implementation partner of Pathways and the MBHTE, working hand in hand with CBCS. The Phase 3 ended on July 31, 2023.

The Coaching and Mentoring support is now in its fourth phase and is designed to further strengthen the capacity of the MBHTE to deliver sustainable, inclusive, and quality education to school-less communities leveraging on School-Based Management (SBM) anchored on the Bangsamoro Education Code. The overall goal of the coaching and mentoring is to strengthen the capacity of the MBHTE Basic Education. Overall, Phase 4 of the Pathways technical assistance (TA) package for AKAP aims to further strengthen the role of the Catchment Schools in instructional leadership and supervision to promote student performance and participation in learning centers. The Phase 4 was ended on December 31, 2023.

On March 1, 2021, the Branch entered a memorandum of understanding (MOU) with BRAC USA to implement the Expanded Social Assistance Project- Graduation from Poverty Approach in the Philippines, funded by the Asian Development Bank "ADB". The project commenced on March 1, 2021, and was ended on February 28, 2023 covering the areas of Iloilo, Bukidnon and Sultan Kudarat. The Sustainable Livelihood Program (SLP) is a Department of Social Welfare and Development (DSWD) program in partnership with the Asian Development Bank (ADB) and the Department of Foreign Affairs and Trade (DFAT) that integrate the Graduation approach in the current SLP process holistically address the poverty challenges of SLP participants to ensure the sustainability of its interventions.

On September 22, 2022, the Branch has entered into a MOU with the head office to implement the Graduation Approach in the areas of Bukidnon, Iloilo and Sultan Kudarat in partnership with the Department of Social Welfare and Development, Ministry of Social Services and Development and Department of Labor and Employment. Moreover, the Branch has entered into a separate MOU with these government agencies.

On August 1, 2021, the Branch has entered a contract with BRAC USA for the implementation of the COVID-19 response in the Philippines until February 2022 by providing series of initiatives to enhance COVID-19 awareness and prevention and increase vaccination uptake in AKAP areas in BARMM and UPGI areas in Iloilo, Bukidnon and Sultan Kudarat. The project has ended in 2022.

On July 28, 2022, the Home Office entered a contract with BRAC UK to implement the youth and skills project of the Branch in the Philippines. This project aims to provide meaningful and sustainable livelihood opportunities for women and girls aged 16-30 from marginalized households in the areas of Upi and Talayan, Maguindanao Del Sur. The duration of the project is for 31 months that runs from August 1, 2022 until February 28, 2025.

On November 18, 2022, the Branch entered a contract with BRAC International (Home Office) for the implementation of the Local Emergency Response Project funded by the Bill and Melinda Gates Foundation in the Municipalities of Bubong, Lanao del Sur, and Ampatuan, Maguindanao. The project is for 24 months that runs from October 1, 2022, until September 30, 2024.

On February 22, 2023, the Branch entered into a joint venture consortium agreement with Niras, Asia Manila "the Lead Partner" to implement the services of the project "Strengthening the Transition of Vulnerable Communities Affected by the South Commuter Railway" funded by the Asian Development Bank in partnership with the Department of Transportation (DOTr) of the Philippines, the project will run from March 1, 2023 until February 28, 2025.

The Branch has applied to UBS Optimus Foundation Singapore Ltd for a grant for the project, Early Childhood Development through play-based education. The program aims to strengthen the Early Childhood Development (ECD) landscape in the Philippines through Play Lab model, and to demonstrate effective, high quality, low - cost playful learning for children in underserved communities. The Project period shall run from April 21, 2023 to July 31, 2025.

The registered office of the Branch, also its principal place of business, is at Unit 601, AIC Burgundy Empire Tower, ADB Avenue, corner Garnet Road and Sapphire Road, Ortigas, Pasig City.

The accompanying financial statements were approved and authorized for issue by the Board of Directors on March 26, 2024.

2. Material Accounting Policy Information

Basis of Preparation
The Branch's financial statements were prepared on a historical cost basis. The financial statements are presented in Philippine Peso (₱), which is the Branch's functional and presentation currency.

Statement of Compliance
The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

The Branch qualifies as a Small Entity (SE) based on the criteria set by the SEC. However, as provided under the Revised Securities Regulation Code Rule 68, the Branch availed of the exemption from the mandatory adoption of the PFRS for SEs on the basis that it is a branch of a foreign parent company reporting under the full IFRS. There are no significant differences between PFRS and IFRS regarding accounts used by the Branch.

The financial statements as of December 31, 2023 and 2022 were prepared solely for the information and use of the BOD and management of the Branch and is not intended to be and should not be used by anyone other than these specified parties.

Supplementary Information
The financial statements are presented in US dollars. The translation of the Philippine peso into US dollar are solely for the convenience of the readers and are based on the following approach:

- The accounts in the statements of assets, liabilities and home office account are translated using the spot exchange rate of ₱55.57:US$1 and ₱56.12:US$1 as of December 31, 2023, and 2022, respectively.
- The accounts in the statements of comprehensive income are translated using the average exchange rates of ₱55.66:US$1 and ₱54.67:US$1 in 2023 and 2022, respectively.

The US dollar translation is not intended to purport that the US dollar is representative of the principal currency risk of the Branch.

The amounts in US dollar are presented only as supplementary information and should not be construed as representations that such amounts in Philippine peso were, or could and would in the future be, converted into US dollar at the exchange rate used. The supplementary information, expressed in US dollars, is not required under PFRS.

New Standards, Interpretations and Amendments
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2023. The Branch has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Branch.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance.

  The amendments had no significant impact on the Branch's financial statements.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  The amendments had no significant impact on the Branch's financial statements as it did not have any changes in accounting estimates.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  The amendments had no significant impact on the Branch's financial statements as it did not have any deferred tax related to assets and liabilities arising from a single transaction.

- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*

  The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

  The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the

Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023.

The amendments had no significant impact on the Branch's financial statements as it did not have any transactions related to international tax reform.

Standards Issued but Not Yet Effective
Pronouncements issued but not yet effective are listed below. The Branch intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Branch's financial statements.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of exchangeability*

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

Current versus Noncurrent Classification
The Branch presents assets and liabilities in the statement of assets, liabilities and home office account based on current or noncurrent classification.

Fair Value Measurement
The Branch 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.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Branch determines whether transfers have occurred between levels in the hierarchy by re-assessing 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.

The Branch determines the policies and procedures for both recurring and non-recurring fair value measurements. At each reporting date, the management analyzes the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Branch's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Branch has determined classes of assets and liabilities on the basis of the nature, characteristics, and risks of the asset or liability and the level of the fair value hierarchy.

Details as to how the fair value of assets and liabilities are measured are provided in Note 14.

Financial Instruments – Financial Assets
Financial assets at amortized cost
This category is most relevant to the Branch.

The Branch's debt financial assets consist of cash and receivables, which arise directly from its operations. The Branch assessed that the contractual cash flows of its debt financial assets are SPPI and are expected to be held to collect all contractual cash flows until their maturity. As a result, the Branch concluded these debt financial assets to be measured at amortized cost (see Notes 4 and 5).

Financial Instruments – Financial Liabilities
Initial recognition and measurement
The liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Subsequent measurement - financial liabilities at amortized cost
This is the category most relevant to the Branch. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

As at December 31, 2023 and 2022, the Branch's financial liabilities at amortized cost amounted to US$318,753 or ₱17.7 million and US$232,367 or ₱13.0 million, respectively, and includes accounts payable and accrued expenses (excluding statutory payables).

Derecognition of Financial Instruments
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 Branch retains the right to receive cash flows from the 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 Branch has transferred its rights to receive cash flows from the 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 Branch has transferred its rights to receive cash flows from a financial asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the financial asset is recognized to the extent of the Branch's continuing involvement in the financial asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Branch could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Branch's continuing involvement is the amount of the transferred asset that the Branch may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Branch's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, canceled or 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 profit or loss.

Offsetting Financial Assets and Financial Liabilities
The Branch assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Branch and all of the counterparties.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value.

Depreciation starts when the property and equipment are available for use and are computed on a straight-line basis over the following estimated useful lives of the assets as follows:

Category	Number of Years
Office and equipment	3-10
Furniture and fixtures	10
Transportation equipment	5

Recognition of Grants
Grants received are initially recognized as deferred grants and are then recognized as income to the extent of the expenses incurred for the year as set in the conditions associated with the grant. Assets acquired through the grant are also recognized as deferred grants and are recognized as income on a systematic basis over the useful life of the asset or duration of the related project whichever is shorter.

Interest Income
Interest income presented net of applicable tax withheld by the banks, is recognized when earned.

Expense Recognition
Costs and expenses are recognized upon receipt of goods, utilization of services or at the date these are incurred.

Expenses are also recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized on the basis of a direct association between 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 can only be broadly or indirectly determined; or 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 as an asset.

Leases
Branch as Lessee
Lessee may elect not to apply the recognition of right-of-use assets to either short-term leases or leases for which the underlying asset is of low value. The lessee shall recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis. The lessee shall apply another systematic basis if that basis is more representative of the pattern of the lessee's benefit.

The Branch applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expenses on a straight-line basis over the lease term.

Foreign Currency-Denominated Transactions
Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the rates of exchange at the reporting date. Exchange gains and losses arising from foreign currency transactions and translations of foreign currency-denominated monetary assets and liabilities are recognized in the statement of comprehensive income.

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the financial statements in accordance with PFRSs' requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. 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 based on historical experience and other factors, including expectations of future events, 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 Branch's accounting policies, management has made the following judgments, apart from those involving estimation, which has the most significant effect on the amounts recognized in the financial statements:

Functional currency

Based on the economic substance of the underlying circumstances relevant to the Branch, the functional currency of the Branch has been determined to be the Philippine Peso (₱). The Philippine Peso is the currency of the primary economic environment in which the Branch operates. It is the currency that influences the costs of producing the Branch's goods, and the currency in which receipts from operating activities are normally retained.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Branch based its assumptions and estimates on parameters available when the audited financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Branch. Such changes are reflected in the assumptions when they occur.

Measurement of expected credit losses

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- *Financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Branch in accordance with the contract and the cash flows that the Branch expects to receive.

- *Financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.

The Branch leverages existing risk management indicators (e.g., internal credit risk classification and restructuring triggers), credit risk rating changes and reasonable and supportable information which allows the Branch to identify whether the credit risk of financial assets has significantly increased.

The Branch uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Branch's historical observed default rates. The Branch calibrates the matrix to adjust the historical credit loss experience with forward-looking information.

As of December 31, 2023 and 2022, the carrying value of the Branch's cash in bank, receivables and refundable deposits (presented as part of "Other current assets") amounted to US$404,217 or ₱22.5 million and US$397,158 or ₱22.3 million, respectively (see Notes 4, 5 and 6). No provision for impairment of receivables was recognized in 2023 and 2022.

Estimated useful lives of property and equipment
The useful life of each of the Branch's property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and 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 asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any property and equipment would increase the recorded operating expenses and decrease noncurrent assets.

As of December 31, 2023 and 2022, property and equipment amounted to US$19,290 or ₱1.1 million and US$11,698 or ₱0.7 million, respectively (see Note 7).

Impairment of nonfinancial assets
The Branch assesses at each reporting period whether there is an indication that property and equipment and prepaid rent (presented as part of "Other current assets") may be impaired. Determining the value of the assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Branch to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Branch to conclude that these assets are impaired.

Any resulting impairment loss could materially impact the financial position and performance of the Branch. The preparation of the estimated future cash flows involves judgment and estimations. While the Branch believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Branch's assessment of recoverable values and may lead to future additional impairment charges.

As of December 31, 2023 and 2022, the aggregate carrying values of property and equipment and other current assets (excluding refundable deposits) amounted to US$37,211 or ₱2.1 million and US$19,326 or ₱1.1 million, respectively (see Notes 6 and 7).

<u>Deferred Tax Assets</u>
The Branch's assessment of the recognition of deferred tax assets on nondeductible temporary differences is based on the forecasted taxable income of the following reporting period. This forecast is based on the Branch's past results and future expectations regarding income and expenses.

As of December 31, 2023 and 2022, no deferred tax assets were recognized in the statements of assets, liabilities and home office account on temporary differences resulting from net operating loss carryforward (NOLCO) amounting to US$64,008 or ₱3.5 million and US$30,146 or ₱1.6 million, since management believes that it is not probable that sufficient taxable income will be available in the future against which the deferred income tax assets can be utilized (see Note 13).

4. Cash

	2023		2022	
	(In US Dollars, see Note 2)	**(In Philippine Peso)**	(In US Dollars, see Note 2)	(In Philippine Peso)
Cash on hand	**US$2,567**	**₱142,645**	US$1,797	₱100,855
Cash in banks	**164,095**	**9,118,258**	308,803	17,330,022
	US$166,662	**₱9,260,903**	US$310,600	₱17,430,877

Cash in banks earn interest at the respective bank deposit rates. Interest income earned from cash in banks amounted to US$44 or ₱2,477 and to US$36 or ₱1,977 in 2023 and 2022, respectively.

5. Receivables

	2023		2022	
	(In US Dollars, see Note 2)	**(In Philippine Peso)**	(In US Dollars, see Note 2)	(In Philippine Peso)
Grants receivable	**US$233,779**	**₱12,990,446**	US$79,409	₱4,456,460
Advances to other projects	**2,375**	**131,950**	5,017	281,550
	US$236,154	**₱13,122,396**	US$84,426	₱4,738,010

Grants receivable pertains to a portion of an ongoing project's fund that has been agreed in line with the donor agreement, but funding has not yet been received by the Branch.

Advances to other projects are non-interest bearing and generally collected in cash within one year.

6. Other Current Assets

	2023		2022	
	(In US Dollars, see Note 2)	**(In Philippine Peso)**	(In US Dollars, see Note 2)	(In Philippine Peso)
Prepaid rent	**US$15,050**	**₱836,299**	US$7,628	₱428,021
Refundable deposits	**3,968**	**220,500**	3,929	220,500
Prepaid insurance	**2,871**	**159,461**	–	–
	US$21,889	**₱1,216,260**	US$11,557	₱648,521

Prepaid rental pertains to advance payment of rental which is expected to be applied or incurred in one year.

Refundable deposits pertain to cash bond paid by the Branch to lessor and will be refunded at the end of the lease term or will be applied to unpaid rentals, if any.

Prepaid insurance pertains to the unexpired portion of insurance payments which is expected to be applied or incurred in one year.

7. **Property and Equipment**

December 31, 2023

(In US Dollars, see Note 2)

	Office Equipment	Office Furniture and Fixtures	Transportation Equipment	**Total**
Cost				
At January 1	US$25,637	US$1,692	US$37,147	**US$64,476**
Additions	12,716	2,360	−	**15,076**
Disposals	(4,822)	−	−	**(4,822)**
At December 31	33,531	4,052	37,147	**74,730**
Accumulated Depreciation				
At January 1	14,226	1,405	37,147	**52,778**
Depreciation	7,404	184	−	**7,588**
Disposals	(4,822)	−	−	**(4,822)**
Translation adjustments	(101)	(3)	−	**(104)**
At December 31	16,707	1,586	37,147	**55,440**
Net Book Value	US$16,824	US$2,466	US$ −	**US$19,290**

(In Philippine Peso)

	Office Equipment	Office Furniture and Fixtures	Transportation Equipment	**Total**
Cost				
At January 1	₱1,390,320	₱90,355	₱1,885,000	**₱3,365,675**
Additions	706,613	131,141	−	**837,754**
Disposals	(267,953)	−	−	**(267,953)**
At December 31	1,828,980	221,496	1,885,000	**3,935,476**
Accumulated Depreciation				
At January 1	748,698	75,458	1,885,000	**2,709,156**
Depreciation	412,175	10,220	−	**422,395**
Disposals	(267,953)	−	−	**(267,953)**
At December 31	892,920	85,678	1,885,000	**2,863,598**
Net Book Value	₱936,060	₱135,818	₱ −	**₱1,071,878**

December 31, 2022

(In US Dollars, see Note 2)	Office Equipment	Office Furniture and Fixtures	Transportation Equipment	**Total**
Cost				
At January 1	US$15,435	US$1,484	US$37,147	US$54,066
Additions	10,202	208	–	10,410
At December 31	25,637	1,692	37,147	64,476
Accumulated Depreciation				
At January 1	9,782	1,265	37,147	48,194
Depreciation	4,005	126	–	4,131
Translation adjustments	439	14	–	453
At December 31	14,226	1,405	37,147	52,778
Net Book Value	US$11,411	US$287	US$ –	US$11,698

(In Philippine Peso)	Office Equipment	Office Furniture and Fixtures	Transportation Equipment	**Total**
Cost				
At January 1	₱817,800	₱78,655	₱1,885,000	₱2,781,455
Additions	572,520	11,700	–	584,220
At December 31	1,390,320	90,355	1,885,000	3,365,675
Accumulated Depreciation				
At January 1	529,774	68,522	1,885,000	2,483,296
Depreciation	218,924	6,936	–	225,860
At December 31	748,698	75,458	1,885,000	2,709,156
Net Book Value	₱641,622	₱14,897	₱ –	₱656,519

The cost of fully depreciated property and equipment still used by the Branch amounted to US$44,990 or ₱2.5 million and US$43,165 or ₱2.4 million as of December 31, 2023 and 2022, respectively.

8. Accounts Payable and Accrued Expenses

	2023		2022	
	(In US Dollars, see Note 2)	**(In Philippine Peso)**	(In US Dollars, see Note 2)	(In Philippine Peso)
Accrued expenses	**US$199,120**	**₱11,064,505**	US$106,501	₱5,976,829
Due to related parties (Note 11)	**119,633**	**6,647,649**	125,866	7,063,612
Withholding tax payable	**5,805**	**322,583**	3,549	199,150
Payroll-related payable	**491**	**27,285**	1,983	111,288
	US$325,049	**₱18,062,022**	US$237,899	₱13,350,879

Accrued expenses pertain to the accrual of benefits of the Branch's employees.

Due to related parties are related to reimbursements for expenses incurred in providing management and technical support to the Branch (see Note 11).

9. Grant Agreement

On June 1, 2020, the Branch entered a contract with Palladium Global Philippines as a sub-contractor. The Pathways Program is an Australian Government-funded education program in in BARMM. It is designed to support the efforts of the MBHTE and other local stakeholders in improving educational performance, quality, and equity.

Pathways is supporting the MBHTE to deliver quality education access to unserved communities through the AKAP Project. The support is intended to capacitate the Access Technical Working Group (TWG) at the regional and division levels to provide, implement, manage, and sustain alternative and contextualized learning modalities in remote communities. Total grants received related to the project amounted to US$371,055 or ₱20.6 million as of December 31, 2023.

On March 1, 2021, the Branch entered a memorandum of understanding with BRAC USA to implement the Expanded Social Assistance Project- Graduation from Poverty Approach in the Philippines, funded by the Asian Development Bank “ADB”. The project commenced on March 1, 2021 and ended on February 28, 2023. SLP Project has total grants of US$647,611. The Branch has received the full amount of these grants as of February 28, 2023.

On July 28, 2022, the Home Office entered a contract with BRAC UK to implement the youth and skills project of the Branch in the Philippines. The project contract was amended and extended for another 19 months beginning August 1, 2023 until February 28, 2025 with total contract value of US$130,000. Total grants received related to the project amounted to US$35,000 or ₱1.9 million and US$28,301 or ₱1.5 million as of December 31, 2023 and 2022, respectively.

On November 18, 2022, the Branch entered a contract with BRAC International (Home Office) for the implementation of the Local Emergency Response Project funded by the Bill and Melinda Gates Foundation in the Municipalities of Bubong, Lanao del Sur and Ampatuan, Maguindanao. The project shall be for a period of two years ending on September 30, 2024. Total grants received related to the project amounted to US$91,601 or ₱5.1 million and US$91,601 or ₱5.1 million as of December 31, 2023 and 2022, respectively.

On February 2, 2023, the Branch entered into a joint venture consortium agreement with NIRAS Asia Manila for the implementation of Strengthening the Transition of Vulnerable Communities Affected by the South Commuter Railway funded by the Asian Development Bank in partnership with the Department of Transportation (DOTr) of the Philippines. The project shall be for a period of 2 years ending on February 28, 2025. Total grants received related to the project amounted to US$64,158 or ₱3.6 million as of December 31, 2023.

On April 20, 2023, the Branch has applied to UBS Optimus Foundation Singapore Ltd for a grant for the project, Early Childhood Development through play-based education. The Project period shall run from April 21, 2023 to July 31, 2025. Total grants received related to the project amounted to US$275,000 or ₱15.2 million as of December 31, 2023.

As of December 31, 2023 and 2022, deferred grants amounted to US$182,445 or ₱10.1 million and US$209,714 or ₱11.8 million, respectively, respectively. In 2023 and 2022, grants recognized for amounts included in deferred grants amounted to US$201,854 or ₱11.2 million and US$146,790 or ₱8.0 million, respectively.

Total grants recognized in statements of comprehensive income amounted to US$1.2 million or ₱65.7 million and US$1.1 million or ₱61.7 million in 2023 and 2022, respectively.

10. **Project Expenses**

The following are the cost centers of the Branch:
- Education – Abot Kaalaman sa Pamilyang Bangsamoro (AKAP)
- Ultra Poor Graduation Initiative – BRAC International (UPGI)
- Health - COVID-19
- Youth Empowerment - Youth and Skills in the Philippines (Signify Foundation)
- Humanitarian - Local Emergency Preparedness Response Project (LEPR) (Bill and Melinda Gates Foundation)
- Ultra Poor Graduation - Strengthening the Transition of Vulnerable Communities Affected by the South Commuter Railway (STVC-ADB)
- Early Childhood Development – Playlab in the BARMM (UBS Optimus Foundation Singapore Ltd.)
- Country Office

	2023		2022	
	(In US Dollars, see Note 2)	**(In Philippine Peso)**	(In US Dollars, see Note 2)	(In Philippine Peso)
Education – AKAP				
Salaries and employee benefits	**US$218,437**	**₱12,158,846**	US$156,448	₱8,552,877
Project supplies	**89,344**	**4,973,135**	316,816	17,320,027
Logistics and management expense	**38,348**	**2,134,584**	85,874	4,694,639
Office utilities	**19,871**	**1,106,081**	19,221	1,050,912
Transportation and travel	**15,992**	**890,154**	41,459	2,266,529
Outside services	**14,161**	**788,240**	9,313	509,081
Rent	**10,117**	**563,153**	9,309	508,918
Training and orientation	**9,645**	**536,893**	3,666	200,419
Evaluation activity	**–**	**–**	2,620	143,260
UPGI – BRAC International				
Salaries and employee benefits	**148,192**	**8,248,833**	296,408	16,204,321
Project supplies	**81,764**	**4,551,221**	55,756	3,048,103
Transportation and travel	**43,770**	**2,436,450**	27,962	1,528,646
Logistics and management expense	**43,049**	**2,396,244**	7,538	412,098
Rent	**7,827**	**435,656**	3,896	213,000
Outside services	**4,586**	**255,295**	19,174	1,048,184
Office utilities	**3,455**	**192,309**	4,705	257,158
Training and Orientation	**562**	**31,300**	–	–
Health - COVID-19				
Project supplies	**–**	**–**	6,834	373,618
Salaries and employee benefits	**–**	**–**	46	2,500

(Forward)

	2023		2022	
	(In US Dollars, see Note 2)	**(In Philippine Peso)**	(In US Dollars, see Note 2)	(In Philippine Peso)
Youth Empowerment – Signify Foundation				
Salaries and employee benefits	**US$29,411**	**₱1,637,123**	US$1,118	₱61,123
Project supplies	**8,388**	**466,876**	28,113	1,536,916
Rent	**6,759**	**376,206**	–	–
Logistics and Management Expense	**5,870**	**326,728**	–	–
Office Utilities	**2,778**	**154,628**	–	–
Transportation and travel	**2,671**	**148,661**	–	–
Outside services	**1,549**	**86,240**	767	42,000
Humanitarian – LEPR				
Salaries and employee benefits	**52,518**	**2,923,303**	6,003	328,172
Project supplies	**40,716**	**2,266,419**	3,329	182,016
Transportation and travel	**11,713**	**651,961**	1,820	99,484
Rent	**7,311**	**406,931**	–	–
Office utilities	**6,170**	**343,451**	25	1,350
Evaluation Activity	**4,245**	**236,291**	–	–
Training and Orientation	**3,240**	**180,298**	–	–
Outside services	**1,549**	**86,240**	–	–
UPGI – STVC				
Salaries and employee benefits	**71,198**	**3,963,114**	–	–
Logistics and Management Expense	**10,711**	**596,221**	–	–
Rent	**5,011**	**279,010**	–	–
Transportation and travel	**2,182**	**121,472**	–	–
Outside services	**1,214**	**67,502**	–	–
Office utilities	**962**	**53,500**	–	–
ECD – PLAYLAB				
Project Supplies	**45,905**	**2,555,194**	–	–
Salaries and employee benefits	**38,083**	**2,119,793**	–	–
Transportation and travel	**26,812**	**1,492,444**	–	–
Logistics and Management Expense	**14,003**	**779,472**	–	–
Rent	**7,284**	**405,490**	–	–
Office utilities	**6,760**	**376,335**	–	–
Outside services	**1,548**	**86,240**	–	–
Country Office				
Salaries and employee benefits	**34,454**	**1,917,784**	21,574	1,179,412
Logistics and management expense	**(59,089)**	**(3,289,039)**	–	–
Transportation and travel	**21,624**	**1,203,632**	2,879	157,405
Outside services	**–**	**–**	3,073	168,000
Miscellaneous				
ERP software and service charge overhead costs	**27,720**	**1,542,958**	20,683	1,130,673
Bank charges	**343**	**19,152**	901	49,264
	US$1,190,733	**₱66,280,024**	US$1,157,330	₱63,270,105

The Branch has additional projects in 2023 with other donors to support the implementation of:

- Ultra Poor Graduation Initiative through graduation approach- Strengthening the Transition of Vulnerable Communities Affected by the South Commuter Railway (STVC)
- Early Childhood Development (ECD) through play-based education (PLAYLAB) (UBS Optimus Foundation Singapore Ltd)

11. Related Party Transactions

Parties are considered related if one party can, directly or indirectly, control the other or exercise significant influence over the other in making financial and operating decisions. Parties are also considered related if subject to common control. Related parties may be individuals or corporate entities. The Branch related parties are the Home Office BRAC International and BRAC Bangladesh.

The Branch has the following transactions with its related parties in the implementation of the AKAP, UPGI, Youth Empowerment, STVC and, PLAYLAB projects:

	(In US Dollars, see Note 2)					
	Amount		Balances			
	2023	2022	**2023**	2022	Terms	Conditions
Due to related parties						
Head office						
Technical support	**US$131,662**	US$86,310	**US$119,633**	US$125,866	On demand, non-interest bearing	Unsecured

	(In Philippine Peso)					
	Amount		Balances			
	2023	2022	**2023**	2022	Terms	Conditions
Due to related parties						
Head office						
Technical support	**₱7,328,695**	₱4,718,471	**₱6,647,649**	₱7,063,612	On demand, non-interest bearing	Unsecured

Technical support pertains to reimbursements to the Head Office and BRAC Bangladesh for expenses paid for in providing administration and financial management assistance to the Branch. It also entails sending support personnel to the Branch for the efficient and effective management and implementation of the existing projects in accordance with the provisions of the grant agreement.

12. Lease Agreement

In January 2022, the Branch entered into a lease agreement for the office located at 2F, Door 4, CIRPA Corporation Building, ND Avenue, Cotabato City until March 2023. In December 2022, the branch then transferred its principal office to Unit 601, AIC Burgundy Empire Tower, ADB Avenue, corner Garnet Road and Sapphire Road, Ortigas, Pasig City and entered into a new lease agreement.

The Branch also leases various premises to serve as Project Office and Field Offices. The lease period lasts until one year. All these lease agreements require a refundable deposit.

Short-term Lease
The Branch's outstanding lease is the lease of office premises which is considered a short-term lease. The Branch did not recognize right-of-use assets and lease liabilities for the lease.

Rent expense recognized in statements of comprehensive income amounted to US$44,310 or ₱2.5 million and US$13,205 or ₱0.7 million in 2023 and 2022, respectively.

13. **Income Tax**

The Branch has no provision for current income tax in 2023 and 2022 since it is in a gross loss and net loss position.

As of December 31, 2023 and 2022, no deferred tax assets were recognized in the statements of assets, liabilities, and home office account on temporary differences resulting from NOLCO amounting to US$64,008 or ₱3.5 million and US$30,416 or ₱1.6 million, respectively, since management believes that it is not probable that sufficient taxable income will be available in the future against which the deferred income tax assets can be utilized.

As of December 31, 2023, the Branch have incurred NOLCO in taxable year 2023 and 2022 can be claimed as a deduction against future taxable income over three (3) years, as follows:

(In US Dollars, see Note 2)

Year Incurred	Expiry Date	At January 1, 2023	Additions	**At December 31, 2023**
2022	2025	US$30,146	US$ –	**US$30,146**
2023	2026	–	33,862	**33,862**
		US$30,146	US$33,862	**US$64,008**

(In Philippine Peso)

Year Incurred	Expiry Date	At January 1, 2023	Additions	**At December 31, 2023**
2022	2025	₱1,648,056	₱ –	**₱1,648,056**
2023	2026	–	1,884,879	**1,884,879**
		₱1,648,056	₱1,884,879	**₱3,532,935**

The reconciliation between the provision for current income tax at the applicable statutory tax rate and the actual provision for income tax follows:

	2023		2022	
	(In US Dollars, see Note 2)	**(In Philippine Peso)**	(In US Dollars, see Note 2)	(In Philippine Peso)
Deficiency of income over expenses before income tax	**(US$33,817)**	**(₱1,882,402)**	(US$30,110)	(₱1,646,079)
At statutory income tax rate	**(8,454)**	**(470,600)**	(7,528)	(411,520)
Additions to (reductions in) income taxes resulting from:				
Change in unrecognized deferred tax assets	**8,466**	**471,220**	7,537	412,014
Income already subjected to final tax	**(12)**	**(620)**	(9)	(494)
	US$ −	**₱ −**	US$ −	₱ −

14. Financial Instruments

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

- *Cash, receivables, refundable deposits (presented as part of "Other current assets") and accounts payable and accrued expenses (excluding statutory payables).* The carrying values approximate fair values due to the short-term maturity of these financial instruments.

Fair Value Hierarchy
As of December 31, 2023 and 2022, the Branch has no financial instruments measured at fair value.

15. Financial Risk Management Objectives and Policies

The Branch's principal financial instruments comprise of cash. The main purpose of the financial instrument is to fund the Branch's operations and capital expenditures. The Branch has other financial assets and liabilities such as receivables, refundable deposits (presented as part of "Other current assets") and accounts payable and accrued expenses (excluding statutory payables), which arise directly from its operations. The main risks arising from the use of financial instruments are liquidity risk, credit risk, and market risk.

The Governing Body of the Head Office of the Branch has overall responsibility for the establishment and oversight of the Branch's risk management framework. The Governing Body has established the Audit Committee, which is responsible for developing and monitoring the Branch's risk management policies.

The Audit Committee identifies all issues affecting the operations of the Branch and reports regularly to the Governing Body on its activities. The Branch's risk management policies are established to identify and analyze the risks faced by the Branch, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Branch's activities.

Mitigating strategies and procedures are devised to address the risks that inevitably occur so as not to affect the Branch's operations and impact forecasted results.

The Branch, through its training in and management of standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Director of Finance oversees financial management functions, specifically managing the Branch's credit, market, and other risks. The Director of Finance directly interfaces with the internal audit function, which undertakes reviews of risk management controls and procedures and ensures the integrity of internal control activities which affect the financial management system of the Branch.

Liquidity Risk
Liquidity risk arises from the possibility that the Branch may encounter difficulties in raising funds to meet commitments from financial instruments.

The Branch's objectives in managing its liquidity profile are; a) to ensure that adequate funding is always available; 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 Branch's accounts payable and accrued expenses (excluding statutory payables) amounting to US$318,753 or ₱17.7 million and US$232,367 or ₱13.0 million as of December 31, 2023 and 2022, respectively, are on demand based on contractual undiscounted payments. The Branch's undiscounted financial assets amounting to US$404,217or ₱22.5 million and US$397,158 or ₱22.3 million as of December 31, 2023 and 2022, respectively, are on demand and available for maturing obligations.

Credit Risk
Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Branch's credit risks are primarily attributable to cash, collection of receivables, and realization of investments. The Director of Finance reviews and institutes policies for managing each of assets as of December 31, 2023 and 2022. The Branch's exposure to impairment loss is not significant since receivable balances are monitored on an ongoing basis.

The table below shows the maximum exposure to credit risk for the components of the statements of assets, liabilities, and home office account:

(In US Dollars, see Note 2)	**2023**	2022
Financial assets at amortized cost:		
Cash in banks	**US$164,095**	US$308,803
Receivables		
Grants receivable	**233,779**	79,409
Refundable deposits*	**3,968**	3,929
Advances to other projects	**2,375**	5,017
	US$404,217	US$397,158

**Presented as part of "Other current assets"*

(In Philippine Peso)	**2023**	2022
Financial assets at amortized cost:		
Cash in banks	**₱9,118,258**	₱17,330,022
Receivables		
Grants receivable	**12,990,446**	4,456,460
Refundable deposits*	**220,500**	220,500
Advances to other projects	**131,950**	281,550
	₱22,461,154	₱22,288,532

**Presented as part of "Other current assets"*

The Branch established a provision matrix based on its historical credit loss experience, adjusted for forward-looking factors specific to debtors and the economic environment. The Branch considers a financial asset in default when contractual payments are past due. However, in certain cases, the Branch may also consider a financial asset to be in default when internal or external information indicates that the Branch is unlikely to receive the outstanding contractual cash flows in full before considering any credit enhancements held by the Branch. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Cash in Banks
For cash, the Branch applies low credit risk simplification. The probability of default and loss given defaults are publicly available and considered low credit risk investments. It is the Branch's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Branch uses the ratings from the external credit rating agencies to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

Receivables
For receivables, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various payor segments with similar loss patterns (i.e., by payors). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions, and forecasts of future economic conditions. Based on the Branch's credit risk experience, the expected credit loss rate increases as the age of receivables also increases.

No provision for impairment of receivables was recognized in 2023 and 2022.

STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

STATEMENTS OF ASSETS, LIABILITIES AND HOME OFFICE ACCOUNT
(AS OF DECEMBER 31, 2023)

	Ph018 Country Office	Ph020 ADB -UPG	Ph022 Education - AKAP P1	Ph023 Education AKAP P2	Ph024 UPGI - BI	Ph027 Youth Empowerment – Signify	Ph028 Humanitarian - LEPR	Ph029 UPGI -STVC	Ph030 ECD - PLAYLAB	**Total**
ASSETS										
Current Assets										
Cash	US$17,057	US$ –	US$ –	US$73	US$1,438	US$2,783	US$39,232	US$1,941	US$104,138	**US$166,662**
Receivables	(46,547)	–	4,121	162,712	45,854	16,862	120	29,246	23,786	**236,154**
Other current assets	4,241	–	–	2,791	12,455	175	1,732	124	371	**21,889**
	(25,249)	–	4,121	165,576	59,747	19,820	41,084	31,311	128,295	**424,705**
Noncurrent Assets										
Property and equipment - net	2,433	–	–	1,946	3,855	1,677	3,349	1,362	4,668	**19,290**
TOTAL ASSETS	**(US$22,816)**	**US$ –**	**US$4,121**	**US$167,522**	**US$63,602**	**US$21,497**	**US$44,433**	**US$32,673**	**US$132,963**	**US$443,995**
LIABILITIES AND HOME OFFICE ACCOUNT										
Current Liabilities										
Accounts payable and accrued expenses	US$40,745	US$ –	US$1,083	US$165,576	US$62,722	US$17,629	US$3,817	US$31,310	US$2,167	**US$325,049**
Deferred grants	(62)	–	3,038	1,946	880	3,868	40,616	1,363	130,796	**182,445**
	40,683	–	4,121	167,522	63,602	21,497	44,433	32,673	132,963	**507,494**
Home Office Account										
Home office account	(63,927)	–	–	–	–	–	–	–	–	**(63,927)**
Cumulative translation adjustment	428	–	–	–	–	–	–	–	–	**428**
	(63,499)	–	–	–	–	–	–	–	–	**(63,499)**
TOTAL LIABILITIES AND HOME OFFICE ACCOUNT	**(US$22,816)**	**US$ –**	**US$4,121**	**US$167,522**	**US$63,602**	**US$21,497**	**US$44,433**	**US$32,673**	**US$132,963**	**US$443,995**

STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

STATEMENTS OF COMPREHENSIVE INCOME
(AS FOR THE YEAR ENDED DECEMBER 31, 2023)

	Ph018 Country Office	Ph020 ADB -UPGI	Ph022 Education - AKAP P1	Ph023 Education AKAP P2-P4	Ph024 UPGI - BI	Ph027 Youth Empowerment – Signify	Ph028 Humanitarian - LEPR	Ph029 UPGI -STVC	Ph030 ECD - PLAYLAB	**Total**
INCOME										
Grants	US$ –	US$ –	US$ –	US$422,620	US$340,440	US$48,634	US$132,216	US$92,050	US$144,122	**US$1,180,082**
PROJECT EXPENSES										
Salaries and employee benefits	34,454	–	–	218,437	148,192	29,411	52,518	71,198	38,083	**592,293**
Project supplies	–	–	–	89,344	81,764	8,388	40,716	–	45,905	**266,117**
Transportation and travel	21,624	–	–	15,992	43,770	2,671	11,713	2,182	26,812	**124,764**
Logistics and management expense	(59,089)	–	–	38,348	43,049	5,870	–	10,711	14,003	**52,892**
Rent	–	–	–	10,117	7,827	6,759	7,311	5,011	7,284	**44,309**
Office utilities	–	–	–	19,871	3,455	2,778	6,170	962	6,760	**39,996**
Outside services	–	–	–	14,161	4,586	1,549	1,549	1,214	1,548	**24,607**
Training and orientation	–	–	–	9,645	562	–	3,240	–	–	**13,447**
Evaluation activity	–	–	–	–	–	–	4,245	–	–	**4,245**
Bank charges	–	–	–	103	90	44	24	26	56	**343**
Miscellaneous	9,686	–	–	5,654	3,889	1,222	3,515	703	3,051	**27,720**
	6,675	–	–	421,672	337,184	58,692	131,001	92,007	143,502	**1,190,733**
OTHER INCOME (EXPENSE)										
Other income	2,156	–	–	–	–	10,571	–	–	–	**12,727**
Interest income	44	–	–	–	–	–	–	–	–	**44**
Foreign exchange gain	(28,288)	–	–	(59)	–	–	–	(2)	–	**(28,349)**
Depreciation	(1,056)	–	–	(889)	(3,256)	(513)	(1,215)	(41)	(618)	**(7,588)**
	(27,144)	–	–	(948)	(3,256)	10,058	(1,215)	(43)	(618)	**(23,166)**
	33,819	–	–	422,620	340,440	48,634	132,216	92,050	144,120	**1,213,899**
NET DEFICIENCY OF INCOME OVER EXPENSES	(33,819)	–	–	–	–	–	–	–	2	**(33,817)**
OTHER COMPREHENSIVE LOSS	(348)	–	–	–	–	–	–	–	(2)	**(350)**
TOTAL COMPREHENSIVE LOSS	**(US$34,167)**	**US$ –**	**US$ –**	**US$ –**	**US$ –**	**US$ –**	**US$ –**	**US$ –**	**US$ –**	**(US$34,167)**