STICHTING BRAC INTERNATIONAL, INC.

PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS
December 31, 2025 and 2024
(TRANSLATED TO U.S. DOLLARS)

With Independent Auditors' Report

STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)
SUPPLEMENTARY INFORMATION TO THE STATEMENT OF ASSETS, LIABILITIES AND HEAD OFFICE ACCOUNT (TRANSLATED TO U.S. DOLLARS)

		December 31			
		2025		2024	
	Note	**(In US Dollars,** see Note 2**)**	**(In Philippine Peso)**	(In US Dollars, see Note 2)	(In Philippine Peso)
ASSETS					
Current Assets					
Cash	*3, 4, 15*	**US$90,753**	**P5,336,727**	US$452,235	P26,235,954
Receivables	*3, 5, 15*	**13,165**	**774,141**	143,419	8,320,325
Other current assets	*3, 6, 15*	**8,804**	**517,713**	8,465	491,093
Total Current Assets		**112,722**	**6,628,581**	604,119	35,047,372
Noncurrent Assets					
Property and equipment - net	*7*	**11,964**	**703,537**	15,774	915,101
TOTAL ASSETS		**US$124,686**	**P7,332,118**	US$619,893	P35,962,473
LIABILITIES AND HEAD OFFICE ACCOUNT					
Current Liabilities					
Accounts payable and accrued expenses	*2, 8, 15*	**US$108,775**	**P6,396,511**	US$174,761	P10,138,603
Related party and Borrowings from SBI	*2, 9, 15*	**61,126**	**3,594,496**	342,827	19,888,770
Deferred grant	*10*	**28,957**	**1,702,815**	163,126	9,463,581
Total Liabilities		**198,858**	**11,693,822**	680,714	39,490,954
Head Office Account					
Head office account		**(63,927)**	**(3,528,481)**	(63,927)	(3,528,481)
Net deficiency of income over expenses		**(14,466)**	**(833,223)**	-	-
Cumulative translation adjustment		**4,221**	**-**	3,106	-
		(74,172)	**(4,361,704)**	(60,821)	(3,528,481)
TOTAL LIABILITIES AND HEAD OFFICE ACCOUNT		**US$124,686**	**P7,332,118**	US$619,893	P35,962,473

See Notes to the Financial Statements.

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

SUPPLEMENTARY INFORMATION TO THE STATEMENT OF COMPREHENSIVE INCOME (TRANSLATED TO U.S. DOLLARS)

		Years Ended December 31			
		2025		2024	
	Note	**(In US Dollars,** see Note 2)	**(In Philippine Peso)**	(In US Dollars, see Note 2)	(In Philippine Peso)
INCOME					
Grants	*10*	**US$808,001**	**P46,541,504**	US$1,249,590	P71,828,081
BRAC Contribution from SBI		**176,905**	**10,189,889**	21,449	1,232,903
Interest income	*4*	**38**	**2,211**	21	1,197
		984,944	**56,733,604**	1,271,060	73,062,181
PROJECT EXPENSES	*11*				
Salaries and employee benefits		**433,251**	**24,955,647**	528,917	30,402,869
Project supplies		**263,511**	**15,178,448**	480,323	27,609,607
Transportation and travel		**69,755**	**4,017,960**	84,580	4,861,744
Outside services		**51,636**	**2,974,287**	60,706	3,489,479
Rent	*10, 12*	**42,532**	**2,449,875**	45,352	2,606,874
Office utilities		**29,431**	**1,695,251**	24,189	1,390,406
Logistics and management expense		**8,417**	**484,826**	21,393	1,229,691
Training and orientation		**3,633**	**209,243**	5,288	303,938
Interest expense from borrowings to SBI		**620**	**35,693**	2,356	135,448
Taxes and licenses		**164**	**9,435**	65	3,750
Bank charges		**16**	**926**	218	12,506
Miscellaneous		**36,278**	**2,089,622**	43,613	2,506,947
		939,244	**54,101,213**	1,297,000	74,553,259
OTHER INCOME (EXPENSES)					
Impairment losses on grant receivable		**(54,733)**	**(3,152,695)**	-	-
Reversal of payable accounts		**8,341**	**480,462**	41,424	2,381,127
Foreign exchange loss		**(4,115)**	**(237,016)**	(7,065)	(406,102)
Depreciation	*7*	**(8,372)**	**(482,250)**	(8,417)	(483,811)
Loss from disposal of assets	*7*	**(1,287)**	**(74,115)**	-	-
Other expense		**-**	**-**	(2)	(136)
		(60,166)	**(3,465,614)**	25,940	1,491,078
		999,410	**57,566,827**	1,271,060	73,062,181
NET DEFICIENCY OF INCOME OVER EXPENSES	*11*	**(14,466)**	**(833,223)**	-	-
OTHER COMPREHENSIVE INCOME		**1,115**	**-**	2,678	-
TOTAL COMPREHENSIVE LOSS		**(US$13,351)**	**(P833,223)**	US$2,678	P -

See Notes to the Financial Statements.

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

SUPPLEMENTARY INFORMATION TO THE STATEMENT OF CHANGES IN HEAD OFFICE ACCOUNT (TRANSLATED TO U.S. DOLLARS)

	Years Ended December 31			
	2025		2024	
	(In US Dollars, see Note 2)	**(In Philippine Peso)**	**(In US Dollars,** see Note 2)	**(In Philippine Peso)**
HEAD OFFICE ACCOUNT				
At January 1	**(US$63,927)**	**(P3,528,481)**	(US$63,927)	(P3,528,481)
Net deficiency of income over expense	**(14,466)**	**(833,223)**	-	-
At December 31	**(78,393)**	**(4,361,704)**	(63,927)	(3,528,481)
CUMULATIVE TRANSLATION ADJUSTMENT				
At January 1	**3,106**	**-**	428	-
Other comprehensive income	**1,115**	**-**	2,678	-
At December 31	**4,221**	**-**	3,106	-
	(US$74,172)	**(P4,361,704)**	(US$60,821)	(P3,528,481)

See Notes to the Financial Statements.

STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH
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SUPPLEMENTARY INFORMATION TO THE STATEMENT OF CASH FLOWS (TRANSLATED TO U.S. DOLLARS)

		Years Ended December 31			
		2025		2024	
	Note	**(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$14,466)**	**(P833,223)**	US$ -	P -
Adjustments for:					
Impairment losses on grant receivable		**54,733**	**3,152,695**	-	-
Foreign exchange loss		**4,115**	**237,016**	7,065	406,102
Depreciation	*7*	**8,372**	**482,250**	8,417	483,811
Loss from disposal of assets	*7*	**1,287**	**74,115**	-	-
Interest income	*4*	**(38)**	**(2,211)**	(21)	(1,197)
Excess of income over expenses before working capital changes		**54,003**	**3,110,642**	15,461	888,716
Decrease (increase) in:					
Receivables		**75,522**	**4,393,489**	92,735	4,802,071
Other current assets		**(339)**	**(26,620)**	13,424	725,167
Increase (decrease) in:					
Accounts payable and accrued expenses		**(52,061)**	**(2,923,233)**	11,578	1,070,995
Borrowings from SBI		**(295,626)**	**(17,113,133)**	180,961	10,894,356
Deferred grants		**(134,169)**	**(7,760,766)**	(19,319)	(674,315)
Net cash generated from (used in) operating activities		**(352,670)**	**(20,319,621)**	294,840	17,706,990
Interest received		**38**	**2,211**	21	1,197
Net cash flows from (used in) operating activities		**(352,632)**	**(20,317,410)**	294,861	17,708,187
CASH FLOWS FROM AN INVESTING ACTIVITY					
Additions to property and equipment	*7*	**(6,132)**	**(353,197)**	(5,637)	(327,034)
Proceeds from the disposal of assets	*7*	**146**	**8,396**		
Net cash flows used in investing activities		**(5,986)**	**(344,801)**	(5,637)	(327,034)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH		**(4,115)**	**(237,016)**	(7,065)	(406,102)

Forward

		Years Ended December 31			
		2025		2024	
	Note	**(In US Dollars,** see Note 2)	**(In Philippine Peso)**	**(In US Dollars,** see Note 2)	**(In Philippine Peso)**
NET INCREASE (DECREASE) IN CASH BEFORE EFFECT OF CURRENCY TRANSLATION		**(US$362,733)**	**(P20,899,227)**	US$282,159	P16,975,051
EFFECT OF CURRENCY TRANSLATION ON CASH		**1,251**	**-**	3,414	-
NET INCREASE (DECREASE) IN CASH		**(361,482)**	**(20,899,227)**	285,573	16,975,051
CASH AT BEGINNING OF YEAR		**452,235**	**26,235,954**	166,662	9,260,903
CASH AT END OF YEAR	*4*	**US$90,753**	**P5,336,727**	US$452,235	P26,235,954

See Notes to the Financial Statements.

1. Branch Information

Stichting BRAC International, Inc. (the “Head Office” or “SBI”), 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 formalized a contract with Palladium Global Philippines to serve as a subcontractor for the implementation of the Abot Kaalaman sa Pamilyang Bangsamoro (AKAP) Program. This initiative, funded by the Australian Government through its Education Pathways to Peace in Mindanao project (Pathways), aimed to enhance educational access for underserved communities.

Palladium Global Philippines’ Pathways Program was specifically developed to deliver quality and accessible education to marginalized areas through the establishment and operation of community-based learning centers linked to public catchment schools. Initially targeting 93 unserved barangays, the AKAP program has expanded its support to 115 out of a total of 210 barangays lacking schools. The program focuses on providing K-3 classes within the AKAP Learning Centers. By 2023, the Ministry of Basic, Higher, and Technical Education (MBHTE) had assumed full responsibility for funding Grade 1 and Grade 2 teachers, in addition to overseeing the supervision and management of these learning centers.

During its first year of implementation, covering the School Year 2020-2021 (referred to as AKAP Phases 1 and 2), the program facilitated learning for approximately 2,800 students in 93 school-less communities. These students advanced to Grade 1, while another cohort of 2,000 learners was enrolled in kindergarten for the following academic year, 2021-2022.

Prior to this, under an earlier subcontract with Pathways, the Branch had taken on the role of coaching and mentoring the Access Technical Working Group. This collaboration led to the creation of a modified alternative delivery model that was better suited to the needs of a home-based learning environment.

As the AKAP program progressed to Phase 3, covering the School Year 2021-2022, the Branch had established itself as a recognized strategic implementation partner of both Pathways and the MBHTE, collaborating closely with community-based catchment schools. Phase 3 concluded on July 31, 2023.

In its subsequent Phase 4, which ended in December 2023, coaching and mentoring efforts were concentrated on enhancing the MBHTE's capacity to deliver sustainable, inclusive, and high-quality education to school-less communities. This phase leveraged School-Based Management (SBM) principles in alignment with the Bangsamoro Education Code.

Building on the successes of Phases 1 through 4, the AKAP program moved into Phase 5, which introduced Grade 3 classes. This phase is focused on improving the teaching and learning experience in learning centers through targeted capacity building and professional development opportunities for Learning Facilitators and catchment schools. Various training methods were employed, including Monthly Refresher Training (MRT), joint monitoring, participation in MBHTE in-service training, coaching, peer learning, and other collaborative learning activities. Phase 5 is set to continue until July 2024, with a no-cost extension granted until December 2024.

Building on the gains of previous project phases, the phase 5 initiative continues to provide technical assistance to key stakeholders. The project aims to strengthen the quality and inclusiveness of Kindergarten to Grade 3 (K–3) education in AKAP communities by promoting equitable access to learning opportunities and improving learner outcomes. It adopts a multi-faceted approach that focuses on capacity development of key education stakeholders, evidence-based policy support, and enhanced community participation to ensure that education services are responsive to the diverse needs of learners.

In collaboration with the AKAP Technical Working Groups (TWGs) and Schools Division Offices, the project supports the delivery of inclusive and equitable education services across AKAP Learning Centers. These engagements contribute to strengthening institutional capacity and reinforcing stakeholder confidence in implementing learner-centered and inclusive education practices. Policy recommendations developed through consultative processes with regional and division TWGs, school heads, and partner organizations emphasize key priorities, including the professional development of Learning Facilitators, provision of accessible and contextualized learning resources, and the adoption of inclusive teaching approaches.

To monitor progress and inform decision-making, the project utilizes End of School Year (EOSY) reports and school performance data to analyze key indicators such as learner promotion, proficiency levels, and overall academic achievement. These data-driven insights guide continuous improvements in instructional delivery and program implementation.

Instructional quality is further enhanced through the implementation of a structured refresher training program for 281 Learning Facilitators. The training focuses on strengthening competencies in early literacy, numeracy, socio-emotional learning, and inclusive pedagogy, equipping facilitators with practical strategies to effectively address diverse learning needs in K–3 and multi-grade classroom settings.

In addition, the project piloted a Parent and Volunteer Learning (PVL) initiative, which was integrated into the Learning Facilitators' refresher training. This initiative promotes community-based literacy support by engaging parents and volunteers as active partners in the learning process. By fostering collaboration between educators and the community, the project contributes to creating a more supportive and enabling learning environment for AKAP learners.

Overall, the project contributes to sustainable improvements in early-grade learning outcomes while strengthening community engagement, ownership, and accountability within AKAP communities.

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 Head 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 (head 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 and runs from October 1, 2022, until October 31, 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 ran from March 1, 2023, until August 31, 2025.

The Branch has entered into a grant agreement for the early childhood development program through play-based education. The program aims to strengthen the Early Childhood Development (ECD) landscape in the Philippines through the Play Lab model and to demonstrate effective, high-quality, low-cost playful learning for children in underserved communities. The project ran from April 21, 2023, to August 31, 2025.

On June 24, 2024, the branch entered into a contract with the head office for the implementation of the Drought Response Project in the Philippines, with the project goal to provide emergency relief support to address food security and housing needs of the affected 800 population or families in the municipalities of Talayan and Ampatuan, Manguindanao. The project ran from July 1, 2024, until November 15, 2024.

On June 16, 2025, the Branch entered again into a contract with the Head Office for the implementation of the Philippines Flooding Emergency Response primarily to provide emergency assistance to 605 of the most vulnerable families to address immediate needs while laying the groundwork for recovery and resilience-building in the Municipalities of Ampatuan and Datu Saudi Ampatuan, Maguindanao del Sur, Bangsamoro Autonomous Region in Muslim Mindanao (BARMM). The project is originally set to end until December 31, 2025, with a no-cost extension granted until January 31, 2026.

The registered office of the Branch, also its principal place of business, is at No. 8 San Gregorio Street Barangay Rosary Heights 13,9600, Cotabato City, Philippines.

2. Basis of Preparation

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 (PFRS) Accounting Standards.

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, 2025 and 2024 were prepared solely for the information and use of the Board of Directors (BOD) and management of the Branch and are 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 assets and liabilities accounts in the statements of assets, liabilities and head office account are translated using the spot exchange rate of P58.805:US$1 and P58.014:US$1 as of December 31, 2025, and 2024, respectively.

- The accounts in the statements of comprehensive income are translated using the average exchange rates of P57.60083333:US$1 and P57.481:US$1 in 2025 and 2024, respectively.

- All resulting differences shall be recognized in other comprehensive income.

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 Accounting Standards.

New and Amendments to Standards

The FSRSC approved the adoption of a number of new and amendments to standards as part of PFRS Accounting Standards.

Adoption of Amendments to Standards

The Branch has adopted the amendments to standards effective January 1, 2025. None of these are relevant or applicable to the Branch.

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 January 1, 2027

- PFRS 18, *Presentation and Disclosure in Financial Statements* will replace PAS 1, *Presentation of Financial Statements* and aims to provide greater consistency in presentation of the income and cash flow statements, and more disaggregated information.

  - *A more structured income statement.* PFRS 18 promotes a more structured income statement. It introduces a newly defined 'operating profit or loss' and 'profit or loss before financing and income tax' subtotals, and a requirement for all income and expenses to be classified into three new distinct categories operating, investing, and financing - based on a Branch's main business activities. PFRS 18 also requires companies to analyze their operating expenses directly on the face of the income statement - either by nature, by function or on a mixed basis. Companies need to choose the presentation method that provides the 'most useful structured summary' of those expenses. New disclosures apply if any operating expenses are presented by function.

- *Management-defined performance measures.* PFRS 18 provides a definition for management-defined performance measures (MPMs) and introduces specific disclosure requirements. MPMs are subtotals of income and expenses that are used in public communications outside the financial statements, communicate management's view of an aspect of the financial performance of the entity as a whole and are not a required subtotal or a common income and expense subtotal listed in PFRS 18. For each MPM presented, companies will need to explain in a single note to the financial statements why the measure provides useful information and how it is calculated, and to reconcile it to an amount determined under PFRS Accounting Standards.

- *Greater disaggregation of information.* PFRS 18 provides enhanced guidance on how companies group information in the financial statements, including newly defined roles of the primary financial statements and the notes, principles of aggregation and disaggregation based on shared and non-shared characteristics, and specific guidance for labelling and describing items in a way that faithfully represents an item’s characteristics.

Consequential amendments to PAS 7, *Statement of Cash Flows* requires the use of the operating profit or loss subtotal as the starting point when presenting operating cash flows under the indirect method and eliminate the options for classifying interest and dividend cash flows.

PFRS 18 applies for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. It applies retrospectively in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. Specific reconciliations are required to be disclosed.

▪ PFRS 19, *Subsidiaries without Public Accountability: Disclosures* permits a subsidiary to apply the requirements of PFRS Accounting Standards with the reduced disclosure requirements of PFRS 19 in its consolidated, separate or individual financial statements provided that, at the reporting date:

- it does not have public accountability, and.

- it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with PFRS Accounting Standards.

Eligible subsidiaries may apply the standard for reporting periods beginning on or after January 1, 2027. Earlier application is permitted.

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

Fair Value Measurement
The Branch measures financial instruments at fair value at each reporting date.

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.

<u>Financial Instruments - Financial Assets</u>
Financial Assets at Amortized Cost
This category is most relevant to the Branch.

The Branch's debt financial assets consist of cash, grant receivable and refundable deposits, 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, 5 and 6).

<u>Financial Instruments - Financial Liabilities</u>
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, 2025 and 2024, the Branch's financial liabilities at amortized cost amounted to US$158,605 or P9.3 million and US$516,319 or P30.0 million, respectively, and includes accounts payable and accrued expenses (excluding statutory payables) and related party and borrowings from SBI.

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 equipment	3 - 10
Office 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 statements of comprehensive income.

3. Use of Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS Accounting Standards 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 (P). 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, 2025 and 2024, the carrying value of the Branch's cash in bank, grant receivable (presented as part of "Receivables") and refundable deposits (presented as part of "Other current assets") amounted to US$105,291 or P6.1 million and US$585,622 or P34 million, respectively (see Notes 4, 5 and 6). The Branch recognized a provision for impairment of grant receivable amounting to $53,612 or P3.1 million and nil in 2025 and 2024, respectively (see Note 5).

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, 2025 and 2024, property and equipment amounted to US$11,964 or P0.7 million and US$15,774 or P0.9 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 other current assets (excluding refundable deposits) 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, 2025 and 2024, the aggregate carrying values of property and equipment and other current assets (excluding refundable deposits) amounted to US$15,156 or P0.9 million and US$23,205 or P1.3 million, respectively (see Notes 6 and 7).

Deferred Tax Assets
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, 2025 and 2024, no deferred tax assets were recognized in the statements of assets, liabilities and Head Office account on temporary differences resulting from NOLCO amounting to $48,336 or P2,720,313 and $61,672 or P3,398,684, 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 (see Note 13).

4. Cash

This account consists of:

	2025		2024	
	(In US Dollars, see Note 2)	**(In Philippine Peso)**	(In US Dollars, see Note 2)	(In Philippine Peso)
Cash on hand	**US$ -**	**P -**	US$3,081	P178,751
Cash in banks	**90,753**	**5,336,727**	449,154	26,057,203
	US$90,753	**P5,336,727**	US$452,235	P26,235,954

Cash in banks earn interest at the respective bank deposit rates. Interest income earned from cash in banks amounted to US$38 or P2,211 and US$21 or P1,197 in 2025 and 2024, respectively.

5. Receivables

This account consists of:

	2025		2024	
	(In US Dollars, see Note 2)	**(In Philippine Peso)**	(In US Dollars, see Note 2)	(In Philippine Peso)
Grants receivable	**US$62,538**	**P3,677,565**	US$136,701	P7,930,606
Allowance for impairment	**(53,612)**	**(3,152,695)**	-	-
	8,926	**524,870**	$136,701	7,930,606
Advances to other parties	**4,239**	**249,271**	6,718	389,719
	US$13,165	**P774,141**	US$143,419	P8,320,325

Grant 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. The allowance for impairment of grant receivable pertains to uncollectible donor funds due to possible non-collectability from the donor.

The breakdown of advances to other parties are as follows:

	2025		2024	
	(In US Dollars, see Note 2)	**(In Philippine Peso)**	(In US Dollars, see Note 2)	(In Philippine Peso)
Receivables from/ advances to third parties	**US$100**	**P5,871**	US$1,805	P104,705
Advance to employees/staffs	**4,139**	**243,400**	4,913	285,014
	US$4,239	**P249,271**	US$6,718	P389,719

Advances from/ advances to third parties pertains to advance payment to supplier and vendor such as hotel booking and health insurance.

Advances to employees/ staff pertain to payment of withholding tax on behalf of the employees and cash advances which will be recovered through salary deductions.

6. Other Current Assets

This account consists of:

		2025		2024	
	Note	**(In US Dollars, see Note 2)**	**(In Philippine Peso)**	(In US Dollars, see Note 2)	(In Philippine Peso)
Refundable deposit	*15*	**US$5,612**	**P330,000**	US$1,034	P60,000
Prepaid insurance		**3,192**	**187,713**	967	56,093
Prepaid rent		**-**	**-**	6,464	375,000
		US$8,804	**P517,713**	US$8,465	P491,093

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.

Prepaid rent pertains to advance payment of rental which is expected to be applied or incurred in one year. In 2025, the Branch already utilized all the prepaid rent. The Branch only pays in a monthly basis as stated in the lease contracts/ agreements.

7. Property and Equipment

December 31, 2025

	(In US Dollars, see Note 2)			
	Office Equipment	Office Furniture and Fixtures	Transportation Equipment	Total
Cost				
At January 1	**US$36,192**	**US$4,790**	**US$32,492**	**US$73,474**
Additions	**(9,183)**	**(1,615)**	**-**	**(10,798)**
Reclassifications/ Disposal	**6,132**	**-**	**-**	**6,132**
Translation adjustments	**(425)**	**(31)**	**(437)**	**(893)**
At December 31	**32,716**	**3,144**	**32,055**	**67,915**
Accumulated Depreciation				
At January 1	**23,422**	**1,786**	**32,492**	**57,700**
Depreciation	**8,088**	**285**	**-**	**8,373**
Reclassifications/ Disposal	**(8,664)**	**(702)**	**-**	**(9,366)**
Translation adjustments	**(303)**	**(16)**	**(437)**	**(756)**
At December 31	**22,543**	**1,353**	**32,055**	**55,951**
Net Book Value	**US$10,173**	**US$1,791**	**US$ -**	**US$11,964**

	(In Philippine Peso)			
	Office Equipment	Office Furniture and Fixtures	Transportation Equipment	Total
Cost				
At January 1	**P2,099,614**	**P277,896**	**P1,885,000**	**P4,262,510**
Additions	**353,197**	**-**	**-**	**353,197**
Reclassifications/ disposal	**(528,949)**	**(93,029)**	**-**	**(621,978)**
At December 31	**1,923,862**	**184,867**	**1,885,000**	**3,993,729**
Accumulated Depreciation				
At January 1	**1,358,781**	**103,628**	**1,885,000**	**3,347,409**
Depreciation	**465,852**	**16,398**	**-**	**482,250**
Reclassifications/ disposal	**(499,023)**	**(40,444)**	**-**	**(539,467)**
At December 31	**1,325,610**	**79,582**	**1,885,000**	**3,290,192**
Net Book Value	**P598,252**	**P105,285**	**P -**	**P703,537**

December 31, 2024

	(In US Dollars, see Note 2)			
	Office Equipment	Office Furniture and Fixtures	Transportation Equipment	Total
Cost				
At January 1	US$33,531	US$4,052	US$37,147	US$74,730
Additions	5,637	-	-	5,637
Reclassification	(972)	972	-	-
Translation adjustments	(2,004)	(234)	(4,655)	(6,893)
At December 31	36,192	4,790	32,492	73,474
Accumulated Depreciation				
At January 1	16,707	1,586	37,147	55,440
Depreciation	8,105	312	-	8,417
Translation adjustments	(1,390)	(112)	(4,655)	(6,157)
At December 31	23,422	1,786	32,492	57,700
Net Book Value	US$12,770	US$3,004	US$ -	US$15,774

	(In Philippine Peso)			
	Office Equipment	Office Furniture and Fixtures	Transportation Equipment	Total
Cost				
At January 1	P1,828,980	P221,496	P1,885,000	P3,935,476
Additions	327,034	-	-	327,034
Reclassification	(56,400)	56,400	-	-
At December 31	2,099,614	277,896	1,885,000	4,262,510
Accumulated Depreciation				
At January 1	892,920	85,678	1,885,000	2,863,598
Depreciation	465,861	17,950	-	483,811
At December 31	1,358,781	103,628	1,885,000	3,347,409
Net Book Value	P740,833	P174,268	P -	P915,101

In 2025, the Branch sold certain assets resulted to proceeds amounting to $146 or P8,396.

The cost of fully depreciated property and equipment still used by the Branch amounted to US$45,350 or P2.5 million and US$44,990 or P2.6 million as of December 31, 2025 and 2024, respectively.

8. Accounts Payable and Accrued Expenses

This account consists of:

	Note	**2025** (In US Dollars, see Note 2)	**2025** (In Philippine Peso)	2024 (In US Dollars, see Note 2)	2024 (In Philippine Peso)
Provision for separation pay	*15*	**US$47,353**	**P2,784,605**	US$31,703	P1,839,206
Accrued expenses	*15*	**50,126**	**2,947,657**	141,789	8,225,800
Payroll-related payable		**1,656**	**97,393**	1,269	73,597
Withholding tax payable		**9,640**	**566,856**	-	-
		US$108,775	**P6,396,511**	US$174,761	P10,138,603

Accrued expenses pertain to the accrual of employee benefits, consultants and suppliers. In 2025 and 2024, certain payables were reversed amounting to P480,462 and P2,381,127, respectively.

Provision for separation pay pertains to the expected liability to its contractual employees upon termination of their contracts.

9. 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 Head Office BRAC International, BRAC Bangladesh and BRAC IT Services.

The following are the related party transactions of the Branch:

Category/ Transaction	**Year**	***Note***	**Amount of the Transaction (In US Dollars,** see Note 2)	**Amount of the Transaction (In Philippine Peso)**	**Outstanding Balance Due to related parties (In US Dollars,** see Note 2)	**Outstanding Balance Due to related parties (In Philippine Peso)**	**Terms**	**Conditions**
Head Office								
Reimbursement	**2025**	*a*	**US$24,211**	**P1,394,557**	**US$39,104**	**P2,299,506**	Due and	Unsecured
	2024	*a*	20,207	1,161,535	290,188	16,834,970	demandable	
Interest expense	**2025**	*b*	**620**	**35,693**	**-**	**-**	Due and	Unsecured
	2024	*b*	2356	135,448	2,516	145,947	demandable	
Borrowings	2024	*b*	-	-	42,078	2,441,137	Due and demandable	Unsecured
Contributions	**2025**	*9*	**176,905**	**10,189,889**	**-**	**-**		
	2024	*9*	21,449	1,232,903	-	-		
Under Common Control								
Reimbursement	**2025**	*a*	**1,049**	**60,445**	**22,022**	**1,294,990**	Due and	Unsecured
	2024	*a*	5,097	292,985	8,045	466,716	demandable	
	2025				**US$61,126**	**P3,594,496**		
	2024				US$342,827	P19,888,770		

a. Due to related parties are related to reimbursements for expenses incurred in providing management and technical support to the Branch.

   In 2025, the Branch reclassified the IT related costs payable to BRAC IT Services which was part under "Accounts payable and accrued expenses" account to "Related party and Borrowings from SBI" account amounting to $13,925 or P818,859 to reflect the proper nature of transactions.

In 2025, the Branch applied the funds received from the Head Office which was previously recorded under “Related party and Borrowings from SBI” account to “BRAC contributions from SBI” account amounting to $176,905 or P10,189,889.

b. The Branch received funds from Stichting BRAC International (SBI) - Head Office to support core project and operation costs, as the branch's collection from donors' funded projects, management costs, and other shared costs did not fully cover the core cost for the year.

10. 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 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. As of December 31, 2025 and 2024, total grants received related to the project amounted to US$628,452 or P35.5 million and US$569,808 or P32.1 million, respectively.

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 $647,611. The Branch has received the full amount of these grants as of February 28, 2023. During the year of 2024 the Branch has entered into a Memorandum of Agreement with Head Office to support the Ultra Poor Graduation Initiative programme in the Philippines total grants received as of December 31, 2025 is US$0.29 million or P17.01 million.

On July 28, 2022, the Head 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 19 months beginning August 1, 2023 until February 28, 2025. As of December 31, 2025 and 2024, total grants received related to the project amounted to US$130,000 or 7.4 million and US$53,285 or P3.0 million, respectively.

On November 18, 2022, the Branch entered a contract with BRAC International (Head 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 (2) years and two (2) months ending October 31, 2024. As of December 31, 2025 and 2024, total grants received related to the project amounted to US$280,063 or P16.2 million and US$129,778 or P7.4 million, 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 two (2) years and four (4) months ending on June 30, 2025 with no cost extension granted until August 31, 2026. As of December 31, 2025 and 2024, total grants received related to the project amounted to US$177,650 or P20.0 million and US$134,524.4 or P17.6 million, respectively.

On April 20, 2023, the Branch entered into 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 August 31, 2025. As of December 31, 2025 and 2024, total grants received related to the project amounted to US$100,000 or P5.08 million and US$121,000 or P7.05 million, respectively.

On July 1, 2024, the Branch entered into a sub-grant agreement with BRAC International (Head Office) to implement a drought emergency response project with Askehave Climate Foundation as the originating donor. The total grants received from this project amounted to US$244,381 or P13.8 million the project ended on November 15, 2024. On June 16, 2025, the Branch entered again into a contract with the Head Office for the implementation of the Philippines Flooding Emergency Response primarily to provide emergency assistance to 605 of the most vulnerable families to address immediate needs while laying the groundwork for recovery and resilience-building in the Municipalities of Ampatuan and Datu Saudi Ampatuan, Maguindanao del Sur, Bangsamoro Autonomous Region in Muslim Mindanao (BARMM). The project is originally set to end until December 31, 2025, with a no-cost extension granted until January 31, 2026 with a total grant received at end of 2025 worth US$253,360 or P14.47 million.

As of December 31, 2025 and 2024, deferred grants amounted to US$28,957 or P1.7 million and US$163,126 or P9.5 million, respectively.

Total grants recognized in statements of comprehensive income amounted to US$984,906 or P56.7 million and US$1.3 million or P73.1 million in 2025 and 2024, respectively.

11. Project Expenses

The following are the cost centers of the Branch:

- Ph023-Education - Abot Kaalaman sa Pamilyang Bangsamoro (AKAP)
- Ph024-Ultra Poor Graduation Initiative - BRAC International (UPGI)
- Ph027-Youth Empowerment - Youth and Skills in the Philippines (Signify Foundation)
- Ph028-Humanitarian - Local Emergency Preparedness and Response Project (LEPR) (Bill and Melinda Gates Foundation)
- Ph029-Ultra Poor Graduation - Strengthening the Transition of Vulnerable Communities Affected by the South Commuter Railway (STVC - ADB)
- Ph030-Early Childhood Development -Playlab in the BARMM (UBS Optimus Foundation Singapore Ltd)
- Ph032- Humanitarian- Drought and Flood Emergency Response Project (Askehave Foundation)
- Ph018-Country Office

	2025		2024	
	(In US Dollars, see Note 2)	**(In Philippine Peso)**	(In US Dollars, see Note 2)	(In Philippine Peso)
Education - AKAP				
Project supplies	**US$18,514**	**P1,066,405**	US$48,257	P2,773,878
Salaries and employee benefits	**29,878**	**1,721,008**	35,270	2,027,386
Transportation and travel	**4,184**	**241,027**	22,077	1,269,018
Logistics and management expense	**3,106**	**178,910**	17,325	995,889
Office utilities	**5,875**	**338,414**	5,102	293,259
Rent	**3,334**	**192,028**	3,446	198,101
Interest expense on borrowings from SBI	**375**	**21,593**	1,376	79,097
Training and orientation	**-**	**-**	626	36,006
Outside services	**529**	**30,480**	314	18,035
Taxes and licenses	**-**	**-**	65	3,750
Miscellaneous	**2,146**	**123,589**	-	-
UPGI-BRAC International				
Salaries and employee benefits	**228,334**	**13,152,218**	181,416	10,428,041
Project supplies	**31,456**	**1,811,920**	63,609	3,656,339
Logistics and management expense	**12,367**	**712,370**	36,737	2,111,678
Rent	**16,214**	**933,954**	27,719	1,593,314
Outside services	**30,642**	**1,765,000**	51,504	2,960,525
Transportation and travel	**28,823**	**1,660,219**	12,913	742,238
Office utilities	**1,387**	**79,878**	1,002	57,610
Training and orientation	**2,184**	**125,779**	209	12,000
Miscellaneous	**16,653**	**959,200**	-	-
Youth Empowerment - Signify Foundation				
Salaries and employee benefits	**681**	**39,250**	14,477	832,186
Projects supplies	**3,627**	**208,923**	11,009	632,784
Transportation and travel	**626**	**36,049**	2,052	117,949
Logistics and management expense	**-**	**-**	1,288	74,042
Rent	**-**	**-**	537	30,825
Office utilities	**777**	**44,734**	203	11,655
Humanitarian - LEPR				
Project supplies	**-**	**-**	76,453	4,394,596
Salaries and employee benefits	**-**	**-**	41,518	2,386,507
Rent	**-**	**-**	12,321	708,212
Office supplies	**-**	**-**	6,863	394,469
Transportation and travel	**-**	**-**	4,255	244,562
Outside services	**-**	**-**	1,173	67,452
Training and orientation	**-**	**-**	268	15,354

Forward

	2025		2024	
	(In US Dollars, see Note 2)	**(In Philippine Peso)**	(In US Dollars, see Note 2)	(In Philippine Peso)
UPGI – STVC				
Salaries and employee benefits	**US$9,091**	**P523,670**	US$55,822	P3,208,730
Project supplies/(transfers)	**(7)**	**(415)**	14,153	811,948
Logistics and management expense/(transfers)	**(2,466)**	**(142,050)**	9,670	555,820
Transportation and travel/(transfers)	**(501)**	**(28,832)**	1,707	99,732
Outside services			1,348	77,459
Interest expense on borrowings from SBI	**245**	**14,100**	1,009	58,018
Office utilities	**322**	**18,562**	166	9,516
Rent	**49**	**2,810**	119	6,867
Miscellaneous/(transfers)	**(191)**	**(10,977)**	-	-
ECD – PLAYLAB				
Salaries and employee benefits	**38,921**	**2,241,873**	98,848	5,681,856
Project supplies	**39,540**	**2,277,509**	75,272	4,326,750
Logistics and management expense	**24,876**	**1,432,888**	16,411	943,339
Transportation and travel	**2,216**	**127,641**	11,575	665,349
Office utilities	**6,620**	**381,344**	9,218	529,881
Rent	**9,050**	**521,302**	5,540	318,450
Training and orientation	**-**	**-**	3,320	190,861
Outside services	**-**	**-**	782	44,949
Bank charges		**926**	-	-
Miscellaneous	**23**	**399**	-	-
Humanitarian - ASKEHAVE				
Project supplies	**169,631**	**9,770,859**	190,871	10,967,340
Salaries and employee benefits	**31,663**	**1,823,828**	26,698	1,534,630
Logistics and management expense	**11,126**	**640,888**	11,896	683,770
Outside services	**-**	**-**	5,638	324,078
Transportation and travel	**4,784**	**275,584**	4,089	239,224
Rent	**4,854**	**279,600**	4,094	235,336
Office utilities	**6,261**	**360,656**	2,987	171,755
Training and orientation	**1,449**	**83,464**	865	49,717
Miscellaneous	**381**	**21,923**	-	-

Forward

	2025		2024	
	(In US Dollars, see Note 2)	**(In Philippine Peso)**	(In US Dollars, see Note 2)	(In Philippine Peso)
Country Office				
ERP software and service charge overhead costs	**-**	**-**	43,613	2,506,947
Salaries and employee benefits	**94,683**	**5,453,800**	74,868	4,303,533
Logistics and management expense/(transfers)	**(40,593)**	**(2,338,180)**	(71,934)	(4,134,847)
Transportation and travel	**29,622**	**1,706,272**	25,912	1,489,472
Rent/(transfers)	**9,031**	**520,181**	(8,424)	(484,231)
Office utilities/(transfers)	**8,188**	**471,663**	(1,352)	(77,739)
Project supplies	**751**	**43,247**	699	40,172
Bank charges	**-**	**-**	218	12,506
Taxes and licenses/(transfers)	**164**	**9,435**	(29)	(1,667)
Outside services/(transfers)	**20,465**	**1,178,807**	(53)	(3,019)
Miscellaneous	**17,284**	**995,488**	-	-
	US$939,244	**P54,101,213**	US$1,297,000	P74,553,259

Transfers pertain to the interproject transactions in relation to the actual utilization of the project funds compared to its requested budget from its donors. These transfers have no impact on the totality of the project expenses.

12. Lease Agreements

The Branch entered into the following lease contracts:

1. Since 2024, the Branch primary business address is now at No. 8 San Gregorio Street Barangay Rosary Heights 13,9600, Cotabato City, Philippines. Starting 2025, the Branch availed an office space at WorkHaven Inc. located at 14th Floor, Linden Suites Tower 2, 35 San Miguel Avenue, San Antonio, Pasig City 1605, NCR, Philippines for its Country Office operations. The Branch renewed the service agreement contract commencing from November 1, 2025 to October 31, 2026 with a monthly rental pay of P153,000 or US$2,656.

2. In 2025 and 2024, the Branch entered into two short-term leases for office premises in Cotabato and warehouse storage which are not renewed at the end of the lease period.

The Branch did not recognize right-of-use assets and lease liabilities for the lease.

Prepaid rent pertains to advance payment of rental which is which is expected to be applied or incurred in one year. As discussed in Note 6, the Branch already utilized all the prepaid rent. The Branch only pays in a monthly basis as stated in the lease contracts/ agreements.

Rent expenses recognized in statements of comprehensive income amounted to US$42,532 or P2.4 million and US$45,352 or P2.6 million in 2025 and 2024, respectively.

13. Income Tax

The Branch has no provision for current income tax in 2025 and 2024 since it is in a gross loss and net loss position.

As of December 31, 2025 and 2024, no deferred tax assets were recognized in the statements of assets, liabilities and Head Office account on temporary differences resulting from NOLCO amounting to US$48,336 or P2,720,313 and US$61,672 or P3,398,684, 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, 2025 and 2024, the Branch have incurred NOLCO that 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, 2024	Applications	At January 1, 2025	Additions (Expiration)	**At December 31, 2025**
2022	2025	US$30,146	(US$2,336)	US$27,810	(US$27,810)	**US$ -**
2023	2026	33,862	-	33,862	-	**33,862**
2025	2028	-	-	-	14,504	**14,504**
Total		US$64,008	(US$2,336)	US$61,672	(US$13,306)	**US$48,366**

In Philippine Peso

Year Incurred	Expiry Date	At January 1, 2024	Applications	At January 1, 2025	Additions (Expiration)	**At December 31, 2025**
2022	2025	P1,648,056	(P134,251)	P1,513,805	(P1,513,805)	**P -**
2023	2026	1,884,879	-	1,884,879	-	**1,884,879**
2025	2028	-	-	-	835,434	**835,434**
Total		P3,532,935	(P134,251)	P3,398,684	(P678,371)	**P2,720,313**

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

	2025		2024	
	(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$14,446**	**(P833,223)**	US$ -	P -
At statutory income tax rate	**(US$3,616)**	**(P208,306)**	US$ -	P -
Additions to (reductions in) income taxes resulting from:				
Change in unrecognized deferred tax assets	**3,626**	**208,859**	5	299
Income already subjected to final tax	**(10)**	**(553)**	(5)	(299)
	US$ -	**P -**	US$ -	P -

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, Grant Receivable (Presented as Part of "Receivables"), Refundable Deposits (Presented as Part of "Other Current Assets"), Accounts Payable and Accrued Expenses (Excluding Statutory Payables) and Related Party and Borrowings from SBI.* The carrying values approximate fair values due to the short-term maturity of these financial instruments.

Fair Value Hierarchy
As of December 31, 2025 and 2024, the Branch has no financial instruments measured at fair value.

15. Financial Risk Management Objectives and Policies

The Branch's principal financial instruments comprise 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 cash in bank, grant receivable (presented as part of "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 interface 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.

		December 31, 2025 (In US Dollars, see Note 2**)**			
	Note	**Carrying Amount**	**Contractual Cash Flow**	**Within One Year**	**Over One Year**
Accounts payable and accrued expenses*	*2, 8*	**US$97,479**	**US$97,479**	**US$97,479**	**US$ -**
Related party and Borrowings from SBI	*2, 9*	**61,126**	**61,126**	**61,126**	**-**
		US$158,605	**US$158,605**	**US$158,605**	**US$ -**

**Excluding of statutory payables*

		December 31, 2025 (In Phillipine Peso)			
	Note	**Carrying Amount**	**Contractual Cash Flow**	**Within One Year**	**Over One Year**
Accounts payable and accrued expenses*	*2, 8*	**P5,732,262**	**P5,732,262**	**P5,732,262**	**P -**
Related party and Borrowings from SBI	*2, 9*	**3,594,496**	**3,594,496**	**3,594,496**	**-**
		P9,326,758	**P9,326,758**	**P9,326,758**	**P -**

**Excluding of statutory payables*

		December 31, 2024 (In US Dollars, see Note 2)			
	Note	Carrying Amount	Contractual Cash Flow	Within One Year	Over One Year
Accounts payable and accrued expenses*	*2, 8*	US$173,492	US$173,492	US$173,492	US$ -
Related party and Borrowings from SBI	*2, 9*	342,827	342,827	342,827	-
		US$516,319	US$516,319	US$516,319	US$ -

**Excluding of statutory payables*

		December 31, 2024 (In Philippine Peso)			
	Note	Carrying Amount	Contractual Cash Flow	Within One Year	Over One Year
Accounts payable and accrued expenses*	*2, 8*	P10,065,006	P10,065,006	P10,065,006	P -
Related party and Borrowings from SBI	*2, 9*	19,888,770	19,888,770	19,888,770	-
		P29,953,776	P29,953,776	P29,953,776	P -

**Excluding of statutory payables*

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 the assets as of December 31, 2025 and 2024. The Branch's exposure to an 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 Head Office account:

In US Dollars, see Note 2

	Note	2025	2024
Financial assets at amortized cost:			
Cash in bank	*3 ,4*	**US$90,753**	US$449,154
Grant receivable	*3, 5*	**8,926**	143,419
Refundable deposits	*3, 6*	**5,612**	1,034
		US$105,291	US$593,607

In Philippine Peso

	Note	2025	2024
Financial assets at amortized cost:			
Cash in banks	*3 ,4*	**P5,336,727**	P26,057,203
Grant receivable	*3, 5*	**524,870**	7,930,606
Refundable deposits	*3, 6*	**330,000**	60,000
		P6,191,597	P34,047,809

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 Bank
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 external credit rating agencies to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

Grant Receivable
For grant receivable, 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.

The Branch recognized a provision for impairment of grant receivable amounting to $53,612 or P3.1 million and nil in 2025 and 2024, respectively (see Note 5).