Philippines

BRAC launched its operations in the Philippines in January 2012, setting out to build 3,000 schools in partnership with 11 local organisations, the regional government in the ARMM with support from AusAid and in collaboration with DepEd. We introduced our own school model in the region as a major strategy to upgrade the delivery of basic education in remote and disadvantaged Muslim communities.

What started out in 1972 in a remote village of Bangladesh as a limited relief operation, turned into the largest development organisation in the world. Of major non-governmental organisations, BRAC is one of the few based in the global south.

Today, BRAC is a development success story, spreading solutions born in Bangladesh to 10 other countries around the world – a global leader in creating opportunity for the world's poor. Organising the poor using communities' own human and material resources, it catalyses lasting change, creating an ecosystem in which the poor have the chance to seize control of their own lives. We do this with a holistic development approach geared toward inclusion, using tools like microfinance, education, healthcare, legal services, community empowerment and more.

Our work now touches the lives of an estimated 126 million people across the world, with staff and BRAC-trained entrepreneurs numbering in the hundreds of thousands – a global movement bringing change to 11 countries in Asia, Africa and the Caribbean.

Philippines

2012
Annual Report

CONTENTS

Vision, Mission and Values

Vision

A world free from all forms of exploitation and discrimination where everyone has the opportunity to realise their potential.

Mission

Our mission is to empower people and communities in situations of poverty, illiteracy, disease and social injustice. Our interventions aim to achieve large scale, positive changes through economic and social programmes that enable men and women to realise their potential.

Values

Innovation

For forty years, BRAC has been an innovator in the creation of opportunities for the poor to lift themselves out of poverty. We value creativity in programme design and strive to display global leadership in groundbreaking development initiatives.

Integrity

We value transparency and accountability in all our professional work, with clear policies and procedures, while displaying the utmost level of honesty in our financial dealings. We hold these to be the most essential elements of our work ethic.

Inclusiveness

We are committed to engaging, supporting and recognising the value of all members of the society, regardless of race, religion, gender, nationality, ethnicity, age, physical or mental ability, socioeconomic status and geography.

Effectiveness

We value efficiency and excellence in all our work, constantly challenging ourselves to perform better, to meet and exceed programme targets, and to improve and deepen the impact of our interventions.

Chairperson's Statement

It gives me great pleasure to present the annual report and the audited financial statements for the year ended 31 December 2012.

In January, 2012, we set up our education programme in the Autonomous Region in Muslim Mindanao (ARMM) in the Philippines to implement the Alternative Delivery Model project, a component of the AusAID-funded Basic Education Assistance in Muslim Mindanao.

Rich in natural resources and scenic beauty, Mindanao has a population of 4.1 million. Despite its autonomy, ARMM still depends on the national government for its operating revenue and its five provinces continue to be ranked consistently on the lower rungs of socio-economic development. Students in ARMM schools generally score poorly on the Department of Education's standardised achievement tests in comparison with other provinces. The high drop-out rates and the correspondingly high illiteracy rate have contributed to the region's poor living condition. With the aim of improving the quality of basic education in the region, BRAC introduced its own school model in the Philippines as a major strategy to upgrade the delivery of basic education in remote and disadvantaged communities.

BRAC Philippines' achievements in 2012 were significant despite the challenges associated with operating in a new country. 410 BRAC schools were opened in July 2012, spread all over the provinces of Maguindanao, Lanao del Sur and Tawi-Tawi, with 292 pre-schools and 118 grade 1 classes, serving a total of 11,868 children. We also contracted 11 local NGOs to manage a cluster of BRAC schools primarily in remote villages, small islands and coastal communities where there is no government school.

Looking ahead to the future, we are planning to establish more learning centres in the existing areas and in the island provinces of Sulu and Basilan in 2013. We are targeting to establish at least 3,300 schools during the five-year project, aiming to benefit over 100,000 children in the region.

I would like to take this opportunity to thank our team in the Philippines who have worked diligently under difficult circumstances. I extend my sincere thanks to the members of the governing body, whose leadership and foresight has been of great value. As situation continues to evolve, BRAC will continue to re-evaluate its strategy. I thank the Philippines government and our development partners for their continued support as we strive to create greater value in our services to contribute towards the progress and prosperity of the Philippines.

Sir Fazle Hasan Abed, KCMG
Founder and Chairperson
BRAC & BRAC International

BRAC International
Governance and Management

1. Governance

1.1 The legal status of BRAC International

BRAC International is registered as Stichting BRAC International, a foundation registered under the laws of The Netherlands, with its seat in The Hague. All of BRAC International's development entities operate under this umbrella. Development programmes include health, education, agriculture, livelihoods, targeting the ultra poor, human rights & legal services programmes. BRAC International Holdings B.V. is a wholly owned subsidiary of Stichting BRAC International. BRAC International's microfinance, programme supporting enterprises and finance company are consolidated under this wing. Programme supporting enterprises currently include seed production, feed mill, training centres and tissue culture lab.

BRAC International has introduced programmes in Afghanistan, Haiti, Sri Lanka, Pakistan, Uganda, Tanzania, South Sudan, Sierra Leone, Liberia and Philippines. In each of these countries, BRAC International is legally registered with the relevant authorities.

1.2 Governing Body

BRAC International is governed by a governing body. The governing body is elected from among distinguished individuals with sound reputations in social development, business or the professions who have demonstrated their personal commitment to pro-poor causes. These individuals are elected to the governing body to bring their diverse skills, knowledge and experiences to the governance of BRAC International. At present, there are 10 members on the governing body. The governing body usually meets four times a year, in accordance with the rules of Stichting BRAC International. The composition of the present governing body of Stichting BRAC International is as follows:

Members of the Governing Body

Chairperson	:	Sir Fazle Hasan Abed
Member	:	Dr Mahabub Hossain
		Muhammad A (Rumee) Ali
		Ms Susan Davis
		Ms Sylvia Barren
		Dr Debopriya Bhattacharya
		Ms Shabana Azmi
		Mr Shafiq ul Hassan
		Ms Parveen Mahmud
		Ms Irene Zubaida Khan

The composition of the present Governing body of BRAC International Holdings B.V. is as follows:

Chairperson	:	Sir Fazle Hasan Abed
Member	:	Dr Mahabub Hossain
		Muhammad A (Rumee) Ali
		Ms Susan Davis
		Ms Sylvia Borren
		Orangefield Trust (Netherlands) B.V.

Details about the roles of governing body are available in the Deed of Incorporation of Stichting BRAC International and BRAC International Holdings B.V.

1.3 Local Boards

Each country entities have a local board. We have aimed to pursue microfinance and non-microfinance activities through separate entities in most of our countries. The local board members are appointed by the Stichting BRAC International board. The business of the local entities is managed by these local boards. Further details of the roles of the local board are available in the respective incorporation documents of these entities.

1.4 Accountability and Transparency

The internal audit department normally conducts audits at all our cost centres on a sample basis. All departments or units in which irregularities are detected through the course of normal internal audit are then audited. Audits take place at least once a year and twice or more in locations and on programmes where a closer watch is warranted.

External audit of Stichting BRAC International, BRAC International Holdings B.V. and all of our legal entities are undertaken annually. Financial transparency is ensured by BRAC International's finance and accounts division, which prepares financial statements following the International Financial Reporting Standards (IFRS) and relevant countries' laws.

BRAC International strives for excellence and transparency in financial reporting. In Uganda, BRAC has been recognised as the Best NGO in the Financial Reporting Awards in both 2011 and 2012, for its preparation, disclosure and maintenance of a commendable financial reporting platform.

2. Management

At all levels of BRAC International management, there is a clear-cut policy regarding the authority of each level of staff, and staff are adequately equipped and empowered to act as effective managers. This is clearly set out in BRAC International's Human Resources Policies and Procedures (HRPP) and Table of Authority. The

appropriate staff are empowered to take decisions with respect to all levels and areas of management, including: recruitment, deployment, capacity-building, transfer, leave, financial transactions, purchase and procurement. These are spelled out in detail with respect to staff at the Area, regional and country office levels. The HRPP also contains all policies relating to staff salary, benefits, recruitment and promotion procedures and payments. Every staff member receives orientation on HRPP.

The Stichting board appoints officers, namely the Senior Directors, Group CFO and Director Finance to manage affairs from the secretariat in Dhaka. BRAC International's management policies clearly define the authority of each level of staff. The appropriate staffs are empowered to take decisions at area, regional, country and Head Office levels. Procedural manuals and policy documents are made available to staff; these detail organisational policies and procedures. Day-to-day decisions are taken by area managers, regional coordinators and programme heads as appropriate, while larger policy decisions involve Country Representatives, Senior Directors, Group CFO, Director Finance and, in particular cases, the Executive Director, the Chairperson and the governing body.

2.1 Financial Management

All matters relating to finance and accounts from branch offices to head office are supervised and controlled by the finance and accounts department. The branch offices prepare project wise monthly cash requisitions, which are sent to the area/regional office. The area/regional office checks and monitors the accuracy of the requisition and then sends it to country office. After checking, the Country Office disburses funds as per the requisition. The Area I Branch Offices send monthly Expenditure Statements along with bank statements to the Country Office Finance and Accounts Department. The country office then consolidates all the expenditure statements and prepares monthly financial statements and reports to the BRAC International Head Office and donors, as required. A comprehensive accounting manual and statement of standard operating procedure guides accounts personnel in preparing financial statements and reports following accounting standards, and in running other financial activities in a systematic and efficient way.

In consultation with different level of stakeholders, the country office prepares project-wise budgets, which are then sent to the Head Office. The head office checks the project-budgets of its country offices, which is recommended by the Director Finance and finally approved by the Group CFO. The head office also consolidates and prepares a country budget, prepares budget variances and submits these to the governing body in the quarterly board meetings of BRAC International's Governing Body. The budget is therefore prepared with the participation of programme and finance staff.

Further details can be found within BRAC International's accounts and finance manual.

2.2 Human Resource Management

The Human Resources Department (HRD) in both head office and within each country in which BRAC International operates is chiefly responsible for recruitment, deployment, staff appraisal, and all aspects of Human Resource Management (HRM) from head office. One of the central roles of the HRD is to establish and disseminate a clear-cut policy regarding the authority of each level of staff, in the form of the Human Resources Policies and Procedure (HRPP). The HRPP also contains all policies relating to staff salary, benefits, recruitment and promotion procedures, payments, and a detailed code of conduct etc. Every staff member receives orientation on HRPP.

2.3 Staff training and capacity-building

BRAC International places high priority on the training and capacity-building of staff. To date, there are BRAC Training Centres in Liberia, Uganda and Afghanistan. In other countries BRAC hires training facilities near the areas offices.

After recruitment and before deployment, new staff is sent for orientation training by the training division, in which they are introduced to BRAC International's programmes, its objectives and mission. After this, they are deployed in the respective programme areas in the field. According to the needs of the different programmes, staffs are then given programme specific training. Most programmes also have separate training units within the programme unit, for more specialised training. BRAC International also sends staff on short and longer-term international training courses.

In line with its commitment to investing in its staff, BRAC International is continually seeking to improve its human resource management practices, in order to deliver better services to the poor, in particular women. Recent initiatives include:

- Strengthening communication systems within and beyond the organisation, in part to improve learning mechanisms within BRAC International
- Efforts to address gender relations, anti-bribery and corruption, data protection, child protection, conflicts of interest, and culture within the organisation
- Introducing performance appraisal
- A mentoring programme to support junior staff in their personal and professional development.

Education

With education programmes in seven countries, BRAC has built the largest secular private education system in the world, with more than 38,000 schools giving disadvantaged youth a second chance at learning. Complementing mainstream school systems with innovative teaching methods and materials, BRAC opens primary schools in communities unreached by formal education systems, bringing joyful learning to millions of children, particularly those affected by extreme poverty, violence, displacement or discrimination. At the pre-primary level, we target underprivileged children to prepare them for mainstream primary school entry. At the secondary level, we provide need based trainings, student mentoring initiatives, and e-learning materials to improve the mainstream secondary education system.

Eradicating educational inequality

BRAC established its office in the Philippines in January 2012, in the Autonomous Region in Muslim Mindanao (ARMM) to implement Alternative Delivery Model project, a component of the AusAID-funded Basic Education Assistance in Muslim Mindanao.

The ADM project aims to improve access to education for the thousands of underprivileged children in ARMM, particularly those in remote and conflict-affected communities.

BRAC follows the Philippines' Department of Education's Kindergarten to Grade 12 curriculum for both pre-school and elementary education with support from the ARMM government. The instructional materials are contextualised to suit the socio-cultural character of the learners, e g predominantly Muslims and from a multi-ethnic background.

BRAC partners with local NGOs to establish and operate the BRAC learning centres. In the five-year ADM project, BRAC plans to establish around 3,000 schools reaching over 100,000 children in the region.

A Maranao boy leads the prayer session before the start of their classes at a BRAC school in Marawi city

Teduray learners of BRAC'slearning centre in Sitio Maguno, Barangay Bungcog, Upi town in Maguindanao province

Beyond 2012

In 2013, BRAC will establish approximately 1,000 schools, primarily in communities which have no government schools.

To ensure the effective delivery of education, BRAC will continue the development of localised instructional materials at least in five major languages of the region to ensure the mother tongue-based education for the children.

In the future, BRAC will implement a unified results-based monitoring and evaluation system, provide efficient management support for field operations and undertake continuous capacity building initiatives for partner organisations and the Department of Education.

BRAC also plans to partner with major institutions, such as University of Philippines - Los Banos Foundation, Inc and UP Diliman, to conduct impact evaluation of the education programme as well as a longitudinal research on the cognitive achievement of pupils and performance of teachers in BRAC learning centres.

In the coming years, BRAC plans to introduce more staff development programmes including staff induction, team-building workshops, and study tours to Bangladesh.

2012 Highlights

BRAC entered an agreement with 11 local NGOs to manage BRAC learning centres, primarily in remote barangays, small islands and coastal communities where there is no government school in operation. 410 BRAC learning centres were opened in July 2012, including 292 pre-schools and 118 Grade 1 classes, serving a total of 11,868 children. This year BRAC organised training and study tours for key staff and senior officials from department of education and partner NGOs.

CASE STUDY

A BRAC learning centre in Tandubas municipality in the southern-most island province of Tawi-Tawi

Bringing the light of education in remote Filipino communities

"Even if we never had any schooling, we are now very happy to see the children in our barangay receiving proper education at BRAC school. To us, this is very important for our future and we thank BRAC very much for bringing a school to our *barangay*."

Many *Badjao* girls in Barangay Tandubato of Tandubas municipality in the southern most island province of Tawi Tawi, now enjoy going to school every morning. They look forward to a day full of fun and learning at the school, called 'BRAC learning centre', located alongside the rows of stilt houses in the coastal waters of the fishing village. Every morning at seven, these girls hop on a small banca (boat) and paddle their way to the school about 150 yards from their houses. Tandubato now hosts one of BRAC's 17 schools catering to 480 Badjao children. There are now 47 schools providing education to about 1,038 Badjao children in Tawi-Tawi.

The term *Badjao* is a collective term to describe several closely related indigenous groups in many island provinces in southern Mindanao, particularly Tawi-Tawi, Sulu and Basilan. They are also commonly known as "sea gypsies" who are sea-faring people, living off of subsistence fishing and trading. They belong to one of the most marginalised groups in the Philippines in terms of economic status, and are often denied access to basic services such as, education, health and livelihood development opportunities.

Due to their nomadic nature, *Badjao* children either drop out of schools or do not enroll at all. Socio-cultural factors also highly discourage them to enroll in schools as they are from the families of lower economic background and are discriminated because of their social status. As a result, these children experience inequity and ridicule from their classmates.

In other remote islands in Tawi-Tawi, many *Badjao* families also find it difficult to send their children to schools. With public schools being located in the mainland, sending children to schools for these families would mean incurring additional expenses, such as cost for boat or motorbike rides and food for lunch. Parents also feel insecure about sending their children so far for schools.

The establishment of the BRAC schools in the remote communities of Tandubatu, Tandubas, and Tawi-Tawi provided enormous relief and hope to many parents and children. For them, their world is now filled with many opportunities.

BRAC's learning centre in Barangay Upper Silling, Buluan town, Maguindanao, reaffirmed Alibay's hope in education

BRAC gives hope to a child with special needs

"The provision of a wheelchair to our daughter is a big bonus. This is too much. Our hearts are overflowing with gratitude."

True to its mission of empowering people to realise their potential to the fullest, BRAC in the Philippines, through their local partner, Kapagawida Development Services Association, Inc, provided a wheelchair to a Grade 1 learner (student) who has a congenital mobility impairment.

Seven-year old Alibay, who attends a BRAC learning centre in Barangay Upper Silling, Buluan town, Maguindanao, was born with no legs but the impairment did not hinder her desire to attend class every day.

Despite the condition, Alibay never gave up hope that one day she will be able to go to school like all the other children her age. Her parents, Akmad and Kapisa, are immensely grateful that their daughter can now receive a proper education through the BRAC learning centre.

Rehana Angeles, Alibay's teacher said, "The activity gave a sense of hope not only to Alibay's family, but to all parents. BRAC is sincere in their commitment to creating a discrimination-free environment."

The establishment of a BRAC learning centre in Upper Silling is part of BRAC's Alternative Delivery Model project under the Basic Education Assistance in Muslim Mindanao programme, which is funded by Australian Agency for International Development.

Support Programmes

Administrative and Finance Unit

On 25 January 2012, BRAC was officially registered in the Philippines under the name of Stichting BRAC International, Inc. The office was tasked to manage the implementation of the ADM Project component of AusAID'S BEAM programme, establishing a functional administrative and financial management support unit. The administrative and finance unit covers three major functions – finance, personnel, and procurement and utilities.

This unit managed the recruitment and induction of key staff at BRAC Philippines. Eight Bangladeshi nationals were deployed, complemented by 28 Filipino counterparts. The unit likewise updated the personnel records of all staff to comply with the Philippine labour laws.

Assisted by experts from the head office in Bangladesh, the finance unit established the RADAR software on financial management system within the first three months of operations to be used in the organisation. A procurement committee was likewise organised to ensure that the large procurement requirements of the project, particularly prior to opening of the schools, were in compliance with the BRAC guidelines.

School Operations

The main feature of the Alternative Delivery Model project (ADM) is establishing and operating learning centres (schools) following the BRAC education model. This unit selects and contracts locally-based NGOs and institutions to operate the schools in the identified priority *barangays* (smallest administrative division in the Philippines) following a set of criteria and procedures. The partner NGOs organise and mobilise the community, recruit learners, select and hire teachers (learning facilitators) and programme organisers, establish and maintain the classrooms, and undertake daily management of the school operations. This unit coordinates and monitors the operation of the NGOs, including reporting of progress in their respective schools.

The unit has identified and shortlisted new NGOs that will manage the BRAC schools in the two island provinces Sulu and Basilan. Evaluation and contracting of new partner NGOs will occur by the end of March 2013, with participation from DepED-ARMM.

2012 Highlights

BRAC opened 410 learning centres in July 2012, across Maguindanao, Lanao Sur and Tawi Tawi provinces in the Philippines.

11 NGOs were contracted to establish and operate the schools. The unit supported the NGOs in the construction of 69 new buildings and renovation of 341 existing buildings which are now being used as BRAC schools. School operations involve 493 staffs, hired by NGOs, including 410 learning facilitators, 48 programme officers and 13 project coordinators.

In November 2012, the unit commenced the selection of new communities for year 2 of the ADM project particularly in conflict-prone island provinces of Sulu and Basilan.

Curriculum and Training

BRAC supports the implementation of the new K-12 education programme to improve the education standards in the Philippines. This pilot programme was launched as kindergarten and first grade in 2012. DepEd assists BRAC in the on-going development of instructional materials from kinder to Grade 2.

This unit reviews the national curriculum for pre-school and six-year elementary education and trains the teachers and NGO staff on the curriculum, instructional materials and assessments. It also develops their delivery plans, appropriate instructional materials for both pre-school and elementary education and student assessment tools.

Through a series of workshops, teachers' guide, subject competencies in preschool and Grade-1 were developed in both English and Filipino and delivered to all BRAC schools before the school openings in July. Four story books in different dialects such as Maguindanaon, Teduray, Meranao and Iranun were developed and printed. All 410 learning facilitators (teachers) were given a 10-day foundation training and orientation prior to the class opening.

New initiatives

In preparation for the opening of Grade 2 classes in 2013, the unit mobilised specialists from DepEd-ARMM and DepEd national office to review the standard competencies and support materials for Grade 2 in the national curriculum. The team began the development of teacher's guides, learner's worksheets and student assessment tools. Teachers were trained to administer the Student Readiness Assessment (SReA) test and Early Childhood Care and Development checklist for the pre-school learners.

Project Management, Monitoring and Evaluation

This unit provides overall policy support to the management of the ADM Project and includes the management information system (MIS), monitoring and evaluation (M&E) and project management committee (PMC).

The PMC, chaired by the Assistant Secretary of DepEd- ARMM and co-chaired by the Counselor of AusAID, provides policy guidance on project implementation. The MIS provides vital information for management through the establishment and maintenance of a database. M&E provides objective and evidenced-based information on the progress of project accomplishments as well as documenting the achievement of BRAC learners.

The PMC organised a Research Technical Working Group to assist proposal reviewing, providing feedback and giving comments on how the impact evaluation survey is being managed.

The MIS unit was established with support from experts of Bangladesh and developed software programmes for the collection, storage and retrieval of relevant project-based information.

The M&E system for the ADM project was formulated and linked up with the broader unified results-based M&E for the BEAM programme. The system defines the focus and means of data collection from the various NGOs and helps in the analysis to describe learning achievement of pupils in BRAC learning centres. The BRAC M&E unit covers the progress of the reporting procedures for the NGOs, and field monitoring and documentation of project outcomes and impacts.

New initiatives

The unit entered into a formal agreement with the University of the Philippines at Los Banos to undertake the impact evaluation of the ADM Project in ARMM. Field survey and data gathering for the baseline evaluation commenced from December 2012.

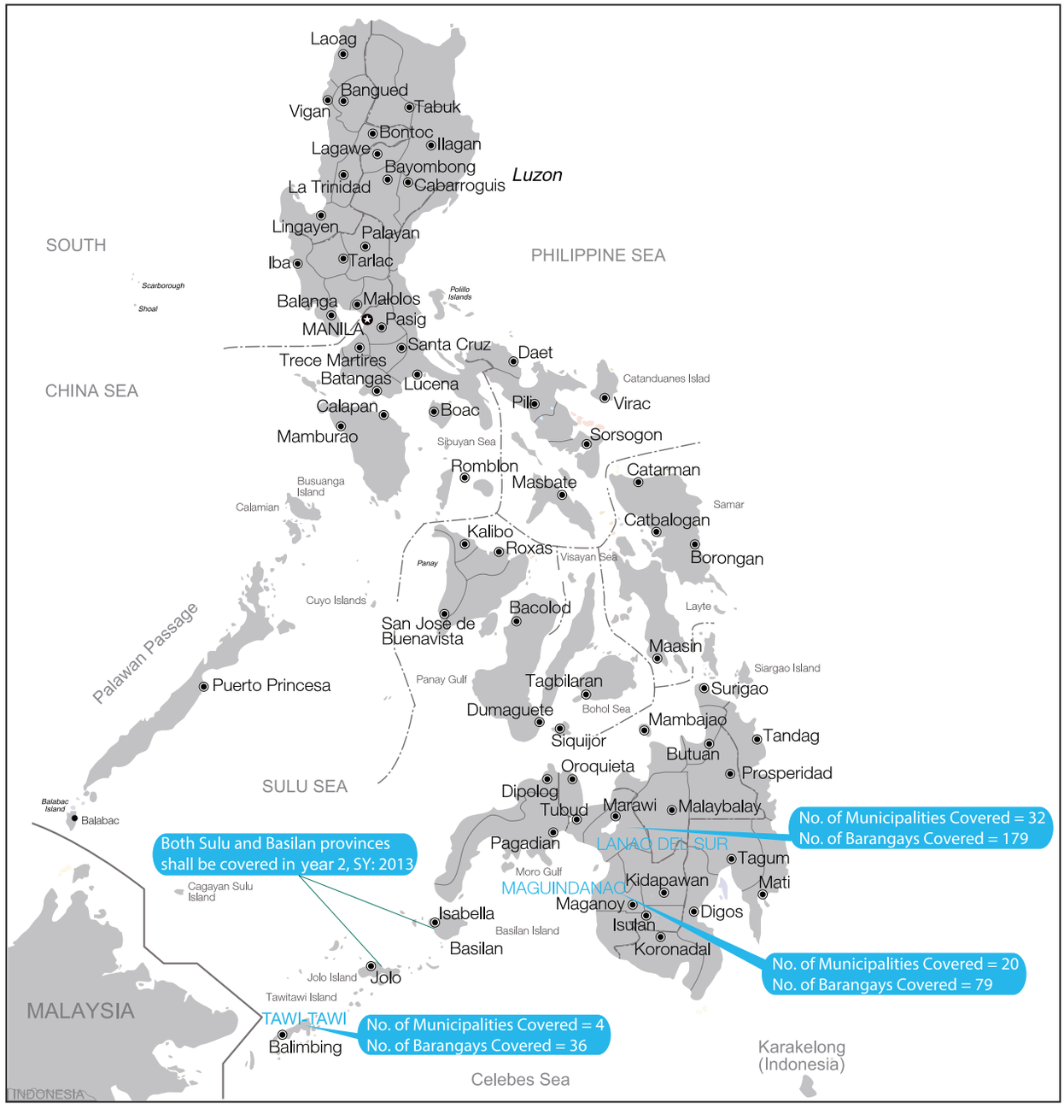
Risk Management

Risk management relates to how BRAC International sets its objectives, then identifies, analyses, and responds to those risks which could potentially impact the organisation's ability to realise its objectives. The concept of managing risk is an integral part of the accountability requirements at all levels in the organisation. An effective risk management system will safeguard BRAC International's interests and ensure the best use of its resources. Recognition of risk management as a central element of good corporate governance, and as a tool to assist in strategic and operational planning, has many potential benefits in the context of the changing operating environment of BRAC International's core business. The internal audit department of BRAC International provided extensive training and workshops on risk management policy to BRAC Philippines staff and facilitated the preparation of risk register for its programmes.

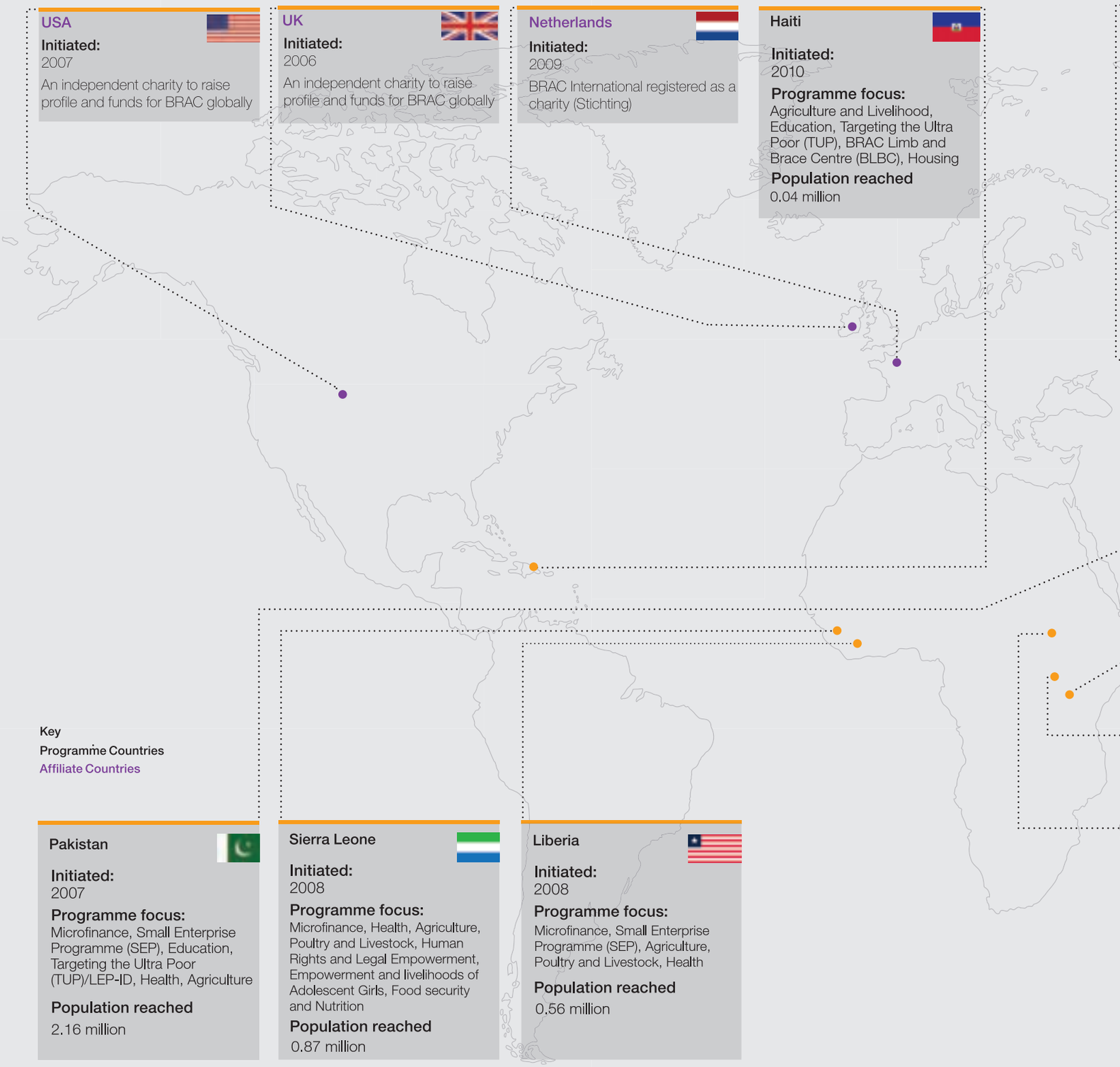
BRAC in Philippines

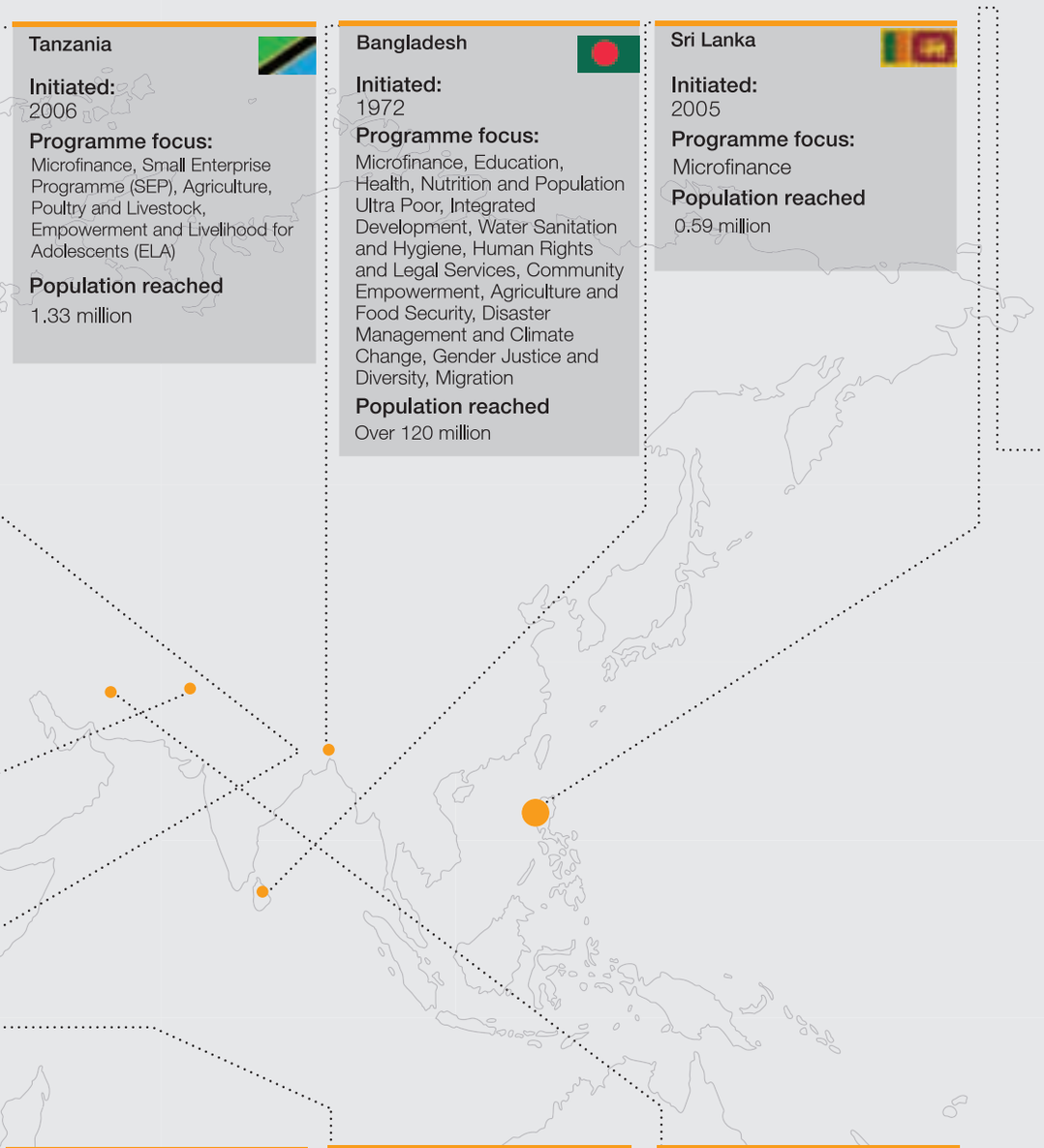
Branch Locations

Education



BRAC across the world





Tanzania

Initiated:
2006

Programme focus:
Microfinance, Small Enterprise Programme (SEP), Agriculture, Poultry and Livestock, Empowerment and Livelihood for Adolescents (ELA)

Population reached
1.33 million

Bangladesh

Initiated:
1972

Programme focus:
Microfinance, Education, Health, Nutrition and Population Ultra Poor, Integrated Development, Water Sanitation and Hygiene, Human Rights and Legal Services, Community Empowerment, Agriculture and Food Security, Disaster Management and Climate Change, Gender Justice and Diversity, Migration

Population reached
Over 120 million

Sri Lanka

Initiated:
2005

Programme focus:
Microfinance

Population reached
0.59 million

South Sudan

Initiated:
2007

Programme focus:
Microfinance, Agriculture, Education, Adolescent Girls Initiative (AGI), Health

Population reached
0.93 million

Uganda

Initiated:
2006

Programme focus:
Microfinance, Small Enterprise Programme (SEP), Education, Health, Agriculture and Food Security, Community Connector, Poultry and Livestock, Empowerment and Livelihood for Adolescents (ELA), Karamoja Initiative

Population reached
4.04 million

Afghanistan

Initiated:
2002

Programme focus:
Microfinance, Small Enterprise Programme (SEP), Education, Adolescents Reading Centres (ARCs), Health, National Solidarity Programme (NSP), Targeting the Ultra Poor (TUP)

Population reached
4.72 million

Philippines

Initiated:
2012

Programme focus:
Education

Population reached:
11,868 learners

292	pre-schools
118	Grade 1 classes
11,868	children are being served

Governance

BRAC Philippines

BOARD MEMBERS

Dr Mahabub Hossain	Chairperson
Faruque Ahmed	Member
S N Kairy	Member
Safiqul Islam	Member

Management

M Nazrul Islam	Country Representative
Ramon Bobier	Project Management Consultant
Bella M Lanestosa	Curriculum Specialist
Muhammed Rezaul Karim	Project Manager
Fatima Mending-Abas	Administrative Officer
Jovelyn O Alferez	Communications Officer
Md Ibrahim Khalil	Curriculum Specialist
Muhammad Nurnobi Talukder	Curriculum Specialist
Mohammad Humayun Kabir	Finance Manager

Development Partners

Australian AID

Stichting BRAC International, Inc.

(Incorporated in Netherlands)

Philippine Branch

(A Nonstock, Nonprofit Organization)

Financial Statements

December 31, 2012

Manabat Sanagustin & Co., CPAs
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226 Metro Manila, Philippines

Branches: Subic . Cebu . Bacolod . Iloilo

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REPORT OF INDEPENDENT AUDITORS

The Management
Stichting BRAC International, Inc. - Philippine Branch

Report on the Financial Statements

We have audited the accompanying financial statements of the Philippine Branch Office of Stichting BRAC International, Inc. (a nonstock, nonprofit organization), which comprise the statement of assets and liabilities as at December 31, 2012, and the statement of receipts and expenses and statement of cash flows for the period from January 25, 2012 (establishment date) to December 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the assets and liabilities of the Philippine Branch Office of Stichting BRAC International, Inc. as at December 31, 2012, and its financial performance and its cash flows for the period from January 25, 2012 (establishment date) to December 31, 2012 in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010 and RR No. 19-2011 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 15 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Manabat Sanagustin & Co., CPAs

March 30, 2013
Makati City, Metro Manila

Stichting BRAC International, Inc.- Philippine Branch

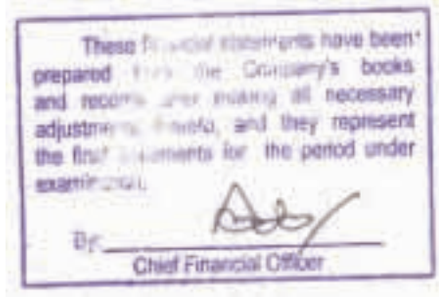
(A Nonstock, Nonprofit Organization)

Statement of Assets And Liabilities

December 31, 2012

	Note	
ASSETS		
Current Assets		
Cash	4, 5	**P448,712,901**
Refundable deposit- current portion	4, 14	**24,000**
Total Current Assets		**448,736,901**
Noncurrent Assets		
Property and equipment- net	6	**9,188,162**
Refundable deposit - net of current portion	4, 14	**160,000**
Total Noncurrent Assets		**9,348,162**
		P458,085,063
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	4, 7	**P416,007**
Deferred grant income - current	8	**325,279,260**
Total Current Liabilities		**325,695,267**
Deferred grant income - net of current portion	8	**132,389,796**
		P458,085,063

See Notes to the Financial Statements.



Stichting BRAC International, Inc.- Philippine Branch

(A Nonstock, Nonprofit Organization)

Statement of Receipts and Expenses

For the period from January 25, 2012 (Establishment date) to December 31, 2012*

	Note	
RECEIPTS		
Grants	9	**P191,372,834**
Interest income	5	**86,133**
		191,458,967
EXPENSES		
PROJECT EXPENSES		
School supplies		**33,242,406**
Partner non-government organizations funding expenses	12	**27,540,897**
Community learning center expenses		**20,137,936**
Training and orientation		**19,920,310**
Learning facilitators allowances		**9,512,280**
Rent expense	14	**9,327,569**
Salaries and employee benefits		**8,527,853**
Transportation and travel		**8,188,718**
Production and development		**7,692,604**
Partner NGOs employee benefits		**6,611,843**
Evaluation activity expenses		**6,655,863**
Office utilities		**2,008,635**
Taxes and licenses		**7,348**
Others	12	**5,101,495**
	12	**164,475,757**
OTHER NONCASH EXPENSES		
Foreign exchange loss		**12,541,771**
Depreciation	6	**621,860**
		13,163,631
OTHER EXPENSES	13	**13,819,579**
		191,458,967
NET EXCESS OF RECEIPTS OVER EXPENSES		**p -**

*The Branch was established and registered with the Philippine Securities and Exchange Commission on January 25, 2012.

See Notes to the Financial Statements.

Stichting BRAC International, Inc.- Philippine Branch

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Statement of Cash Flows

For the period from January 25, 2012 (Establishment date) to December 31, 2012*

	Note	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net excess of receipts over expenses		**p -**
Adjustments for:		
Unrealized foreign exchange loss		**1,064,091**
Depreciation	6	**621,860**
Interest income	5	**(86,133)**
Excess receipts over expenses before working capital changes		**1,599,818**
Increase in:		
Refundable deposits - current portion		**(24,000)**
Refundable deposits - net of current portion		**(160,000)**
Increase in:		
Deferred grant income - current		**325,279,260**
Deferred grant income - net of current portion		**132,389,796**
Accounts payable and accrued expenses		**416,007**
Cash generated from operations		**459,500,881**
Interest received		**86,133**
Net cash provided by operating activities		**459,587,014**
CASH FLOWS FROM AN INVESTING ACTIVITY		
Additions to property and equipment	6	**(9,810,022)**
EFFECTS OF EXCHANGE RATE CHANGES ON CASH		**(1,064,091)**
CASH AT END OF PERIOD	5	**P448,712,901**

*The Branch was established and registered with the Philippine Securities and Exchange Commission on January 25, 2012.

See Notes to the Financial Statements.

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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 to Mindanao as part of the Australian Agency for International Development (AusAID) program. The Branch will implement the "Alternative Delivery Model (ADM) Project" of the Basic Education Assistance for Mindanao in the Autonomous Region in Muslim Mindanao (BEAM-ARMM) to enable communities without public schools or have difficulty in access to basic education services.

The Branch's management and implementation of the ADM for basic education assistance in ARMM follows:

Component 1: Curriculum, Materials and Assessment Development
This component will involve reviewing the Department of Education's (DepED) standard curriculum for both pre-school and the six-year elementary education to develop a mechanism and instructional plan for enhanced delivery, appropriate teaching and learning materials for both pre-school and elementary education and the mechanism and tools to monitor and measure student learning and inform how the program delivery could be improved.

Component 2: Community Learning Center Operations
This component involves the establishment and operation of Community Learning Centers (CLCs) in identified priority barangays (villages). The CLCs will implement the curriculum for both pre-school and elementary education targeting primarily the out-of school children in barangays without schools and in areas with large number of out-of school children.

Component 3: Capacity Building
This Component will develop the capacity of key stakeholders to manage and sustain the implementation of an alternative delivery model for basic education. The key activities under this component include core resource group training in Bangladesh for senior managers of DepED Central and ARMM, trainings and workshops for specialized trainers, curriculum writers, Project Officers and Coordinators, learning facilitators and specialized trainings for educators on curriculum materials development, assessment and instructional supervision.

Component 4: Project Management, Monitoring and Evaluation
This component will include the establishment, staffing and operations of the project management unit and provincial offices. In addition to that, this component will perform the general coordination and supervision of CLCs, monitoring and evaluation, policy support and coordination for scale-up to other regions and to conduct research and impact evaluations and policy advocacies.

As a nonstock, nonprofit organization, organized and operateing exclusively for the above purposes, The Branch is exempt from income tax pursuant to Section 30 of the Tax Reform Act of 1997 (R.A. 8424). However, income derived from its properties, real or personal, or from any of its activities conducted for profit regardless of the disposition made of such income, is subject to tax.

The registered office of the Branch, which is also its principal place of business, ts located at House No. 1 R. Mafiara Street, Rosary Heights 10, Cotabato City.

2. Basis of Preparation

Statement of Compliance
The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

The financial statements as at and for the period from January 25, 2012 (establishment date) to December 31, 2012, were approved and authorized for issuance by the Finance Director on March 30,2013, as designated by the Board of Directors ofthe Head Office of the Branch on the same date.

Basis of Measurement
The Branch's financial statements have been prepared under the historical cost basis of accounting.

Functional and Presentation Currency
The Branch's functional currency is in Philippine peso. However, these financial statements were prepared using in U.S. dollar as the Branch 's presentation currency. All financial information expressed in U.S. dollar has been rounded off to the nearest U.S. dollar, except when otherwise indicated. These financial statements were prepared solely for the use of management.

Stichting BRAC International, Inc.- Philippine Branch

(A Nonstock, Nonprofit Organization)

Notes to Financial Statements

Use of Estimates and Judgments
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, receipts and expenses. However, uncettainty about these judgments, estimates and assumptions could result in outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

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

Judgments
In the process of applying the Branch 's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

Determining Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Branch, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the cost of implementing the project.

Assessing Lease Arrangement
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and arrangement conveys a right to use the asset.

Operating Lease - Branch as Lessee
The Branch has entered into a lease agreement as lessee. The Branch had determined that all significant risks and rewards of ownership of the properties leased from third parties are retained by the lessors under operating lease agreements.

Rent expense charged to statement of receipts and expenses amounted to P9,327,569 for the period from January 25, 2012 (establishment date) to December 31, 2012 (see Note 14).

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

Estimating Useful Lives of Property and Equipment
The Branch estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use or the duration of the project whichever is shorter. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

A reduction in the estimated useful lives of property and equipment would increase depreciation expense and decrease noncurrent assets.

As at December 31 , 2012, the property and equipment, net of depreciation amounted to P9,188,162 (see Note 6).

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied to the period presented in these financial statements, and have been applied consistently by the Branch, except for the changes in accounting policies as explained below.

New and Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted
A number of new and revised standards, amendments to standards and interpretations are effective for annual periods beginning after January 25, 2012, and have not been applied in preparing these financial statements. Except as otherwise indicated, none of these is expected to have a significant effect on the financial statements. Those which may be relevant to the Branch are set out below. The Branch does not plan to adopt these standards early.

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Notes to Financial Statements

To be Adopted on January 1, 2013

- Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7). These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are:
  - offset in the statement of financial position; or
  - subject to enforceable master netting arrangements or similar agreements.

  They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the statement of financial position. These amendments will be effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods and are to be applied retrospectively.

- PFRS 13, Fair Value Measurement. PFRS 13 replaces the fair value measurement guidance contained in individual PFRS with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRSs. It does not introduce new requirements to measure assets or liabilities at fair value nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

  This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted .

- Annual Improvements to PFRS 2009 - 2011 Cycle - various standards contain amendments to five standards with consequential amendments to other standards and interpretations. The amendments are effective for annual periods beginning on or after January 1 , 2013.

To be Adopted on January 1, 2014

- Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32). These amendments clarify that:

  - An entity currently has a legally enforceable right to set-off if that right is:
    - not contingent on a future event; and
    - enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

  - Gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that:
    - eliminate or result in insignificant credit and liquidity risk; and
    - process receivables and payables in a single settlement process or cycle.

  These amendments are effective for annual periods beginning on or after January 1, 2014 and are to be applied retrospectively.

To be Adopted on January 1, 2015

- PFRS 9, Financial Instruments (2010), PFRS 9, Financial Instruments (2009)

  PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of PFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

  PFRS 9 (2010 and 2009) are effective for annual periods beginning on or after January 1, 2015 with early adoption permitted.

  The Branch will assess the impact of the new and revised standards and amendments to standards on the financial statements upon adoption on their respective effective dates.

Financial Instruments

All financial instruments, whether financial assets or financial liabilities, are initially measured at fair value, except for financial assets and financial liabilities valued at fair value through profit or loss (FVPL) in which initial measurement includes transaction costs. The Branch classifies its financial assets into the following categories: held-to maturity (HTM) investments, available-for-sale (AFS) financial assets, FVPL financial assets, and loans and receivables. The Branch classifies its financial liabilities as either FVPL financial liabilities or other financial liabilities.

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Notes to Financial Statements

The classification depends on the purpose for which the financial assets are acquired or the financial liabilities are incurred, and whether the instruments are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Branch has no financial assets FVPL, AFS financial assets and HTM investments as at December 31, 2012.

The Branch recognizes a financial asset or a financial liability in the statement of assets and liabilities when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting. Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability).

Financial instruments are offset when the Branch has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

The measurement of financial instruments at initial recognition and subsequent to initial recognition is described below:

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. Loans and receivables are carried at cost or amortized cost, less impairment in value. Amortization is determined using the effective interest rate method. Gains and losses are recognized in the statement of receipts and expenses when the loans and receivables are derecognized or impaired, as well as through amo1tization process.

The Branch's cash and refundable deposits are included in this category. Cash includes cash on hand and in banks which are stated at face value.

Financial Liabilities

Other Financial Liabilities
This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability.

The Branch's accounts payable and accrued expenses (excluding statutory liabilities to government agencies) and deferred grant income are classified under this category.

Derecognition of Financial Assets and Financial Liabilities

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

- the right to receive cash flows from the asset 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 right 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 an asset and has neither t ransferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Branch's continuing involvement in the 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 or the maximum amount of consideration that the Branch could be required to repay.

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Notes to Financial Statements

Financial Liabilities

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

Offsetting Financial Instruments

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

Impairment of Financial Assets

The Branch assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated .

Assets Carried at Amortized Cost

For assets carried at amortized cost such as loans and receivables, the Branch first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Branch includes the asset as part of a group of financial assets pooled according to their credit risk characteristics and collectively assesses the group for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If a loan or receivable has a variable rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The impairment loss for the period shall be recognized in statement of receipts and expenses. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed . Any subsequent reversal of an impairment loss is recognized in the statement of receipts and expenses, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Property and Equipment

Items of prope11y and equipment are initially measured at cost. After initial recognition, all items of property and equipment are measured at cost less accumulated depreciation, and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Branch, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the statement of receipts and expenses as incurred .

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value, if any. Depreciation is recognized in the statement of receipts and expenses on a straight-line basis over the estimated useful lives of each part of

Stichting BRAC International, Inc.- Philippine Branch

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Notes to Financial Statements

Notes to the financial statements (continued)

an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful life of each item of property and equipment is as follows:

	Number of Years
Office furniture and equipment	3- 5
Transportation equipment	5

If there is an indication that there has been a significant change in the depreciation method, useful life or residual value of an asset, the depreciation of that asset is reviewed and adjusted prospectively if appropriate.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized on a net basis in the statement of receipts and expenses.

Impairment of Non-financial Assets

The carrying amounts of the Branch's nonfinancial assets such as property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated.

An impairment loss is recognized in the statement of receipts and expenses whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. The recoverable amount of a non-financial asset is the greater ofthe asset's fair value less costs to sell and its value in use.

The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction. Value in use is the present value of the estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of the useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Reversals of impairment are recognized in the statement of receipts and expenses.

Receipts Recognition

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

Interest Income

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

Expense Recognition

Expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Expenses are recognized when they are incurred.

Operating Lease

Leases which do not transfer to the Branch substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of receipts and expenses on a straight-line basis over the lease term unless other systematic basis is more representative of the time pattern of the Branch's benefit.

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Notes to Financial Statements

Notes to the financial statements (continued)

Foreign Currency Transactions

Transactions denominated in foreign currencies are recorded in Philippine peso using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated in Philippine peso using the exchange rate prevailing at the reporting date.

Exchange rate differences arising from the settlement of monetary items at rates different from those at which they were initially recorded and translated at reporting date are recognized in the statement of receipts and expenses in the period in which they arise.

Related Parties

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

Related parties may be individuals or corporate entities. Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

Provisions and Contingencies

Provisions are recognized when the Branch has a legal or constructive obligation as a result of a past events, it is probable that an outflow of economic benefits will be required to settle the obligation and reliable estimate of the amount can be made.

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

Events After the Reporting Date

Post year-end event after the reporting date that provides additional information about the Branch's statement of assets and liabilities at reporting date (adjusting event) is reflected in the financial statements. Post year-end event after the reporting date that is not an adjusting event is disclosed in the notes to the financial statements when material.

4. Financial Risk Management

Objectives and Policies

The Branch has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Branch's exposure to each of the above risks, the Branch's objectives, policies and processes for measuring and managing such risks, and the Branch's management of capital. Further quantitative disclosures are included throughout the notes to the financial statements.

The main purpose of the Branch's dealings in financial instruments is to fund its operations and capital expenditures.

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. All risks faced by the Branch are incorporated in the annual operating budget.

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

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Notes to Financial Statements

Notes to the financial statements (continued)

The Branch, through its training on 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 Country Representative perform oversight over financial management functions, specifically in the areas of managing credit, liquidity, market and other risks of the Branch. The Country Representative directly interfaces with the internal audit function, which undertakes reviews of risk management controls and procedures and ensures the integrity of intemal control activities which affect the financial management system of the Branch.

Credit Risk
The results of procedures performed by the Country Representative are reported to the Audit Committee. The Country Representative reviews and institutes policies for managing each of the risks and they are summarized below:

The maximum exposure to credit risk for the Branch's financial assets as at December 31, 2012 is presented below:

	Note	
Cash in banks	5	P448,233,131
Refundable deposits	14	184,000
		P448,417,131

Below is the classification of the Branch's financial assets that are neither past-due nor impaired:

	High Grade	Standard Grade	Total
Cash in banks	P448,233,131	p -	P448,233,131
Refundable deposits	184,000	-	184,000
	P448,417,131	p -	P448,417,131

The credit qualities of financial assets were determined as follows:

- Cash in banks are considered high grade as these pertains to deposits in reputable banks.
- Refundable deposits are considered high grade as these pertain to deposits that are covered by the lease agreements.

The Branch's policy is to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. There is no significant concentration of credit risk within the Branch for the period ended December 31, 2012.

Liquidity Risk
Liquidity risk is the risk that the Branch will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements.

Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

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Notes to Financial Statements

Notes to the financial statements (continued)

The following are the contractual maturities of financial liabilities:

	As at December 31, 2012				
	Carrying Amount	**Contractual Cash Flow**	**6 Months or Less**	**6- 12 Months**	**Over 1 Year**
Accounts payable and accrued expenses*	**P240,319**	**P240,319**	**P231,439**	**p -**	**P8,880**

*Excluding any statutory liabilities to government agencies

Market Risk

Market risk is the risk that changes in foreign exchange rates which affect the Branch's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Foreign Currency Risk

The Branch is exposed to foreign currency risk on monetary assets held in currencies other than the Philippine peso, the Branch ensures that its exposure is kept to an acceptable level by maintaining regular savings deposits in US dollar and Australian dollar, and buying foreign currencies at spot rates where necessary to address short term imbalances.

The Branch's exposures to foreign currency risk based on notional amounts as at December 3 I, 2012 follows:

	USD	**AUD**
Cash	**10,636,859**	**136**

The Branch's foreign currency-denominated asset as at December 31, 2012 follows:

Currency	**Current Assets**	**Exchange Rate**	**PHP Equivalent**
2012			
USD	**10,636,859**	**41.19**	**P438,132,222**
AUD	**136**	**42.67**	**5,803**
			P438,138,005

Foreign exchange loss recognized in statement of receipts and expenses amounted to P12.5 million for the period ended December 31, 2012.

Sensitivity Analysis

A 6% strengthening of the Philippine peso against USD and AUDas at December 31, 2012 will increase receipts and expenses by P26.3 million.

A 6% weakening of the Philippine peso against the above currencies as at December 31, 2012 will have the equal but opposite effect, on the basis that all other variables remain constant.

Stichting BRAC International, Inc.- Philippine Branch

(A Nonstock, Nonprofit Organization)

Notes to Financial Statements

Notes to the financial statements (continued)

	Note	
5. Cash		
This account consists of:		
Cash on hand		**P479,770**
Cash in banks	**4**	**448,233,131**
		P448,712,901

Cash in banks earns annual interest at the respective bank deposit rates.

Interest income earned for cash in banks for the period from January 25, 2012 (establishment date) to December 31, 2012 amounted to P86,133.

6. Property and Equipment

The movements and balances of this account consist of:

	Office Furniture and Equipment	Transportation Equipment	Total
Gross carrying amount:			
January 25, 2012	p -	p -	p -
Additions	2,837,722	6,972,300	9,810,022
Disposals	-	-	-
December 31,2012	**2,837,722**	**6,972,300**	**9,810,022**
Accumulated depreciation:			
January 25, 2012	-	-	-
Provisions	161 ,307	460,553	621,860
Disposals	-	-	-
December 31, 2012	**161,307**	**460,553**	**621,860**
Carrying amount as at December 31, 2012	**P2,676,415**	**P6,511,747**	**P9,188,162**

Depreciation for the period from January 25, 2012 (establishment date) to December 31, 2012 amounted to P621 ,860.

7. Accounts Payable and Accrued Expenses

This account consists of:

Accounts payable	**P231,439**
Withholding tax payable	**96,140**
Payroll-related payable	**79,548**
Accrued expenses	**8,880**
	P416,007

Stichting BRAC International, Inc.- Philippine Branch

(A Nonstock, Nonprofit Organization)

Notes to Financial Statements

Notes to the financial statements (continued)

	Note	Current	Noncurrent	Total
8. Deferred Grant Income				
This account consists of:				
Property and equipment	6	**P2,016,791**	**P7,171,371**	**P9,188,162**
Grant received in advance		**323,262,469**	**125,218,425**	**448,480,894**
		P325,279,260	**P132,389,796**	**P457,669,056**

The Grant received in advance pertains to the remaining balance of the received grant tranches which has not yet been utilized in the implementation of the ADM project.

9. Grants

A Grant Agreement between the Commonwealth of Australia, represented by the AusAID and Stichting BRAC International, Inc. was made on February 3, 2012 for undertaking the ADM project for the Basic Education Assistance for Mindanao in the Autonomous Region in Muslim Mindanao (BEAM-ARMM). The Grant Agreement is effective up to June 30, 2015.

In accordance with the provision of the Grant Agreement, the Branch will receive from the AusAID a grant up to maximum of AUD30,500,000 for the management and implementation of the ADM project which will be given in four (4) tranches as follows:

- the first tranche amounting to AUD7,000,000 will be given within thirty (30) days of the date of the agreement;
- the second tranche amounting to AUD7,700,000 will be given in August 2012;
- the third tranche amounting to AUD9,000,000 will be given in August 2013; and
- the fourth and final tranche amounting to AUD6,800,000 will be given in August 2014.

The schedule of tranches is subject to terms and conditions as stipulated in the Grant Agreement.

10. Related Party Transactions

In the implementation of the ADM project, the Branch has transactions with its related parties. These transactions and account balances as at December 31, 2012 follows:

			Outstanding Balance			
Category/ Transaction	**Note**	**Amount of the Transaction**	**Due from Related Parties**	**Due to Related Parties**	**Terms**	**Conditions**
Parent						
• Technical support	**13**	**P10,563,087**	**p -**	**p -**	**30 days; non-interest bearing**	**Unsecured**
Key Management Personnel of the Branch						
• Short term employee benefits		**4,627,463**	**-**	**-**	**Every 15th and end of the month**	**Unsecured**
			p -	**p -**		

Compensation and other short-term benefits of key management personnel amounted to P4,627,563 for the period from January 25, 2012 (establishment date) to December 31, 2012.

The Branch has settled all of its related party obligations hence have no outstanding balance of as at December 31,2012.

Stichting BRAC International, Inc.- Philippine Branch

(A Nonstock, Nonprofit Organization)

Notes to Financial Statements

Notes to the financial statements (continued)

11. Partnerships with Local Non Government Organizations (NGOs)

The Branch entered into various agreements with local Non Government Organizations (NGOs). As provided under the terms of the agreement, the Partners will manage the operations of the community learning centers in their designated provinces in ARMM.

As at December 3 I, 2012, the Branch has eleven (II) duly recognized local NGOs for the implementation and management of the ADM project. The Branch and local NGO's are currently managing twelve (12) and three hundred ninety eight (398) community learning centers, respectively, as at December 31, 2012.

12. Project Expenses

Project expenses per cost component for the period from January 25, 2012 (establishment date) to December 31, 2012 are presented below:

Description	Total
Component I: Curriculum, Materials and Assessment Development	**P7,692,604**
Component 2: Community Learning Center Operations	**95,764,519**
Component 3: Capacity Building	**11,954,282**
Component 4: Project Management, Monitoring and Evaluation	**21,523,455**
	136,934,860
Partner non-government organizations funding expenses	**27,540,897**
	P164,475,757

The Branch disburses funds to its local partner NGOs on a quarterly basis for the implementation and management of their operations in their designated areas and provinces. The Partners NGOs will then liquidate the funds received for the expenses incurred in accordance with the agreement. As at December 31, 2012, the disbursed fund to the Par1ner NGOs which was not yet liquidated amounted to P27,540,897.

The Branch disbursed funds to local partner NGOs balance are as follows:

Community and Family Services International	**P10,553,367**
Maranao People Development Center, Inc.	**5,709,790**
Notre Dame University	**2,126,073**
Lanao Young Educators Civic Alliance for Progress, Inc.	**1,802,158**
Kalimudan Sa Ranao Foundation, Inc.	**1,666,078**
Kapagawida Development Services Association, Inc.	**1,180,457**
Integrated Learning for Moslems and Highlanders Foundation	**1,062,097**
Mahardika Institute ofTechnology, Inc.	**1,048,755**
Social Services for Grassroots Community Development, Inc.	**886,153**
Muslim Upliftment Foundation ofTawi-Tawi, Inc.	**783,112**
Tapukan Farmers Multi-Purpose Cooperative	**722,857**
	P27,540,897

The teachers and classroom supplies still undelivered and awaiting distribution to Basilan and Tawi-Tawi province amounted to P17,474,304 as at December 31, 2012.

Stichting BRAC International, Inc.- Philippine Branch

(A Nonstock, Nonprofit Organization)

Notes to Financial Statements

Notes to the financial statements (continued)

Other project expenses during the period include:

Service charge overhead costs	**P3,435,040**
Provincial office administrative expenses	**1,614,869**
Insurance	**51,586**
	P5,101,495

Service charge overhead costs are general and administrative expenses incurred by the Partner NGOs.

13. Other Expenses

This account consists of:

Technical support	**P10,563,087**
Security measurement management	**618,822**
Training expense	**469,816**
Support services	**424,580**
Utilities	**406,518**
Transportation and travel	**393,887**
Outside services	**375,200**
Others	**567,669**
	P13,819,579

Technical support pertains to reimbursements of BRAC Headquarters for expenses incurred in providing administration and financial management systems to the Branch. It also entails sending support personnel for the efficient and effective management and implementation of the ADM project in accordance with the provision of the Grant Agreement.

14. Lease Commitments

On March 5, 2012, the Branch entered into a lease agreement for a parcel of land located at No. 1 R. Mafiara Street, Rosary Heights 10, Cotabato City with two (2) residential buildings, two (2) stories as well as an annex one room office and a guard house, with concrete perimeter fence. The lease was agreed for a fixed period of three (3) years beginning March 1, 2012 to February 28, 2015 renewable thereafter upon mutual agreement of both parties.

In addition, the Branch has also entered into a one (1) year non-renewable lease contract commencing in June 2012 for a two-story apartment at Childrant Village, Iligan City.

Refundable deposit as at December 31,2012 amounted to Pl84,000. The future rental payables for these lease agreements are as follows:

Within one year	**P1,020,000**
After one year but not more the five years	**1,120,000**
	P2,140,000

Rent expense amounted to P9,327,569 for the period from January 25, 2012 (establishment date) to December 31, 2012.

Stichting BRAC International, Inc.- Philippine Branch

(A Nonstock, Nonprofit Organization)

Notes to Financial Statements

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

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the notes to financial statements which were prepared in accordance with PFRSs. The following is the tax information required for the taxable year ended December 31 , 2012:

I. Based on Revenue Regulations (RR) No. 19-2011

For the period ended December 31, 2012, the Branch does not have any taxable income and deductions with respect to the donations received and expenses incurred under the exemption provided by Section 30 (e) of the National Internal Revenue Code.

II. Based on RR No. 15-2010

The Branch reported and/or paid the following types of taxes in 2012:

A. Withholding Taxes

Tax on compensation and benefits	**P142,610**
Final withholding taxes	**31,500**
	P174,110

B. All Other Taxes (Local and National)

Other taxes paid during the year recognized under	
"Taxes and licenses" account under Project Expenses	
Licenses and permits	**P7,348**

C. Deficiency Tax Assessments

As at December 31 , 2012, the Branch has no deficiency tax assessment.

D. Tax Cases

As at December 31, 2012, the Branch has no pending tax court cases nor has received tax assessment notices from the BIR.

The Branch is a non-VAT registered entity not engaged in the sale of goods or service. All of its receipts excluding interest income from banks are coming from grants which were not charged with output VAT. The input tax incurred in all of its costs and expenses were charged to statement of receipts and expenses.

Information on the custom duties and tariff fees, excise taxes and documentary stamp taxes are not applicable since no transactions that the Branch would be subject to these taxes.

Stichting BRAC International, Inc.

(Incorporated in Netherlands)

Philippine Branch

(A Nonstock, Nonprofit Organization)

Financial Statements

December 31, 2012

(Supplementary Information, in U.S. Dollars)

Manabat Sanagustin & Co., CPAs
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March 30, 2013

Stichting BRAC International, Inc. - Philippine Branch
No. 1 R. Mafiara Street
Rosary Heights 10
Cotabato City

Attention: Mr. Tanwir Rahman, Finance Director

Gentlemen

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Philippine Branch Office of Stichting BRAC International, Inc. (a nonstock, nonprofit organization) as at and for the period from January 25, 2012 (establishment date) to December 31, 2012, and have issued our report thereon dated March 30, 2013. Such financial statements have been presented in Philippine peso, being the Branch's functional currency.

In reference to your request, we are pleased to submit the accompanying financial statements containing supplementary information using the U.S. dollars as the measurement currency.

Please note that the said financial statements are intended solely as supplementary information and for the use of the Board of Directors of the Head Office of the Branch and Management of the Philippine Branch Office of Stichting BRAC International, Inc. and are not intended to be and should not be used by anyone other than these specified parties.

Yours very truly,

Arthur Z. Machacon
Partner

Stichting BRAC International, Inc.- Philippine Branch

(A Nonstock, Nonprofit Organization)

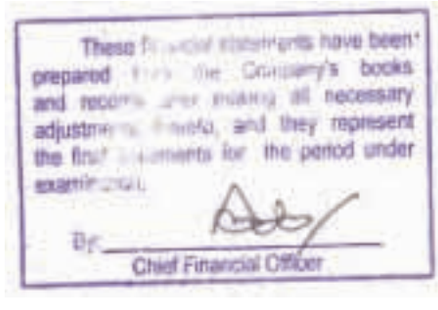
Statement of Assets and Liabilities

December 31, 2012

(Expressed in U.S. Dollars)

	Note	
ASSETS		
Current Assets		
Cash	4, 5	**$10,893,734**
Refundable deposit - current portion	4, 14	**583**
Total Current Assets		**10,894,317**
Noncurrent Assets		
Property and equipment - net	6	**223,068**
Refundable deposit- net of current portion	4, 14	**3,884**
Total Noncurrent Assets		**226,952**
		$11,121,269
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	4, 7	**$10,100**
Deferred grant income - current	8	**7,897,044**
Total Current Liabilities		**7,907,144**
Deferred grant income - net of current portion	8	**3,214,125**
		$11,121,269

See Notes to the Financial Statemenis.



Stichting BRAC International, Inc.- Philippine Branch

(A Nonstock, Nonprofit Organization)

Statement of Receipts and Expenses

For the period from January 25, 2012 (Establishment Date) to December 31, 2012*

(Expressed in U.S. Dollars)

	Note	
RECEIPTS		
Grants	9	**$4,646,100**
Interest income	5	**2,042**
		4,648,142
EXPENSES		
PROJECT EXPENSES		
School supplies		**788,178**
Partner non-government organizations funding expenses		**652,995**
Community learning center expenses		**477,470**
Training and orientation		**472,311**
Learning facilitators allowances		**225,537**
Rent expense	14	**221,157**
Salaries and employee benefits		**202,195**
Transportation and travel		**194,154**
Production and development		**182,392**
Partner NGOs employee benefits		**156,767**
Evaluation activity expenses		**157,811**
Office utilities		**47,625**
Taxes and licenses		**174**
Others	12	**120,956**
	12	**3,899,722**
OTHER NONCASH EXPENSES		
Foreign exchange loss		**272,135**
Depreciation	6	**14,744**
		286,879
OTHER EXPENSES	13	**327,662**
TRANSLATION ADJUSTMENT LOSS		**133,879**
		4,648,142
NET EXCESS OF RECEIPTS OVER EXPENSES		**$ -**

*The Branch was established and registered with the Philippine Securities and Exchange Commission on January 25, 2012.

See Notes to the Financial Statements.

Stichting BRAC International, Inc.- Philippine Branch

(A Nonstock, Nonprofit Organization)

Statement of Cash Flows

For the period from January 25, 2012 (Establishment Date) to December 31, 2012*

(Expressed in U.S. Dollars)

	Note	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net excess of receipts over expenses		**$ -**
Adjustments for:		
Depreciation	6	**14,744**
Interest income	5	**(2,042)**
Excess receipts over expenses before working capital		**12,702**
Increase in:		
Refundable deposits - current portion		**(583)**
Refundable deposits - net of current portion		**(3,884)**
Increase in:		
Deferred grant income - current		**7,897,044**
Deferred grant income - net of current portion		**3,214,125**
Accounts payable and accrued expenses		**10,100**
Cash generated from operations		**11,129,504**
Interest received		**2,042**
Net cash provided by operating activities		**11,131,546**
CASH FLOWS FROM AN INVESTING		
Additions to property and equipment	6	**(237,812)**
CASH AT END OF PERIOD	5	**$10,893,734**

*The Branch was established and registered with the Philippine Securities and Exchange Commission on January 25, 2012.

See Notes to the Financial Statements.

Stichting BRAC International, Inc.- Philippine Branch

(A Nonstock, Nonprofit Organization)

Notes to Financial Statements

(Supplementary Information, in U.S. Dollars)

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 to Mindanao as part of the Australian Agency for International Development (AusAID) program. The Branch will implement the "Alternative Delivery Model (ADM) Project" of the Basic Education Assistance for Mindanao in the Autonomous Region in Muslim Mindanao (BEAM-ARMM) to enable communities without public schools or have difficulty in access to basic education services.

The Branch's management and implementation of the ADM for basic education assistance in ARMM follows:

Component 1: Curriculum, Materials and Assessment Development
This component will involve reviewing the Department of Education's (DepED) standard curriculum for both pre-school and the six-year elementary education to develop a mechanism and instructional plan for enhanced delivery, appropriate teaching and learning materials for both pre-school and elementary education and the mechanism and tools to monitor and measure student learning and inform how the program delivery could be improved.

Component 2: Community Learning Center Operations
This component involves the establishment and operation of Community Learning Centers (CLCs) in identified priority barangays (villages). The CLCs will implement the curriculum for both pre-school and elementary education targeting primarily the out-of school children in barangays without schools and in areas with large number of out-of school children.

Component 3: Capacity Building
This Component will develop the capacity of key stakeholders to manage and sustain the implementation of an alternative delivery model for basic education. The key activities under this component include core resource group training in Bangladesh for senior managers of DepED Central and ARMM, trainings and workshops for specialized trainers, curriculum writers, Project Officers and Coordinators, learning facilitators and specialized trainings for educators on curriculum materials development, assessment and instructional supervision.

Component 4: Project Management, Monitoring and Evaluation
This component will include the establishment, staffing and operations of the project management unit and provincial offices. In addition to that, this component will perform the general coordination and supervision of CLCs, monitoring and evaluation, policy support and coordination for scale-up to other regions and to conduct research and impact evaluations and policy advocacies.

As a nonstock, nonprofit organization, organized and operateing exclusively for the above purposes, The Branch is exempt from income tax pursuant to Section 30 of the Tax Reform Act of 1997 (R.A. 8424). However, income derived from its properties, real or personal, or from any of its activities conducted for profit regardless of the disposition made of such income, is subject to tax.

The registered office of the Branch, which is also its principal place of business, ts located at House No. 1 R. Mafiara Street, Rosary Heights 10, Cotabato City.

2. Basis of Preparation

Statement of Compliance
The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

The financial statements as at and for the period from January 25, 2012 (establishment date) to December 31, 2012, were approved and authorized for issuance by the Finance Director on March 30,2013, as designated by the Board of Directors ofthe Head Office of the Branch on the same date.

Basis of Measurement
The Branch's financial statements have been prepared under the historical cost basis of accounting.

Functional and Presentation Currency
The Branch's functional currency is in Philippine peso. However, these financial statements were prepared using in U.S. dollar as the Branch 's presentation currency. All financial information expressed in U.S. dollar has been rounded off to the nearest U.S. dollar, except when otherwise indicated. These financial statements were prepared solely for the use of management.

Stichting BRAC International, Inc.- Philippine Branch

(A Nonstock, Nonprofit Organization)

Notes to Financial Statements

(Supplementary Information, in U.S. Dollars)

Notes to financial statements (continued)

Use of Estimates and Judgments

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, receipts and expenses. However, uncettainty about these judgments, estimates and assumptions could result in outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

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

Judgments

In the process of applying the Branch 's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Branch, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the cost of implementing the project.

Assessing Lease Arrangement

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and arrangement conveys a right to use the asset.

Operating Lease - Branch as Lessee

The Branch has entered into a lease agreement as lessee. The Branch had determined that all significant risks and rewards of ownership of the properties leased from third parties are retained by the lessors under operating lease agreements.

Rent expense charged to statement of receipts and expenses amounted to $221,157 for the period from January 25, 2012 (establishment date) to December 31, 2012 (see Note 14).

Estimates and Assumptions

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

Estimating Useful Lives of Property and Equipment

The Branch estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use or the duration of the project whichever is shorter. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

A reduction in the estimated useful lives of property and equipment would increase depreciation expense and decrease noncurrent assets.

As at December 31, 2012, the property and equipment, net of depreciation amounted to $223,068 (see Note 6).

Stichting BRAC International, Inc.- Philippine Branch

(A Nonstock, Nonprofit Organization)

Notes to Financial Statements

(Supplementary Information, in U.S. Dollars)

Notes to financial statements (continued)

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied to the period presented in these financial statements, and have been applied consistently by the Branch, except for the changes in accounting policies as explained below.

New and Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted
A number of new and revised standards, amendments to standards and interpretations are effective for annual periods beginning after January 25, 2012, and have not been applied in preparing these financial statements. Except as otherwise indicated, none of these is expected to have a significant effect on the financial statements. Those which may be relevant to the Branch are set out below. The Branch does not plan to adopt these standards early.

To be Adopted on January 1, 20I3

- Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7). These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are:

  - offset in the statement of financial position; or
  - subject to enforceable master netting arrangements or similar agreements.

  They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the statement of financial position. These amendments will be effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods and are to be applied retrospectively.

- PFRS 13, Fair Value Measurement. PFRS 13 replaces the fair value measurement guidance contained in individual PFRS with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRSs. It does not introduce new requirements to measure assets or liabilities at fair value nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

  This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

- Annual Improvements to PFRS 2009 - 20II Cycle - various standards contain amendments to five standards with consequential amendments to other standards and interpretations. The amendments are effective for annual periods beginning on or after January 1, 2013.

To be Adopted on January 1, 2014

- Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32). These amendments clarity that:

  - An entity currently has a legally enforceable right to set-off if that right is:
    - not contingent on a future event; and
    - enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.
  - Gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that:
    - eliminate or result in insignificant credit and liquidity risk; and
    - process receivables and payables in a single settlement process or cycle.

These amendments are effective for annual periods beginning on or after January I, 2014 and are to be applied retrospectively.

To be Adopted on January I, 2015

- PFRS 9, Financial Instruments (2010), PFRS 9, Financial Instruments (2009)

PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of PFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

Stichting BRAC International, Inc.- Philippine Branch

(A Nonstock, Nonprofit Organization)

Notes to Financial Statements

(Supplementary Information, in U.S. Dollars)

Notes to financial statements (continued)

PFRS 9 (201 0 and 2009) are effective for annual periods beginning on or after January 1, 2015 with early adoption permitted.

The Branch will assess the impact of the new and revised standards and amendments to standards on the financial statements upon adoption on their respective effective dates.

Financial Instruments

All financial instruments, whether financial assets or financial liabilities, are initially measured at fair value, except for financial assets and financial liabilities valued at fair value through profit or loss (FVPL) in which initial measurement includes transaction costs. The Branch classifies its financial assets into the following categories: held-to maturity (HTM) investments, available-for-sale (AFS) financial assets, FVPL financial assets, and loans and receivables. The Branch classifies its financial liabilities as either FVPL financial liabilities or other financial liabilities.

The classification depends on the purpose for which the financial assets are acquired or the financial liabilities are incurred, and whether the instruments are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Branch has no financial assets FVPL, AFS financial assets and HTM investments as at December 31, 2012.

The Branch recognizes a financial asset or a financial liability in the statement of assets and liabilities when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting. Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability).

Financial instruments are offset when the Branch has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

The measurement of financial instruments at initial recognition and subsequent to initial recognition is described below:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. Loans and receivables are carried at cost or amortized cost, less impairment in value. Amortization is determined using the effective interest rate method. Gains and losses are recognized in the statement of receipts and expenses when the loans and receivables are derecognized or impaired, as well as through amortization process.

The Branch's cash and refundable deposits are included in this category.

Cash includes cash on hand and in banks which are stated at face value.

Financial Liabilities

Other Financial Liabilities

This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are canied at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability.

The Branch's accounts payable and accrued expenses (excluding statutory liabilities to government agencies) and deferred grant income are classified under this category.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of the Branch of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset 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

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- the Branch has transferred its right 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 an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Branch's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original canying amount of the asset or the maximum amount of consideration that the Branch could be required to repay.

Financial Liabilities

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

Offsetting Financial Instruments

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

Impairment of Financial Assets

The Branch assesses at each reporting date whether a financial asset or group of financial assets is i mpaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Assets Carried at Amortized Cost

For assets carried at am01tized cost such as loans and receivables, the Branch first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Branch includes the asset as part of a group of financial assets pooled according to their credit risk characteristics and collectively assesses the group for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows ofthe related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i .e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If a loan or receivable has a variable rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The impairment loss for the period shall be recognized in statement of receipts and expenses. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of receipts and expenses, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

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Property and Equipment

Items of property and equipment are initially measured at cost. After initial recognition, all items of property and equipment are measured at cost less accumulated depreciation, and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Branch, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the statement of receipts and expenses as incurred.

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value, if any. Depreciation is recognized in the statement of receipts and expenses on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption ofthe future economic benefits embodied in the asset.

The estimated useful life of each item of property and equipment is as follows:

	Number of Years
Office furniture and equipment	3 - 5
Transportation equipment	5

If there is an indication that there has been a significant change in the depreciation method, useful life or residual value of an asset, the depreciation of that asset is reviewed and adjusted prospectively if appropriate.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized on a net basis in the statement of receipts and expenses.

Impairment of Non-financial Assets

The carrying amounts of the Branch's nonfinancial assets such as property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets ' recoverable amount is estimated .

An impairment loss is recognized in the statement of receipts and expenses whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. The recoverable amount of a non-financial asset is the greater of the asset's fair value less costs to sell and i ts value in use.

The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction. Value in use is the present value of the estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of the useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Reversals of impairment are recognized in the statement of receipts and expenses.

Receipts Recognition

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

Interest Income

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

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Expense Recognition
Expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Expenses are recognized when they are incurred.

Operating Lease
Leases which do not transfer to the Branch substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of receipts and expenses on a straight-line basis over the lease term unless other systematic basis is more representative of the time pattern of the Branch's benefit.

Foreign Currency Transactions
Transactions denominated in foreign currencies are recorded in Philippine peso using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated in Philippine peso using the exchange rate prevailing at the reporting date.

Exchange rate differences arising from the settlement of monetary items at rates different from those at which they were initially recorded and translated at reporting date are recognized in the statement of receipts and expenses in the period in which they arise.

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

Related parties may be individuals or corporate entities. Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

Provisions and Contingencies
Provisions are recognized when the Branch has a legal or constructive obligation as a result of a past events, it is probable that an outflow of economic benefits will be required to settle the obligation and reliable estimate of the amount can be made.

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

Events After the Reporting Date
Post year-end event after the reporting date that provides additional information about the Branch's statement of assets and liabilities at reporting date (adjusting event) is reflected in the financial statements. Post year-end event after the reporting date that is not an adjusting event is disclosed in the notes to the financial statements when material.

4. Financial Risk Management

Objectives and Policies
The Branch has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Branch's exposure to each of the above risks, the Branch's objectives, policies and processes for measuring and managing such risks, and the Branch's management of capital. Further quantitative disclosures are included throughout the notes to the financial statements.

The main purpose of the Branch's dealings in financial instruments IS to fund its operations and capital expenditures.

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.

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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. All risks faced by the Branch are incorporated in the annual operating budget.

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

The Branch, through its training on 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 Country Representative perform oversight over financial management functions, specifically in the areas of managing credit, liquidity, market and other risks of the Branch. The Country Representative directly interfaces with the internal audit function, which undettakes reviews of risk management controls and procedures and ensures the integrity of internal control activities which affect the financial management system of the Branch.

Credit Risk

The results of procedures performed by the Country Representative are reported to the Audit Committee. The Country Representative reviews and institutes pohcies for managing each of the risks and they are summarized below:

The maximum exposure to credit risk for the Branch's financial assets as at December 31,2012 is presented below:

	Note	
Cash in banks	5	**$10,893,734**
Refundable deposits	14	**4,467**
		$10,898,201

Below is the classification of the Branch's financial assets that are neither past-due nor impaired:

	High Grade	Standard Grade	Total
Cash in banks	**$10,893,734**	$ -	**$10,893,734**
Refundable deposits	**4,467**	-	**4,467**
	$10,898,201	$ -	**$10,898,201**

The credit qualities of financial assets were determined as follows:

- Cash in banks are considered high grade as these pertains to deposits in reputable banks.
- Refundable deposits are considered high grade as these pertain to deposits that are covered by the lease agreements.

The Branch's policy is to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. There is no significant concentration of credit risk within the Branch for the period ended December 31, 2012.

Liquidity Risk

Liquidity risk is the risk that the Branch will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements.

Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

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The following are the contractual maturities of financial liabilities:

	As at December 31, 2012				
	Carrying Amount	Contractual Cash Flow	6 Months or Less	6- 12 Months	Over1 Year
Accounts payable and accrued expenses*	$5,834	$5,834	$5,834	$ -	$5,834

*Excluding any statutory liabilities to government agencies

Market Risk

Market risk is the risk that changes in foreign exchange rates which affect the Branch's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Foreign Currency Risk

The Branch is exposed to foreign currency risk on monetary assets held in currencies other than the Philippine peso, the Branch ensures that its exposure is kept to an acceptable level by maintaining regular savings deposits in US dollar and Australian dollar, and buying foreign currencies at spot rates where necessary to address short term imbalances.

The Branch's exposures to foreign currency risk based on notional amounts as at December 31, 2012 follows:

	USD	AUD
Cash	10,636,859	136

The Branch's foreign currency-denominated asset as at December 31, 2012 follows:

Currency	Current Assets	Exchange Rate	PHP Equivalent
2012			
USD	10,636,859	41.19	P438,132,222
AUD	136	42.67	5,803
			P438,138,025

Foreign exchange loss recognized in statement of receipts and expenses amounted to $0.30 million for the period ended December 31, 2012.

Sensitivity Analysis

A 6% strengthening of the Philippine peso against USD and AUD as at December 31, 2012 will increase receipts and expenses by $0.62 million.

A 6% weakening of the Philippine peso against the above currencies as at December 31, 2012 will have the equal but opposite effect, on the basis that all other variables remain constant.

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5. Cash

This account consists of:

	Note	
Cash on hand		**$11,648**
Cash in banks	**4**	**10,882,086**
		$10,893,734

Cash in banks earns annual interest at the respective bank deposit rates.

Interest income earned for cash in banks for the period from January 25, 2012 (establishment date) to December 31, 2012 amounted to $2,042.

6. Property and Equipment-

The movements and balances of this account consist of:

	Office Furniture and Equipment	Transportation Equipment	Total
Gross carrying amount:			
January 25,2012	**$ -**	**$ -**	**$ -**
Additions	**68,791**	**169,021**	**237,812**
Disposals	**-**	**-**	**-**
December 31,2012	**68,791**	**169,021**	**237,812**
Accumulated depreciation:			
January 25,2012	**-**	**-**	**-**
Provisions	**3,825**	**10,920**	**14,744**
Disposals	**-**	**-**	**-**
December 31,2012	**3,825**	**10,920**	**14,744**
Carrying amount as at December 31,2012	**$64,966**	**$158,101**	**$223,068**

Depreciation for the period from January 25, 2012 (establishment date) to December 31, 2012 amounted to $14,744.

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7. Accounts Payable and Accrued Expenses

This account consists of:

Accounts payable	**$5,619**
Withholding tax payable	**2,334**
Payroll-related payable	**1,931**
Accrued expenses	**216**
	$10,100

8. Deferred Grant Income

This account consists of:

	Note	Current	Noncurrent	Total
Property and equipment	6	**$48,963**	**$174,105**	**$223,068**
Grant received in advance		**7,848,081**	**3,040,020**	**10,888,101**
		$7,897,044	**$3,214,125**	**$11,111,169**

The Grant received in advance pertains to the remaining balance of the received grant tranches which has not yet been utilized in the implementation of the ADM project.

9. Grants

A Grant Agreement between the Commonwealth of Australia, represented by the AusAID and Stichting BRAC International, Inc. was made on February 3, 2012 for undertaking the ADM project for the Basic Education Assistance for Mindanao in the Autonomous Region in Muslim Mindanao (BEAM-ARMM). The Grant Agreement is effective up to June 30, 2015.

In accordance with the provision of the Grant Agreement, the Branch will receive from the AusAID a grant up to maximum of AUD30,500,000 for the management and implementation ofthe ADM project which will be given in four (4) tranches as follows:

- the first tranche amounting to AUD7,000,000 will be given within thirty (30) days of the date of the agreement;
- the second tranche amounting to AUD7,700,000 will be given in August 2012;
- the third tranche amounting to AUD9,000,000 will be given in August 2013; and
- the fourth and final tranche amounting to AUD6,800,000 will be given in August 2014.

The schedule of tranches is subject to terms and conditions as stipulated in the Grant Agreement.

The Branch disburses funds to its local partner NGOs on a quarterly basis for the implementation and management of their operations in their designated areas and provinces. The Partners NGOs will then liquidate the funds received for the expenses incurred in accordance with the agreement. As at December 31, 2012, the disbursed fund to the Partner NGOs which was not yet liquidated amounted to $652,995.

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The Branch disbursed funds to local partner NGOs balance are as follows:

Community and Family Services International	**$250,220**
Maranao People Development Center, Inc.	**135,379**
Notre Dame University	**50,409**
Lanao Young Educators Civic Alliance for Progress, Inc.	**42,729**
Kalimudan Sa Ranao Foundation, Inc.	**39,503**
Kapagawida Development Services Association, Inc.	**27,989**
Integrated Learning for Moslems and Highlanders Foundation	**25,182**
Mahardika Institute ofTechnology, Inc.	**24,866**
Social Services for Grassroots Community Development, Inc.	**21,011**
Muslim Upliftment Foundation ofTawi-Tawi, Inc.	**18,568**
Tapukan Farmers Multi-Purpose Cooperative	**17,139**
	$652,995

The teachers and classroom supplies still undelivered and awaiting distribution to Basilan and Tawi-Tawi province amounted to $414,316 as at December 31, 2012.

Other project expenses during the period include:

Service charge overhead costs	**$81,445**
Provincial office administrative expenses	**38,288**
Insurance	**1,223**
	$120,956

Service charge overhead costs are general and administrative expenses incurred by the Partner NGOs.

13. Other Expenses

This account consists of:

Technical support	**$250,451**
Security measurement management	**14,672**
Training expense	**11,139**
Support services	**10,067**
Utilities	**9,639**
Transportation and travel	**9,339**
Outside services	**8,896**
Others	**13,459**
	$327,662

Technical support pertains to reimbursements of BRAC Headquarters for expenses incurred in providing administration and financial management systems to the Branch. It also entails sending support personnel for the efficient and effective management and implementation of the ADM project in accordance with the provision of the Grant Agreement.

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14. Lease Commitments

On March 5, 2012, the Branch entered into a lease agreement for a parcel of land located at No. 1 R. Mafiara Street, Rosary Heights 10, Cotabato City with two (2) residential buildings, two (2) stories as well as an annex one room office and a guard house, with concrete perimeter fence. The lease was agreed for a fixed period of three (3) years beginning March 1, 2012 to February 28, 2015 renewable thereafter upon mutual agreement of both parties.

In addition, the Branch has also entered into a one (1) year non-renewable lease contract commencing in June 2012 for a two-story apartment at Childrant Village, Iligan City.

Refundable deposit as at December 31, 2012 amounted to $4,467. The future rental payables for these lease agreements are as follows:

Within one year	**$24,763**
After one year but not more the five years	**27,191**
	$51,954

Rent expense amounted to $221,157 for the period from January 25, 2012 (establishment date) to December 31,2012.

Notes

Notes

Photo Credit

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