



BRAC PHILIPPINES ANNUAL REPORT 2018

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LETTER FROM THE EXECUTIVE DIRECTOR



Gender inequity is a pervasive problem locally, nationally and globally. Not only does it affect the individual lives of both women and men, but it stunts economic growth and hinders sustainable development.

Gender gaps persist in social, economic, cultural and political spheres. Women, until today, do not have equal access to education, healthcare, decent work or representation in political and economic decision-making processes, and are often paid less than men for the same work. Out of the total number of people in the world who are illiterate, women make up 66%.

Human rights allow people to live with dignity, freedom, equality and justice. Gender equity is a fundamental human right, and an essential prerequisite to eradicating poverty and building a peaceful and sustainable world. It is why the United Nations set Sustainable Development Goal 5 as a call to achieve gender equality and empower women and girls everywhere. As an organisation working towards a more equitable future for all, we are committed to advancing our efforts in meeting this goal.

Our empowerment and livelihood for adolescents (ELA) programme socially and financially empowers teenage girls in Liberia, Nepal, Sierra Leone, Tanzania, and Uganda. 20,649 girls accessed life skills and financial literacy training in 2018. We work in countries with the highest rates of child marriage and teenage pregnancy, with a holistic combination of social awareness, life skills and mentoring giving girls a second chance at education and increasing their confidence.

When girls are socially aware of their rights, they find the confidence to assert themselves and resolve conflict. Through our education programmes in Afghanistan, Liberia, Philippines, Tanzania, and Uganda, we helped

25,016 girls in 2018 understand that education is a necessity to avoid early marriage, poverty, and inequity.

Approximately 1.7 billion adults in the world do not have access to formal financial services, and over half of them are women, according to the World Bank. We provide households living in poverty with financial access, create self-employment opportunities, and harness the entrepreneurial skills of women. We reached around 600,000 women in six countries in Africa and Asia through our microfinance programme in 2018.

We focus on women and young people by supporting them to increase their income and improve food security and wellbeing through our agriculture, food security and livelihood programme across Africa and Asia.

We look forward to continuing on the journey to strengthen our efforts for a gender-equal world. We will reach an additional 192,000 girls by 2020 with robust livelihood training programmes that will ensure sustainable economic independence. We want to see a future where women all over the world have the opportunity to reach their full potential.



Faruque Ahmed
Executive Director
BRAC International

MESSAGE FROM THE COUNTRY REPRESENTATIVE



In my recent visit to one of our BRAC Learning Centers, I had the chance to listen to our learners reading a story about bayanihan, a Filipino traditional value system referring to the spirit of communal unity, work and cooperation to achieve a particular goal. I interacted with 26 students in the class about the ongoing lesson and discussed more on the topic.

To demonstrate the meaning of bayanihan, I divided the class into three groups and asked each of them to think of a musical instrument they would like to play. The first group decided to play the guitar, the second group decided to play drums and the third group decided to play the piano. I played the role of a conductor of a trio and each group played their music when they were called. They played solo and blended in pairs or in trio until they made beautiful music together.

We all learned that bayanihan is like playing in the orchestra, where each person has a unique capacity to share, must be open to accepting differences, must cooperate, and share the same vision to work together in achieving a common goal.

The sustainability of BRAC's work is embedded in an ensemble of bayanihan, a combination of enthusiasm of our learners despite the difficult circumstances they are in, communities wanting education for their children, and the valuable services of our Learning Facilitators who dare to teach in the most difficult environment.

BRAC Philippines is about to end its Alternative Delivery Model of Education (ADM) Project which started in 2012. So far we have reached 65,990 learners, established 2,108 Learning Centers, and equipped 2,108 Learning Facilitators.

BRAC Philippines' ADM project was possible with support from the Ministry of Education (Bangsamoro Autonomous Region in Muslim Mindanao), Department of Education Central Office, and Department of Foreign Affairs and Trade Australian Embassy.

This year, BRAC Philippines has set a new bayanihan activity through the Ultra Poor Graduation pilot project in 5 municipalities of the province of Negros Occidental, serving 1,800 families from the Pantawid Pamilyang Pilipino Program. This project is designed to graduate ultra-poor households out of extreme poverty in partnership with Innovations for Poverty Action, Department of Labor & Employment, and the Asian Development Bank.

We look forward to expanding BRAC Philippines' footprint in the country with support from local, national, and international partners.

Sincerely,



Efren Lubuguin
Country Representative
BRAC Philippines



BUILDING A WORLD WE WANT

The idea behind Stichting BRAC International is to change systems of inequity. We act as a catalyst, creating platforms for people to realise their potential. Set up as a non-profit foundation in the Netherlands to govern and manage all BRAC entities outside Bangladesh, except for our affiliates. The entities are legally registered with relevant authorities in compliance with all applicable legal and regulatory requirements.



SOCIAL DEVELOPMENT

Facilitating social transformation through eight programmatic priorities: Eliminating extreme poverty, expanding financial choices, employable skills for decent work, climate change and emergencies, gender equality, universal healthcare, pro-poorurban development, investing in the next generation.



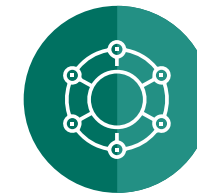
HUMANITARIAN RESPONSE

Ensuring that the most vulnerable, marginalised populations can mitigate risks, save lives, protect livelihoods, and build back better from disasters and crises. We provided nearly 60,000 people with life-saving assistance in Myanmar, following the devastating flood in July 2018, in close collaboration with the government and other stakeholders.



SOCIAL ENTERPRISES

Solutions for social challenges and surplus for greater impact: Initiatives that engage individuals, micro and small enterprises as suppliers, producers and consumers.



BRAC BANGLADESH

We were born in Bangladesh and now we operate in 11 countries across Asia and Africa. BRAC is a global leader in developing cost-effective, evidence-based programmes, and has been ranked the #1 NGO in the world for the last four years consecutively by NGO Advisor.



AFFILIATES

BRAC USA

The North American affiliate of BRAC. BRAC USA provides comprehensive support to BRAC around the world by raising awareness about its work and mobilising resources to strengthen programmes.

BRAC UK

The European affiliate of BRAC. BRAC UK works to raise resources for BRAC programmes in Africa and Asia by developing partnerships with local and global organisations, donor agencies, academic and research institutions and governments.



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

INTEGRITY
INNOVATION
INCLUSIVENESS
EFFECTIVENESS



SAFEGUARDING FOR ALL

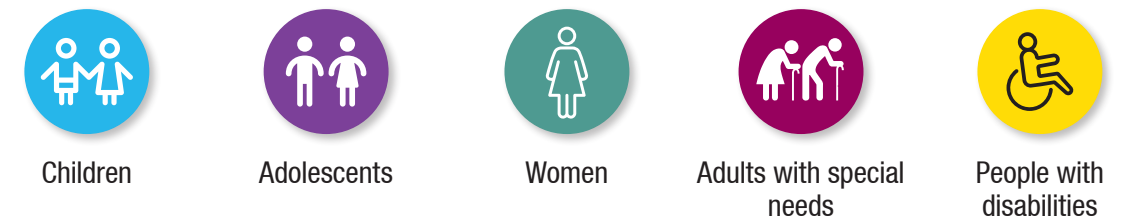
WHAT IS SAFEGUARDING?

'Safeguarding' refers to the ways of protecting individuals from any kind of misconduct or harassment including - sexual harassment, oppression, intimidation, humiliation, violence, discrimination, neglect and exploitation.

BRAC'S SAFEGUARDING POLICY IS MEANT FOR:



WHO ARE MOST PRONE TO SAFEGUARDING RISKS?



SAFEGUARDING RESPONSIBILITIES OF BRAC'S EMPLOYEES AND VOLUNTEERS

- Ensure safeguarding for everyone involved, starting from the programme design to its implementation.
- Ensure employees of all parties involved are aware of safeguarding-related issues before signing a contract with a donor and/or partner organisation.
- Verify the moral values of all applicants during recruitment.
- Develop a clear understanding of what constitutes as harassment, and share that information with others.
- Inform relevant authorities immediately upon witnessing an incident of harassment.

SAFEGUARDING IS EVERYONE'S RESPONSIBILITY



ABOUT US

STICHTING BRAC INTERNATIONAL

Set up in 2009 as a non-profit foundation in the Netherlands to govern and manage all BRAC entities outside Bangladesh, except for our affiliates. In each of these countries, the entities are legally registered with relevant authorities in compliance with all applicable legal and regulatory requirements.

BRAC INTERNATIONAL HOLDINGS B.V.

Set up in 2010 as a private limited liability company under the laws of the Netherlands and is a wholly-owned subsidiary of Stichting BRAC International. It is a socially responsible for profit organisation, engaging people in economic activities, and creating sustainable income generating activities for themselves. It provides funding for the social development programmes under Stichting BRAC International. The core focus is to provide microfinance services to people who are financially constrained and marginalised, and people who do not have access to the financing facilities offered by banks and other non-bank financial institutions.

OUR AFFILIATES

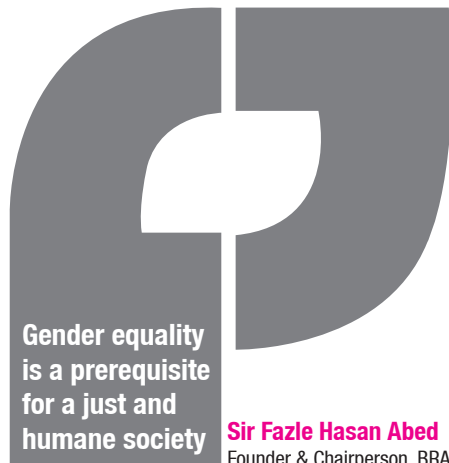
Founded in 2006 to raise our profile globally. They play a critical role building awareness, developing new business plans, mobilizing resources, and maintaining effective partnership with institutional donors, foundations, NGOs, research organisations as well as the media. They collaborate with international counterparts to design and implement cost-effective and evidence-based poverty innovations worldwide.

BRAC USA

The North American affiliate, BRAC USA provides comprehensive support to BRAC around the world by raising awareness about its work and mobilising resources to strengthen programmes.

BRAC UK

The European affiliate, BRAC UK works to raise resources for BRAC programmes in Africa and Asia by developing partnerships with local and global organisations, donor agencies, academic and research institutions and governments.



STICHTING BRAC INTERNATIONAL MANAGEMENT AS OF 31 JULY, 2018

MANAGEMENT BOARD



FARUQUE AHMED
EXECUTIVE DIRECTOR
BRAC International



SHAMERAN ABED
SENIOR DIRECTOR
Microfinance, Ultra Poor Graduation
BRAC and BRAC International



LAMIA RASHID
DIRECTOR
Africa Region
BRAC International



M ANOWAR HOSSAIN
DIRECTOR
Asia Region
BRAC International

OTHER DIRECTORS



HANS ESKES
DIRECTOR
BRAC International Holding B.V.



DIRK BROER BOOY
SENIOR DIRECTOR
Programme Development, Resource
Mobilisation and Learning,
BRAC and BRAC International



MUNMUN CHOWDHURY
CHIEF PEOPLE OFFICER
BRAC International



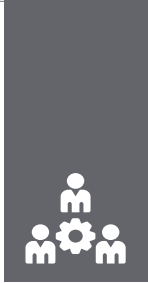
MOUTUSHI KABIR
DIRECTOR
Communications and Outreach
BRAC and BRAC International



NANDA DULAL SAHA
DIRECTOR
Internal Audit
BRAC and BRAC International



KENNETH CAROL VAN TOLL
DIRECTOR
Fundraising
BRAC International



STICHTING BRAC INTERNATIONAL SUPERVISORY BOARD



Stichting BRAC International Supervisory Board
BRAC International Holdings B.V. Supervisory Board

Sir Fazle was born in 1936 in Bangladesh. He studied Accountancy in London, qualifying as a Cost Management Accountant in 1962. While he was working as a senior corporate executive at Pakistan Shell, the 1970 cyclone and 1971 Liberation War in Bangladesh dramatically changed the direction of his life. He left his job and moved to London, where he helped initiate Action Bangladesh and HELP Bangladesh in support of the Liberation War.

Early in 1972, after the war was over, he returned to the newly-independent Bangladesh, finding the economy in ruins. The return of 10 million refugees, who had sought shelter in India during the war, called for urgent relief and rehabilitation efforts. Sir Fazle established BRAC to address the needs of refugees in a remote area of north-eastern Bangladesh, guided by a desire to help the poor develop their own capacity to better manage their lives.

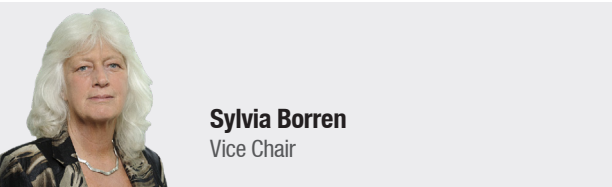
Today BRAC is one of the largest NGOs in the world, operating across eleven countries in Africa and Asia. Its primary objectives are to alleviate poverty and empower the poor. In 2019, for the fourth consecutive year, BRAC was ranked first among the world's top 500 NGOs by Geneva-based 'NGO Advisor' in terms of impact, innovation and sustainability.

Sir Fazle has been honoured with numerous national and international awards for his achievements in leading BRAC, including the LEGO Prize (2018), Laudato Si' Award (2017), Jose Edgardo Campos Collaborative Leadership Award, South Asia Region (2016), Thomas Francis, Jr. Medal in Global Public Health (2016), World Food Prize (2015), Trust Women Hero Award (2014), Spanish Order of Civil Merit (2014), Leo Tolstoy International Gold Medal (2014), CEU Open Society Prize (2013), Inaugural WISE Prize for Education (2011), Entrepreneur for the World Award (2009), David Rockefeller Bridging Leadership Award (2008), Inaugural Clinton Global Citizen Award (2007), Henry R. Kravis Prize in Leadership (2007), Palli Karma Shahayak Foundation (PKSF) Award for lifetime achievement in social development and poverty alleviation (2007), UNDP Mahbubul Haq Award for Outstanding Contribution to Human Development (2004), Gates Award for Global Health (2004), Gleitsman Foundation International Activist Award (2003), Schwab Foundation's Social Entrepreneurship Award (2003), Olof Palme Prize (2001), InterAction Humanitarian Award (1998) and Ramon Magsaysay Award for Community Leadership (1980).

He is also recognised by Ashoka as one of the 'global greats' and is a founding member of its prestigious Global Academy for Social

Entrepreneurship. He was a member of the Commission on Health Research for Development (1987-90), the Independent South Asian Commission on Poverty Alleviation (1991-92) and the High-level Commission on Legal Empowerment of the Poor (2005-2008). In 2009, he was appointed Knight Commander of the Most Distinguished Order of St. Michael and St. George by the British Crown in recognition of his services to reducing poverty in Bangladesh and internationally. Sir Fazle was a member of the Group of Eminent Persons appointed by the UN Secretary-General in 2010 to advise on support for the Least Developed Countries. In 2014 and 2017, he was named in Fortune Magazine's List of the World's 50 Greatest Leaders.

The many honorary degrees received by Sir Fazle Hasan Abed include those from Princeton University (2014), the University of Oxford (2009), Columbia University (2008) and Yale University (2007). He was a visiting scholar at Harvard University in 1981.



Stichting BRAC International Supervisory Board
BRAC International Holdings B.V. Supervisory Board

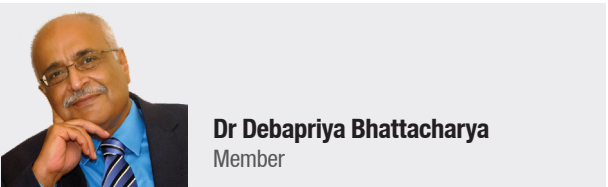
Sylvia Borren has worked all her life within and for civil society organisations, both professionally and as a volunteer.

She was part of the Dutch and global women's and sexual rights movements (COC, ILGA, IWC for a just and sustainable Palestinian-Israeli peace) and is now advisor to the UN Women National Committee Netherlands and ATRIA (the Institute on gender equality and women's history). Ms Borren was part of the anti-poverty movement (director of Oxfam Novib 1994-2008, co-chair of the Global Call to Action against Poverty and EEN) and is now the Vice Chair of the Stichting BRAC International Supervisory Board.

She was on two national governmental advisory commissions (for Youth Policy and the Advisory Council on International Affairs), co-chair of the Worldconnectors (a Dutch think tank), on the board of a large mental health institute (Altrecht), worked as an organisational consultant with De Beuk for many years, led the project Quality Educators for All with the trade union Education International, and continues to be a member of the Worldconnectors.

Ms Borren was recently director of Greenpeace Netherlands (2011-2016), part of the Forest Stewardship Council Netherlands, and is now on the advisory commission of Staatsbosbeheer, which manages nature reserves.

She is now a freelance consultant at 'Working for Justice' and a senior adviser for Governance & Integrity.



Stichting BRAC International Supervisory Board

Dr Debapriya Bhattacharya, a macroeconomist and public policy analyst, is a Distinguished Fellow at the Centre for Policy Dialogue (CPD), Dhaka, where he was its first Executive Director. He was the Ambassador and Permanent Representative of Bangladesh to WTO and UN Offices in Geneva and Vienna and former Special Advisor on LDCs to the Secretary General of UNCTAD. Earlier, he was a Senior Research Fellow at the Bangladesh Institute of Development Studies (BIDS).

He studied in Dhaka, Moscow, and Oxford. Visiting positions held include Senior Fulbright Fellow at the Center for Global Development, Washington DC. He serves on the boards and working groups of various leading institutions and editorial boards of reputed journals including Oxford Development Studies. He was General Secretary of the Bangladesh Economic Association for three consecutive terms.

Dr Bhattacharya chairs the Southern Voice, a network of 50 think tanks from Africa, Asia, and Latin America, dedicated to following up and reviewing the implementation of the Sustainable Development Goals (SDGs). He led the pioneering multi-country studies on shaping the 2030 Agenda of the United Nations, data deficits of SDG monitoring, and early signals of SDG implementation in the developing countries. He also chairs LDC IV Monitor, an independent partnership of eight international organisations and academic institutions engaged in monitoring the outcome of the fourth United Nations Conference on the Least Developed Countries.

He serves as the Convenor of the Citizen's Platform for SDGs, Bangladesh - a platform of more than 100 NGOs and private sector bodies, seeking to contribute to the delivery of the SDGs at the country level.

He recently edited the volume Bangladesh's Graduation from the Least Developed Countries Group: Pitfalls and Promises, Routledge (2018); Southern Perspectives on the Post-2015 International Development Agenda, Routledge, London (2017); team leader of the study Quest for Inclusive Transformation of Bangladesh: Who Not to be Left Behind (2017).



Stichting BRAC International Supervisory Board

Shabana Azmi is an internationally celebrated film and theatre actress. She has won five national and five international awards for best actress.

She is a highly respected social activist and tireless campaigner for the rights of women, slum dwellers, and the underprivileged. She heads the Mijwan Welfare Society (MWS), an NGO that works for empowerment of the girl child in rural India. MWS works on education, primary health and sanitation, skill development, and employment generation.

Ms Azmi was nominated to The Rajya Sabha by the President of India in 1997. She is a recipient of the Padmashri and Padma Bhushan. She was awarded the Gandhi International Peace Prize in 2006. At the bicentennial celebrations of international human rights in Paris in 1989, she was honoured along with Mother Theresa by President Mitterand of France. She also won the Crystal Award at the World Economic Forum 2006. She has been conferred five Doctorates by renowned universities, both national and international. She has received the prestigious Martin Luther King, Rosa Park, and Chavez Awards and is a visiting professor at the University of Michigan. A former UN Goodwill Ambassador for Population and Development, she continues to work on issues of public health. She has recently been nominated as Global Leadership Ambassador for Women in Public Service Project initiated by Hillary Clinton.

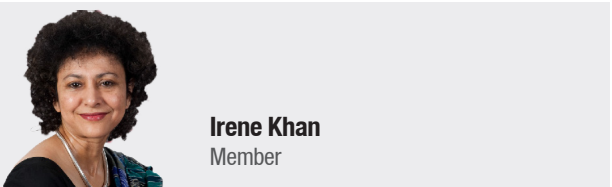


Stichting BRAC International Supervisory Board

Shafiqul Hassan is the managing director of Echo Sourcing Limited UK and Echotex Limited Bangladesh. Echotex received Bangladesh's National Environmental Award, Metropolitan Chamber of Commerce and Industry, Dhaka's Environmental Award, and J Sainsbury plc's Corporate Social Responsibility Award in 2010. Echotex was also awarded Best Clothing Supplier in 2011 as well as Best Clothing Supplier and Supplier of the Year in 2012 by J Sainsbury plc.

Mr Hassan co-founded a premium clothing label called Ninety Percent, launched in 2018, that shares ninety percent of its distributed profits between social and environmental causes, along with the people who are involved in making the clothes. He is the co-founder of Children's Hope, an NGO that works to educate slum children in Dhaka.

He obtained his undergraduate degree from City University, London and postgraduate degrees from Aston University, Birmingham, UK.



Stichting BRAC International Supervisory Board

Irene Zubaida Khan is director general of the International Development Law Organization (IDLO). The first woman to hold this office, she took up her position on January 1, 2012.

An international thought leader on human rights, gender, and social justice issues, Ms Khan was secretary general of Amnesty International from 2001 to 2009. Prior to that, she worked for the UN High Commissioner for Refugees for 21 years at headquarters and in various field operations. She was visiting professor at the State University of New York Law School (Buffalo) in 2011.

Irene sits on the boards of several international human rights and development organisations. She is the recipient of numerous honorary degrees and prestigious awards, including the City of Sydney Peace Prize in 2006 for her work to end violence against women and girls. Her book, The Unheard Truth: Poverty and Human Rights, has been translated into seven languages.

Born in Bangladesh, Ms Khan studied law at the University of Manchester and Harvard Law School.



Stichting BRAC International Supervisory Board
BRAC International Holdings B.V. Supervisory Board

Parveen Mahmud, in her varied professional career has worked with social innovations, entrepreneurship, and sustainable development. Ms Mahmud started her career with BRAC, and has worked with international NGOs and development agencies. She was the deputy managing director of PKSF, Bangladesh’s apex funding organisation for Microfinance Institutes. She is the founding managing director of Grameen Telecom Trust.

She was a partner in ACNABIN & Co, Chartered Accountants. She is the first female president of the Institute of Chartered Accountants of Bangladesh (ICAB), as well as the first female board member of the South Asian Federation of Accountants (SAFA), the apex accounting professional body of SAARC. She is the chairperson of CA Female Forum - Women in Leadership Committee, ICAB and is the vice chairperson of the Women in Leadership Committee of SAFA.

Ms Mahmud sits on numerous boards, including Stichting BRAC International, Apex Footwear Ltd, Grameenphone Ltd, Linde Bangladesh

Ltd, Manusher Jonnyo Foundation, Transparency International Bangladesh, and Centre for Policy Dialogue. She is the chairperson of UCEP Bangladesh, Shasha Foundation, and was chairperson of MIDAS, Shasha Denims Ltd, and Acid Survivors' Foundation. Ms Mahmud is also a member of the International Chamber of Commerce, Bangladesh. She was a member of the National Advisory Panel for SME Development of Bangladesh, founding board member of SME Foundation, and Convenor, SME Women’s Forum.

Ms Mahmud is the recipient of Ananyinna Top Ten Women - 2018 Award, Women at Work - 2017 Award from Bangladesh Association of Software and Information Services, and Women of Inspiration Awards 2017 from the Bangladesh Organisation for Learning & Development. She received the Begum Rokeya Shining Personality Award 2006 for women's empowerment from Narikantha Foundation.



Stichting BRAC International Supervisory Board

Dr Mushtaque Chowdhury is a professor of population and family health at Columbia University's Mailman School of Public Health, New York and has worked as a MacArthur/Bell Fellow at Harvard University.

Dr Chowdhury is one of the founding members of the Bangladesh Education Watch and Bangladesh Health Watch. He is on the board and committees of several organisations and initiatives, including the Advisory Boards of the London School of Economics' South Asia Centre and the Lead Group for Scaling Up Nutrition Movement at the UN. He is a founding member of the Board of Trustees of the Humanitarian Leadership Academy in London and is the chair of the Asia-Pacific Action Alliance on Human Resources for Health (AAAH). Dr Chowdhury is also a member of the Technical Advisory Committee of Compact2025 at International Food Policy Research Institute (IFPRI), Expert Group on scaling up in Education at the Results for Development (R4D), and Leaders Group of Sanitation and Water for ALL (SWA) at Unicef Headquarters. He is also a senior adviser at the Bangladesh Institute of Development Studies (BIDS).

Dr Chowdhury was a coordinator of the UN Millennium Task Force on Child Health and Maternal Health, set up by former UN Secretary General Kofi Annan.

Dr Chowdhury has received a number of awards, including Humanitarian Award from the Distressed Children International at Yale University in 2013, the Medical Award of Excellence from Ronald McDonald House Charities in USA in 2017, and the Most Impactful Book Award from the University Press Limited in 2018.

Dr Chowdhury has published several books and over 200 articles in peer-reviewed international journals, including the The Lancet, Journal of International Development, and The Scientific American.

Dr Chowdhury holds a PhD from the London School of Hygiene and Tropical Medicine, an MSc from the London School of Economics, and a BA from the University of Dhaka.



Stichting BRAC International Supervisory Board

Dr Fawzia Nazli Rasheed is a programme and governance analyst. She has worked within 30 countries to evaluate and develop initiatives, national plans, and broker intergovernmental collaborations and public private partnerships. As Senior Policy Adviser at separate junctures to the World Health Organisation, UNAIDS, and The Global Fund, she undertook organisational reforms and developed strategic plans. She has also supported programme development in Asia and Africa for several INGOs, including CARE International, and Médecins Sans Frontières International.

She is currently Senior Advisor to the Aga Khan Development Network and a technical review panel member for AmplifyChange.

Her governance work includes conceptualising a performance-based funding system to strengthen country oversight for all programmes of The Global Fund; developing the Electoral Integrity Initiative (currently based within the Kofi Annan Foundation); and analysis of governance issues related to natural resource extraction for the Africa Progress Panel towards improved stewardship and banking reforms. As a board member/trustee of organisations, she has drafted constitutions and deployed anonymous, transparent tools for board elections and evaluations.

Dr Rasheed has a PhD in immunology/medicine from the London School of Hygiene and Tropical Medicine.



Stichting BRAC International Supervisory Board

Victoria Balyejusa Sekitoleko is a former Minister of Agriculture in the Ugandan government. She was a representative of the United Nations Food and Agriculture Organization (FAO) in China, Mongolia, and South Korea, and previously served as the FAO’s representative in Ethiopia to the African Union and to the Economic Community for Africa.

Ms Sekitoleko is currently the chair of the governing board of the Uganda Agribusiness Alliance, which unites all those involved in the industry to optimise their ability to profitably and sustainably pursue the many global opportunities in the world’s largest industry.

In 2010, Victoria founded the Uganda Community Cultural Center which trades as Speakers Forum. This trains professionals to become skilled presenters and also supports community libraries.

Ms Sekitoleko was educated at Makerere University in Kampala, where she attained a BSc in Agriculture majoring in Farm Management and Extension.

**GROUP FINANCE AND
AUDIT COMMITTEE**

Composition of the present finance and audit committee is as follows:

- Ms. Parveen Mahmud, Chair
Dr Muhammad Musa, Member
Ms. Sylvia Borren, Member
Mr. Faruque Ahmed, Member
Mr. Hans Eskes, Member
Mr. Abhijit Gupta, Acting Secretary of the Committee

The primary function of the finance and audit committee is to assist the governing board in fulfilling its responsibilities on the:

- Financial reporting and budgeting processes
- System of internal controls and risk assessment
- Compliance with legal and regulatory requirements
- Qualifications, independence, and performance of the external auditors
- Qualifications, independence, and performance of the internal auditfunction



BRAC PHILIPPINES GOVERNANCE AND MANAGEMENT

Efren V. Lubuguin - Country Representative

Jovelyn O. Alferez - Project Specialist

Sarah C. Abutazil - Admin and Finance Manager

Janifa C. Bangcola - Deputy Provincial Manager for Maguindanao

Marilyn C. Mai - Deputy Provincial Manager for Lanao del Sur

Florinda J. Masukat - Deputy Provincial Manager for BaSulTa



DEVELOPMENT PARTNERS





EDUCATION

BRAC started operations in the Philippines in January 2012 with an aim to establish over 2,000 schools during the five-year Alternative Delivery Model (ADM) project. We established BRAC Learning Centers in disadvantaged and underserved communities of Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) in co-management with the Ministry of Basic, Higher and Technical Education (MBHTE) and funding support from the Australian government.

OUR APPROACH

BRAC Philippines provides access to education to out-of-school children in the remotest areas of the autonomous region where public education system is inaccessible. The ADM project implements the Philippine government's K to 12 curriculum and follows the assessment system for both kindergarten and elementary education. In collaboration with the Department of Education and Ministry of Education-BARMM, BRAC Philippines develops teacher guides based on the national curriculum. The instructional materials for teachers and learners are contextualized in the BARMM setting.

Learning facilitators and teachers in the BRAC Learning Centers are residents of the community, and endorsed by the parents and community leaders. While learners are selected mainly from identified areas who are unable to attend schools or dropouts.

BRAC has been successfully operating in five provinces of BARMM for seven years. The project supports transition from BRAC schools to DepEd system, including Enhanced Basic Education Information System (EBEIS), and the Learners Information System (LIS).

THE CHALLENGE

The biggest challenge now is to find new projects through which we can help people in hard to reach areas, mainly around the Bangsamoro region, the most disadvantaged area in the Philippines. The ADM project will end in June 2019 and all the current learners for this year will transition into the DepEd system. This will be a direct management from the Ministry of Education and with funding support of DepEd Central Office and Australian Government.

MOVING FORWARD

Philippines has been marked with slow human development, continuing poverty, inequality, corruption and armed conflicts. These situations agitated poverty especially in the Bangsamoro autonomous region. While the ADM project is closing soon, BRAC Philippines is currently exploring various development programmes for BARMM and other areas of the country.

In BARMM, social enterprise and Islamic microfinance are good options. We are presently researching on these areas with several local organisations that share the same advocacy missions.

We are also looking at other development programmes such in the field of agriculture, livelihood, skills development, and health for the rest of the country.



DID YOU KNOW?

- ✓ Globally, around 264 million children, adolescents, and youth between the ages of 6 and 17 are out of school.
- ✓ Around 131 million girls worldwide are still out of school.
- ✓ 93 million children with disabilities are denied access to education.



HIGHLIGHTS

BRAC and DepEd-ARMM co-managed **101** learning centers

2,070 learners across the Autonomous Region in Muslim Mindanao

Total of **1,301** BRAC Grade 6 learners have finished elementary education

Since 2012 to present, BRAC has established **2,108** Learning Centers

Total enrollment of **65,990** learners since 2012

Learners are managed by **2,108** community-based Learning Facilitators

Total **2,961** Parents-Teachers-Community Association (PTCA) members

In 2014 BRAC Learning Center was recognized as an alternative model in the delivery of basic education in the BARMM

All BRAC Learning Centers are included in the Enhanced Basic Education Information System (EBEIS) and are issued with School IDs

All students are issued with Learner Reference Numbers (LRN)

THE MOST POWERFUL WEAPON

I am Darwin, 20 years old, I was orphaned at a very early age. A kind hearted couple adopted me when I was very young, and they have always treated me like I am their own. My family's monthly income is earned through farming.

We live in a barangay in the municipality of Upi, province of Maguindanao. It is an isolated community which belongs to the T'duray tribe, children from here are deprived of education. Our community does not have any access to government schools. The treacherous trail of the mountain, the merciless current of the river, and hours of walking to reach the nearest DepEd school makes children dropout, or never enroll at all.

But I was brave, I wanted to learn how to read and write despite all obstacles. As they say, opportunity comes to those who look for it. BRAC identified Sitio Kamanga, my community, for establishing learning centers through their ADM project. I found out that the school they have built for us is for free; I was very excited and with no hesitation I enrolled myself.

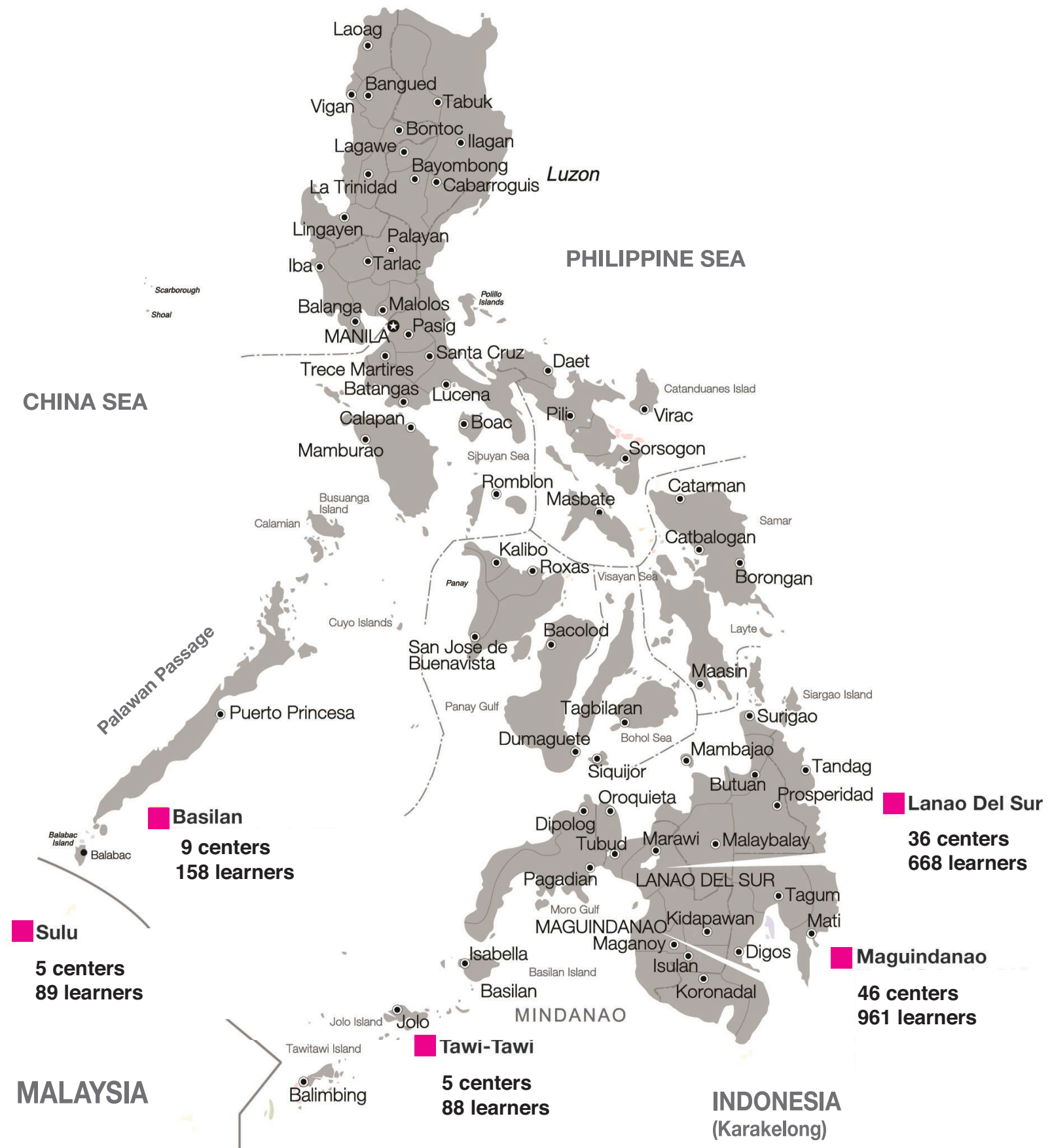
I never missed a single day of school, after six years I was finally able to read and write. My dreams came true. On the day of graduation, I went up on stage to receive the diploma for finishing grade 6 and told everyone that "Yesterday it was just a dream, but today my perseverance made it a reality".

Six years with BRAC is a great personal milestone for me, I thank my teachers for being kind to me and helping me learn. I thank BRAC and the people behind the project for giving me this life changing opportunity.



Branch Programmes

■ Education



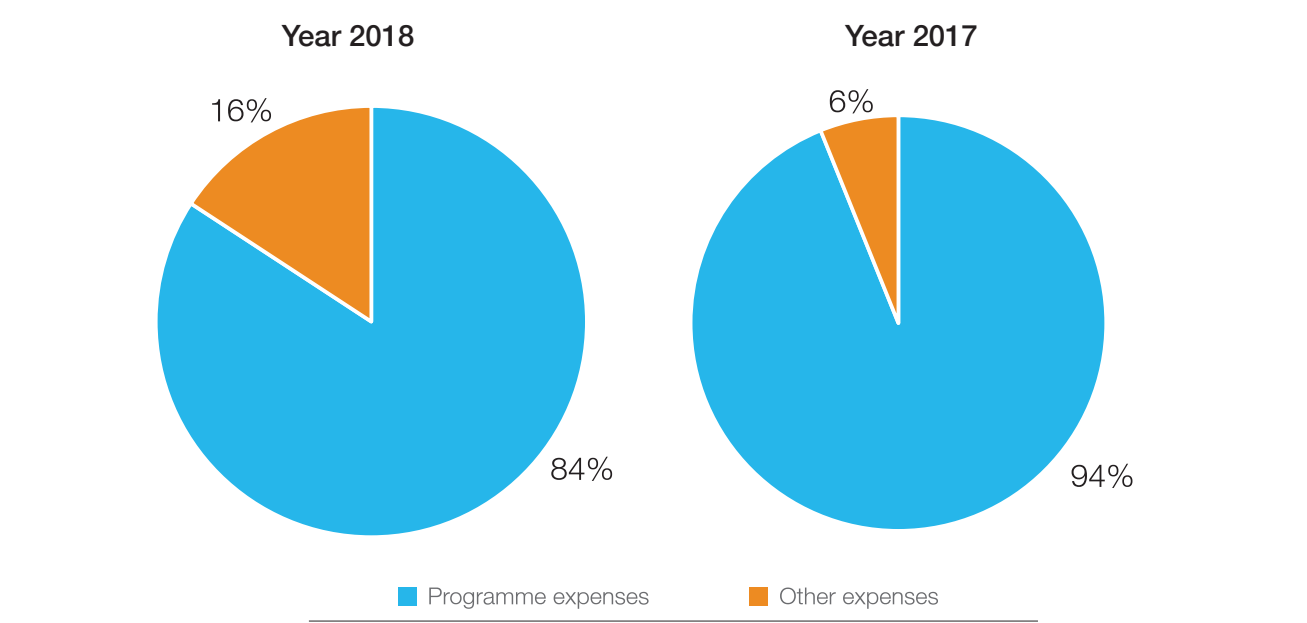
FINANCIALS

FINANCIAL HIGHLIGHTS

BRAC Philippines completed its 7th year of operation in 2018. Grant Income was USD 1,065,098 against USD 3,096,102 in 2017. Out of total expenses, project expenses was USD 898,106 (USD 2,910,268 in 2017) and 84% (94% in 2017) of the total cost.

PROGRAMME COST BY NATURE OF EXPENSES

Expenses	Year 2018		Year 2017	
	USD	%	USD	%
Programme Expenses	898,106	84%	2,910,268	94%
Other Expenses	168,235	16%	189,482	6%
Total	1,066,341		3,099,750	



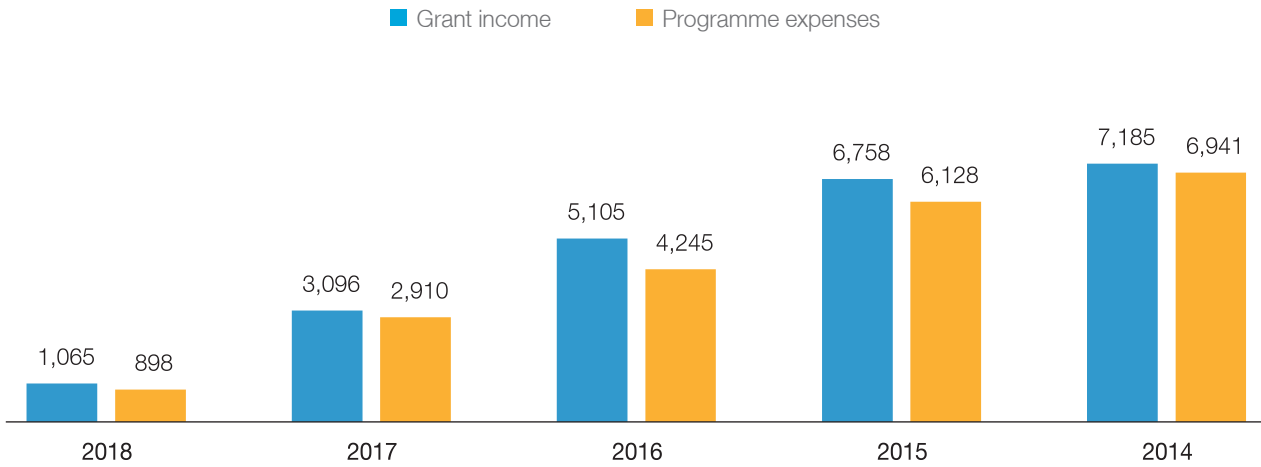
PERFORMANCE REVIEW

Income Statement	2018	2017	2016	2015	2014
	USD	USD	USD	USD	USD
Grant Income	1,065,098	3,096,102	5,105,196	6,758,161	7,185,235
Other Income	1,243	3,648	1,741	2,771	4,932
Programme Expenses	898,106	2,910,268	4,244,564	6,128,495	6,940,887
Other Expenses	168,235	189,482	862,373	632,437	249,280

FINANCIAL POSITION

Balance Sheet	2018	2017	2016	2015	2014
	USD	USD	USD	USD	USD
Cash at Bank	644,091	1,760,844	5,088,966	6,628,206	8,466,983

ANNUAL INCOME AND EXPENSES
in Thousands USD



STICHTING BRAC INTERNATIONAL, INC.

(Incorporated in Netherlands)
PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Stichting BRAC International, Inc. - Philippine Branch
Waterfront Insular Hotel, Km 7
Lanang, Davao City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Stichting BRAC International, Inc. - Philippine Branch (the "Branch"), which comprise the statements of assets and liabilities as at December 31, 2018 and 2017, and the statements of income and expenses and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the statements of assets and liabilities of the Branch as at December 31, 2018 and 2017, and its statements of income and expenses and its statements of cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Branch in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PRC-BOA Registration No. 0003, valid until March 15, 2020
SEC Accreditation No. 0004-FR-5, Group A, valid until November 15, 2020
IC Accreditation No. F-2017/010-R, valid until August 28, 2020
BSP - Selected External Auditors, Category A, valid for 3-year audit period (2017 to 2019)



Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1 to the financial statements, which describes that the Grant Agreement of the Branch with the Department of Foreign Affairs and Trade (DFAT) - Australia Aid Program will be ending on June 30, 2019. This condition indicates that a material uncertainty exists that may cast significant doubt on the Branch ability to continue as a going concern.

As of the date of the audit report the Branch is extending its efforts in looking for opportunities to get new donors. During the year, the Branch has signed a consultancy agreement with Asian Development Bank to provide technical assistance amounting to P13,180,000 (USD250,000) for a period from December 12, 2018 to December 31, 2019 (Note 9).

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

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

In preparing the financial statements, management is responsible for assessing the Branch's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.



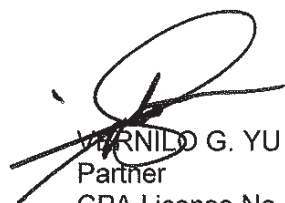
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 14 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 supplementary 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.

R.G. MANABAT & CO.



WERNIDO G. YU
Partner

CPA License No. 108798

SEC Accreditation No. 1574-A, Group A, valid until August 11, 2019

Tax Identification No. 225-454-652

BIR Accreditation No. 08-001987-35-2018

Issued September 20, 2018; valid until September 19, 2021

PTR No. MKT 7333641

Issued January 3, 2019 at Makati City

March 10, 2019
Makati City, Metro Manila



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REPORT REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Stichting BRAC International, Inc. - Philippine Branch
Waterfront Insular Hotel, Km 7
Lanang, Davao City

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In our opinion, the accompanying financial statements present fairly, in all material respects, the statements of assets and liabilities of the Branch as at December 31, 2018 and 2017, and its statements of income and expenses and its statements of cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Branch in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.

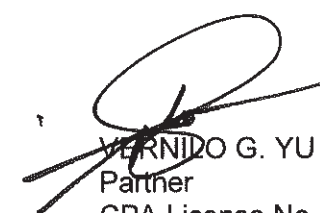
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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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R.G. MANABAT & CO.



VERNIDO G. YU
Partner

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Issued January 3, 2019 at Makati City

March 10, 2019
Makati City, Metro Manila



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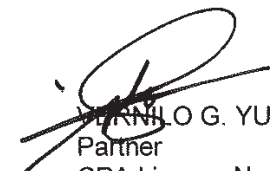
**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING
WITH THE BUREAU OF INTERNAL REVENUE**

The Board of Directors and Stockholders
Stichting BRAC International, Inc. - Philippine Branch
Waterfront Insular Hotel, Km 7
Lanang, Davao City

We have audited the accompanying financial statements of the Philippine Branch Office of Stichting BRAC International, Inc. (a nonstock, nonprofit organization) as at December 31, 2018, on which we have rendered our report dated March 10, 2019.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to any officer or member of the Governing Body of the Branch.

R.G. MANABAT & CO.


R. G. MANABAT
Partner
CPA License No. 108798
SEC Accreditation No. 1574-A, Group A, valid until August 11, 2019
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March 10, 2019
Makati City, Metro Manila

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SEC Accreditation No. 0004-FR-5, Group A, valid until November 15, 2020
IC Accreditation No. F-2017/010-R, valid until August 26, 2020
BSP - Selected External Auditors, Category A, valid for 3-year audit period (2017 to 2019)
R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



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Email ph-inquiry@kpmg.com.ph


**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY INFORMATION**

The Board of Directors and Stockholders
Stichting BRAC International, Inc. - Philippine Branch
No. 496 South Street, DBP Village
Ma-a, Davao City

We have audited, in accordance with Philippine Standards on Auditing, the basic financial statements of Stichting BRAC International, Inc. - Philippine Branch (the "Branch") as at and for the year ended December 31, 2018, and have rendered our report dated March 10, 2019.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Branch taken as a whole. The supplementary information included in the Schedule of Philippine Financial Reporting Standards and Interpretations is the responsibility of the Branch's management. This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.


R. G. MANABAT
Partner
CPA License No. 108798
SEC Accreditation No. 1574-A, Group A, valid until August 11, 2019
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STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

STATEMENTS OF ASSETS AND LIABILITIES

December 31			
	Note	2018	2017
ASSETS			
Current Assets			
Cash	4, 5	P33,956,497	P87,906,618
Other current assets	6	260,867	822,340
Total Current Assets		34,217,364	88,728,958
Noncurrent Assets			
Property and equipment - net	7	285,680	1,518,855
Refundable deposits	4, 13	248,880	179,944
Total Noncurrent Assets		534,560	1,698,799
		P34,751,924	P90,427,757
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	4, 8	P4,769,927	P6,153,687
Deferred grant income	9	29,981,997	84,274,070
Total Current Liabilities		P34,751,924	P90,427,757

See Notes to the Financial Statements.

Discussed with and Approved by BOD:



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

STATEMENTS OF INCOME AND EXPENSES

Years Ended December 31			
	Note	2018	2017
INCOME			
Grants	9	P56,151,961	P154,566,721
Interest income	5	65,542	182,109
		56,217,503	154,748,830
PROJECT EXPENSES			
Learning facilitators allowances		17,769,027	57,135,099
Salaries and employee benefits		9,212,182	16,011,687
Evaluation activity		4,423,487	3,177,812
Partner non-government organizations (NGO) employee benefits		3,747,052	17,324,437
Transportation and travel		3,480,654	8,014,478
Training and orientation		2,700,820	8,748,854
School supplies		2,567,010	9,280,426
Rent	13	2,110,855	7,378,331
Office utilities		341,894	2,220,746
Taxes and licenses		165,128	12,860
Production and development		-	308,115
Others	10	3,678,036	14,451,408
		50,196,145	144,064,253
OTHER NONCASH EXPENSES (INCOME)			
Depreciation	7	752,820	2,328,168
Foreign exchange gains	4	(3,600,816)	(1,103,076)
		(2,847,996)	1,225,092
GENERAL AND ADMINISTRATIVE EXPENSES	11	8,869,354	9,459,485
		56,217,503	154,748,830
NET EXCESS OF INCOME OVER EXPENSES		P -	P -

See Notes to the Financial Statements.

Discussed with and Approved by BOD:



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

STATEMENTS OF CASH FLOWS			
Years Ended December 31			
	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net excess of income over expenses		P -	P -
Adjustments for:			
Depreciation	7	752,820	2,328,168
Loss on disposal of property and equipment	7	480,355	42,107
Interest income	5	(65,542)	(182,109)
Excess of income over expenses before working capital changes		1,167,633	2,188,166
Decrease (increase) in:			
Other current assets	6	561,473	1,894,513
Refundable deposits		(68,936)	175,906
Decrease in:			
Accounts payable and accrued expenses		(1,383,760)	(964,808)
Deferred grant income	9	(54,292,074)	(169,050,672)
Cash used in operations		(54,015,663)	(165,756,895)
Interest received		65,542	182,109
Net cash used in operating activities in cash		(53,950,121)	(165,574,786)
CASH AT BEGINNING OF YEAR		87,906,618	253,481,404
CASH AT END OF YEAR	5	P33,956,497	P87,906,618

See Notes to the Financial Statements.

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

NOTES TO THE FINANCIAL STATEMENTS

1. Branch Information

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

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

The Branch’s management and implementation of the ADM Project of the BEAM-ARMM has the following components:

Component 1: Curriculum, Materials and Assessment Development

This component involves 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, identification of 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 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 develops 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 Autonomous Region in Muslim Mindanao (ARMM), trainings and workshops for specialized trainers, curriculum writers, project officers and coordinators, learning facilitators and specialized training courses for educators on curriculum materials development, assessment and instructional supervision.

Component 4: Project Management, Monitoring and Evaluation

This component includes the establishment, staffing and operations of the project management unit and provincial offices. In addition, this component performs the general coordination and supervision of CLCs, monitoring and evaluation, policy support and coordination for scale-up to other regions and conducts research and impact evaluations and policy advocacies.

As of the date of the approval of the financial statements, the Branch is extending its efforts in looking for opportunities to get new donors as its current Grant Agreement with DFAT will be terminated on June 30, 2019. This condition may cast doubt on the continued existence of the Branch. Management will continue its efforts to source for additional funding.

The Branch, in its letter to International Tax Affairs Division of the Bureau of International Revenue dated May 10, 2013, has requested for confirmation of the tax exemption privileges of the BEAM-ARMM Program pursuant to Section 30 of the Tax Reform Act of 1997 (R.A 8424). As at December 31, 2018, the Branch has not received confirmation of the said tax exemption.

The registered office of the Branch, which is also its principal place of business, is located at Waterfront Insular Hotel, Km. 7, Lanang, Davao City.

2. Basis of Preparation

Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS is based on International Financial Reporting Standards issued by the International Accounting Standards Board. PFRS consists of PFRS, Philippine Accounting Standards, and Philippine Interpretations.

The accompanying financial statements were approved and authorized for issue by the Board of Directors on March 10, 2019.

Basis of Measurement

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

Functional and Presentation Currency

The financial statements are presented in Philippine peso, which is the Branch's functional currency. All financial information expressed in Philippine peso has been rounded off to the nearest peso, except when otherwise indicated.

Use of Estimates and Judgments

The preparation of the financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. However, uncertainty 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.

Operating Lease - Branch as Lessee

The Branch has entered into lease agreements as lessee. The Branch 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 operations amounted to P2,110,855 and P7,378,331 in 2018 and 2017, respectively (see Note 13).

Estimates and Assumptions

The key estimates and assumptions used in the financial statements are based on 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 ADM 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, 2018 and 2017, the property and equipment, net of depreciation amounted to P285,680 and P1,518,855, respectively (see Note 7).

3. Significant Accounting Policies

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

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Branch has adopted the following new standards, amendments to standards and interpretations starting January 1, 2018 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Branch's financial statements.

- *PFRS 9, Financial Instruments (2014).* PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets that reflects the business model in which assets are managed and their cash flow characteristics, including a new forward-looking expected credit loss model for calculating impairment, and guidance on own credit risk on financial liabilities measured at fair value. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.
- PFRS 15 *Revenue from Contracts with Customers* replaces PAS 11 *Construction Contracts*, PAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.
- *Philippine Interpretation IFRIC-22 Foreign Currency Transactions and Advance Consideration.* The amendments clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

Additional disclosures required by the amended standards and interpretation were included in the financial statements, where applicable.

Standards Issued but Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2018. However, the Branch has not applied the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Branch's financial statements.

Effective January 1, 2019

- PFRS 16 *Leases* supersedes PAS 17 *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance, and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification, and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of PFRS 16.

PFRS 16 is not expected to have a material impact on the financial statements in the period of initial application.

The following amended standards and interpretations are relevant but not expected to have a significant impact on the Branch's financial statements.

- *Amendments to PFRS 9 Prepayment Features with Negative Compensation*
- Annual Improvements to PFRS Standards 2015-2017 Cycle - various standards
- Amendments to References to Conceptual Framework in PFRS standards - effective January 1, 2020.
- Plan Amendment, Curtailment or Settlement (Amendments to PAS 19 *Employee Benefits*)
- Definition of Material (Amendments to PAS 1 *Presentation of Financial Statements* and PAS 8 *Accounting Policies, Changes in Accounting Estimates and Error*)

Financial Instruments

Date of Recognition. The Branch recognizes a financial asset or a financial liability in the statements of financial position 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.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those at fair value through profit or loss (FVPL), includes transaction costs.

Subsequent to initial recognition, the Branch classifies its financial assets in the following categories: financial assets at FVPL, financial assets at fair value through other comprehensive income (FVOCI), and financial assets at amortized cost. The classification of financial assets depends on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The Branch classifies its financial liabilities as either financial liabilities at amortized cost or financial liabilities at FVPL. The Branch classifies all financial liabilities at amortized cost, except for:

- (a) financial liabilities designated by the Branch at initial recognition as at fair value through profit or loss, when doing so results in more relevant information;
- (b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- (c) contingent consideration recognized by the Branch in a business combination which shall subsequently be measured at fair value with changes recognized in profit or loss; and
- (d) financial guarantee contracts and commitments to provide loan at a below-market interest rate which are initially measured at fair value and subsequently at the higher of amortized amount and amount of loss allowance.

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.

Determination of Fair Value. The fair value of financial instruments traded in active markets at reporting date is based on their quoted market price or dealer price quotations, without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been any significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Branch determines whether transfers have occurred between Levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For purposes of the fair value disclosure, the Branch has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

'Day 1' Profit. Where the transaction price in a non-active market is different from the fair value of the other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Branch recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where use is made of data which are not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Branch determines the appropriate method of recognizing the 'Day 1' profit amount.

The Branch has no financial liabilities at FVPL as at December 31, 2018 and 2017.

Financial Assets

Financial Assets at FVPL. The Branch measures a financial asset at FVPL unless it is measured at amortized cost or at FVOCI. At initial recognition, the Branch may choose to irrevocably designate a financial asset as measured at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets at FVPL are carried in the statements of financial position at fair value with gains or losses recognized in profit or loss. Interest income is recorded in the statement of comprehensive income when the right to receive payment has been established.

Financial Assets at Amortized Cost. The Branch measures a financial asset at amortized cost if it is not designated as at FVPL and both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are carried at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is included as part of "Interest income" in the statement of comprehensive income. Gains and losses are recognized in profit or loss when the financial assets at amortized cost are derecognized or impaired, as well as through the amortization process. Financial assets at amortized cost are included in current assets if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent assets.

The financial assets at amortized cost includes the Branch's cash and refundable deposits.

Cash represents cash on hand and in bank and is stated at its face value. Cash in banks earns interest at the respective bank deposit rates.

Business Model Assessment

The Branch makes an assessment of the objectives of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Branch's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reason for such sales and its expectation about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Branch's stated objective for managing the financial assets is achieved and how cash flows are realized.

Assessment whether Contractual Cash Flows are Solely Payments of Principal and Interest

For the purpose of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Branch considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Branch considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Branch's claim to cash flows for specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money - e.g., periodical reset of interest rates.

Financial Liabilities

Financial Liabilities at Amortized Cost. This category pertains to financial liabilities that are not designated at FVPL upon inception of the liability. These include liabilities arising from operations or borrowings. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization for any related premium, discount and any directly attributable transaction costs. These financial liabilities are included in current liabilities if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent liabilities.

This category includes the Branch's accounts payable and accrued expenses (excluding statutory liabilities to government agencies).

Reclassification of Financial Assets and Liabilities

Financial Assets. When, and only when, the Branch changes its business model for managing financial assets, it shall reclassify all affected financial assets. Such changes are determined by the Branch's senior management as a result of external or internal changes and must be significant to the entity's operations and demonstrable to external parties.

A change in the Branch's business model will occur only when the Branch either begins or ceases to perform an activity that is significant to its operations; for example, when the entity has acquired, disposed of or terminated a business line.

Financial Liabilities. The Branch shall not reclassify any financial liability.

Derecognition of Financial Assets and Liabilities

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

- the rights to receive cash flows from the asset expired;
- the Branch retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Branch has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the assets; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Branch has transferred its right 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 carrying amount of the asset and 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets

The Branch measures impairment losses using the expected credit losses model (“ECL”) which is applied to all debt and equity instruments measured at amortized cost or FVOCI as well as to issued loan commitments and most financial guarantee contracts. The ECL is a ‘three stage’ approach which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses. Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or which have low credit risk at the reporting date. For these items, 12-month ECL are recognized. The 12-months ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these items, lifetime expected credit losses are recognized which is the weighted average credit losses with the probability of default as the weight. Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these items, lifetime expected credit losses are recognized. No impairment loss is recognized on equity investments.

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Branch considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Branch's historical experience, credit assessment and including forward-looking information.

The information analyzed by the Branch includes the following, among others:

- actual and expected significant changes in the political, regulatory and technological environment of the debtor or in its business activities
- payment record - this includes overdue status as well as a range of variables about payment ratios
- existing and forecast changes in the business, financial and economic conditions

The Branch considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligation to the Branch in full, without recourse by the Branch to actions such as realizing security (if any is held); or
- the debtor is past due more than 90 days on any material credit obligation to the Branch.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The carrying amount of the asset is reduced either directly or through the use of an allowance account. The impairment loss for the year is recognized in profit or loss. If, in a subsequent year, 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 profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of assets 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 on a gross basis in the statements of assets and liabilities.

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 accumulated impairment losses, if any. Cost includes expenditures that are 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 statements of income 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 statements of income and expenses on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, or the remaining term of the ADM Project, whichever is shorter.

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 statements of income and expenses.

Impairment of Nonfinancial 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 statements of income and expenses whenever the carrying amount of an asset or its cash generating unit (CGU) exceeds its recoverable amount. The recoverable amount of a nonfinancial asset is the greater of the asset's fair value less costs to sell and its value in use (VIU).

The fair value less costs to sell is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. VIU 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 VIU, 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 CGU 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 statements of income and expenses.

Recognition of Grants

Grants received are initially recognized as deferred income and are then recognized as income to the extent of the expenses incurred for the year as set in the conditions associated with the grant. Assets acquired 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 related project whichever is shorter.

Interest Income

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

Expense Recognition

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

Expenses are also recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition as an asset.

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 statements of income 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 statements of income and expenses in the year in which they arise.

Provisions

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.

Contingencies

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 events that provide additional information about the Branch's statements of assets and liabilities at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

4. 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.

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

The Branch, through its training 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 performs oversight over financial management functions, specifically in the areas of managing credit, 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 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 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 is presented below:

	Note	2018	2017
Cash in banks	5	P33,887,515	P87,818,846
Refundable deposits	13	248,880	179,944
		P34,136,395	P87,998,790

The aging of financial assets as at December 31, are as follows:

	2018						Total
	Neither Past Due nor Impaired	Past Due but not Impaired				Past Due and Impaired	
		<30 Days	31 - 60 Days	61 - 90 Days	90 Days		
Cash in banks	P33,887,515	P -	P -	P -	P -	P -	P33,887,515
Refundable deposit	248,880	-	-	-	-	-	248,880
	P34,136,395	P -	P -	P -	P -	P -	P34,136,395

	2017						Total
	Neither Past Due nor Impaired	Past Due but not Impaired				Past Due and Impaired	
		<30	31 - 60	61 - 90	90		
		Days	Days	Days	Days		
Cash in banks	P87,818,846	P -	P -	P -	P -	P -	P87,818,846
Refundable deposit	179,944	-	-	-	-	-	179,944
	P87,998,790	P -	P -	P -	P -	P -	P87,998,790

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

2018	High Grade	Standard Grade	Total
Cash in banks	P33,887,515	P -	P33,887,515
Refundable deposits	248,880	-	248,880
	P34,136,395	P -	P34,136,395

2017	High Grade	Standard Grade	Total
Cash in banks	P87,818,846	P -	P87,818,846
Refundable deposits	179,944	-	179,944
	P87,998,790	P -	P87,998,790

The credit qualities of financial assets were determined as follows:

- Cash in banks is 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.

Cash in Banks

Impairment on cash in banks has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Branch considers that its cash in banks have low credit risk considering the Branch's cash in banks are held with reputable bank institutions. Therefore, the ECL for the Branch's cash in banks as at December 31, 2018 was determined to have no significant impact on the Branch's financial statements.

The Branch's policy is to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Branch has cash deposited in two (2) banks in four (4) different branches. The Branch's management performs an assessment of its external environment, including the related risks and limitations, and selects the Branch's depository banks based on factors such as reputation in the market place, and compliance with regulations, among others.

Liquidity Risk

Liquidity risk pertains to the risk that the Branch will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Branch's objectives to manage its liquidity risk are as follows: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; and (c) to be able to access funding when needed at the least possible cost.

The table below summarizes the maturity profile of the Branch's financial liabilities based on contractual undiscounted payments used for liquidity management:

	As at December 31, 2018			
	Carrying Amount	Contractual Cash Flow	1 Year or Less	1 Year - 5 Years
Financial Liability				
Accounts payable and accrued expenses*	P4,585,599	P4,585,599	P4,585,599	P -

*Excluding statutory payables.

	As at December 31, 2017			
	Carrying Amount	Contractual Cash Flow	1 Year or Less	1 Year - 5 Years
Financial Liability				
Accounts payable and accrued expenses*	P5,932,590	P5,932,590	P5,932,590	P -

*Excluding statutory payables.

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 asset and liability 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 buying foreign currencies at spot rates where necessary to address short-term imbalances.

The Branch's foreign currency-denominated assets and liabilities as at December 31 are as follows:

2018	Current Assets	Current Liabilities	Net Foreign Currency Exposure	Exchange Rate	PHP Equivalent
Currency					
USD	534,244	62,280	471,964	52.72	24,881,957
2017	Current Assets	Current Liabilities	Net Foreign Currency Exposure	Exchange Rate	PHP Equivalent
Currency					
USD	1,408,124	24,586	1,383,538	49.92	69,066,217

The Branch recognized foreign exchange gains of P3,600,816 and P1,103,076 in 2018 and 2017, respectively.

Sensitivity Analysis

A 6% strengthening of the Philippine peso against USD as at December 31, 2018 would have increased foreign exchange gains by P1,395,623. A 0.4% strengthening of the Philippine peso against USD as at December 31, 2017 would have increased foreign exchange gains by P277,821.

A weakening of the Philippine peso against the USD by the same percentage as above as at December 31, 2018 and 2017 would have had equal but opposite effect on the basis that all other variables remain constant.

Fair Values

The carrying value of cash approximates its fair value, since it can be readily withdrawn and used for operations at any time. The fair value of the refundable deposits approximates its carrying amount since it can be reasonably be collected on their due dates.

7. Property and Equipment

The movements and balances of this account are as follows:

	Office Furniture and Equipment	Transportation Equipment	Total
Cost			
January 1, 2017	P4,930,028	P10,074,800	P10,004,828
Disposals	(348,590)	-	(348,590)
December 31, 2017	4,581,438	10,074,800	14,656,238
Disposals	(2,513,131)	-	(2,513,131)
December 31, 2018	2,068,307	10,074,800	12,143,107
Accumulated Depreciation			
January 1, 2017	3,019,384	8,096,314	11,115,698
Depreciation	771,632	1,556,536	2,328,168
Disposals	(306,483)	-	(306,483)
December 31, 2017	3,484,533	9,652,850	13,137,383
Depreciation	330,883	421,937	752,820
Disposals	(2,032,776)	-	(2,032,776)
December 31, 2018	1,782,640	10,074,787	11,857,427
Carrying Amount			
December 31, 2017	P1,096,905	P421,950	P1,518,855
December 31, 2018	P285,667	P13	P285,680

8. Accounts Payable and Accrued Expenses

This account consists of:

	Note	2018	2017
Payroll-related payable		P290,329	P2,759,038
Due to related parties	12	1,493,499	1,227,345
Payable to NGO partners		-	664,387
Withholding tax payable		91,993	109,064
Accrued expenses		2,894,106	1,393,853
		P4,769,927	P6,153,687

Due to related parties includes payables to BRAC Bangladesh, BRAC USA and Stichting BRAC International. These pertain to reimbursements for expenses incurred in providing management and technical support to the Branch (see Note 12).

Payable to NGO partners pertain to the excess of the costs incurred for projects over the fund provided by the Branch.

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

5. Cash

This account consists of:

	Note	2018	2017
Cash on hand		P68,982	P87,772
Cash in banks	4	33,887,515	87,818,846
		P33,956,497	P87,906,618

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

Interest income earned from cash in banks in 2018 and 2017 amounted to P65,542 and P182,109, respectively.

6. Other Current Assets

This account consists of advances to non-government organizations (NGO) partners and Branch employees amounting to P260,867 and P822,340 as at December 31, 2018 and 2017, respectively.

Advances to NGO partners and Branch employees represent advances given by the Branch which exceeded amounts liquidated as of December 31, 2018. These are expected to be applied against expenses for the next quarter.

9. Grant Agreement

A Grant Agreement between the Commonwealth of Australia, as represented by then AusAID and Stichting BRAC International, Inc. was executed on February 3, 2012 covering the ADM project for the BEAM-ARMM. This Grant Agreement was effective until June 30, 2015.

In accordance with the provisions of the Grant Agreement, the Branch received from AusAID a grant of AUD30,500,000 for the management and implementation of the ADM project which was given in four (4) tranches as follows:

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

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

In March 2015, the Amendment of the Grant Agreement (“Amendment”) was executed by DFAT which extended the period covered by the Grant Agreement until June 30, 2017. As part of the Amendment, additional two (2) tranches were included amounting to AUD6,105,866 for each tranche. The first tranche was given in September 2015 and the remaining tranche was given on August 2016. As a result of the Amendment, the new total amount of the grant is AUD42,711,732 from the previous amount of AUD30,500,000. Another amendment on December 29, 2015 was done resulting to the reduction of the remaining tranche which was received on September 2016 amounting to AUD5,379,880. As a result of the Amendment, the total amount of the grant received was AUD41,985,746 from the previous amount of AUD42,711,732.

In March 2017, the Branch was able to obtain a one (1) year extension until June 30, 2018 (Note 1) for the Grant Agreement subject to the following conditions:

- the total amount of the grant received was AUD41,609,982 from the previous amount of AUD42,323,737.
- the operational budget for the additional year will be taken from the unspent funds.
- the remaining unspent funds will be returned by the Branch to DFAT.
- the extension will focus on ensuring the transition of the children to DepEd managed schools.
- monitoring and supervision of the learning centers will be done jointly by the Branch and DepEd.

In June 2018, the branch was able to obtain another one (1) year extension until June 30, 2019 for the Grant Agreement subject to the following conditions:

- the operational budget for the additional year will be taken from the unspent funds.
- the remaining unspent funds will be returned by the Branch to DFAT.
- the extension will focus on ensuring the transition of the children to DepEd managed schools.
- monitoring and supervision of the learning centers will be done jointly by the Branch and DepEd.

The grant received by the Branch from DFAT/AusAID which has not yet been utilized in the implementation of the ADM Project as at December 31, 2018 and 2017 amounted to P28,192,110 and P84,274,070, respectively.

In December 12 2018, the branch signed a contract with Asian Development Bank (ADB), TA-9592 REG: Implementation Support in the Philippines (50364-003), in support of the Ultra-Poor Graduation Project in Negros Occidental. The project will run until December 31, 2019. The first payment of USD35,000 (P1,859,887) was made on December 21, 2018. As at December 31 2018 total expense for this project was P70,000 and the remaining fund balance amounted to P1,789,887. The total amount of the contract is P13,180,000 (USD250,000).

10. Project Expenses

Project expenses incurred per cost component for the years ended December 31, 2018 and 2017, respectively, are presented below:

Description	2018	2017
Component 1: Curriculum, Materials and Assessment Development	P -	P308,115
Component 2: Community Learning Center Operations	34,605,107	104,544,189
Component 3: Capacity Building	2,700,820	8,748,854
Component 4: Project Management, Monitoring and Evaluation	12,890,218	30,463,095
	P50,196,145	P144,064,253

The Branch entered into various agreements with local NGOs. As provided under the terms of these agreements, the NGOs will manage the operation of the CLCs in their designated provinces in ARMM. As at December 31, 2018, the Branch, together with its duly recognized local NGOs, implemented and managed the ADM Project for 442 CLCs and 101 CLCs for School Year (SY) 2017-2018 and 2018-2019, respectively. 342 CLCs were already endorsed and transitioned to mainstream education of Department of Education (DepEd) –ARMM before the start of SY 2018-2019.

The Branch disburses funds to its local partner NGOs on a quarterly basis for the management and operations of the CLCs in their designated areas and provinces. The partner NGOs will liquidate the funds received for the expenses incurred in accordance with the agreement.

As at December 31, 2018 and 2017, the disbursed funds to local partner NGOs which are not yet liquidated are as follows:

Description	2018	2017
Maranao People Development Center, Inc.	P -	P318,568
Integrated Learning for Moslems and Highlanders Foundations	-	112,178
Kapagawida Development Services Association, Inc.	-	110,924
Notre Dame University	-	66,492
Community and Family Services International	-	42,401
Integrated Resource Development for Tri-People	-	21,255
Nagdilaab Foundation Inc.	-	18,531
Kalimudan Sa Ranao Foundation, Inc.	-	17,794
Tapukan Farmers Multipurpose Cooperative	-	15,374
Muslim Upliftment Foundation of Tawi-Tawi, Inc.	-	10,776
Concerned Alliance of Professional and Students Inc.	-	10,001
Mindanao Autonomous College Foundation Inc.	-	8,418
	P -	P752,712

Other project expenses during the year includes:

	2018	2017
ERP software and service charge overhead costs	P2,517,595	P11,844,081
Office running costs	1,160,441	2,453,204
Insurance	-	154,123
	P3,678,036	P14,451,408

11. General and Administrative Expenses

This account consists of:

	Note	2018	2017
Technical support	12	P6,007,459	P5,527,934
Professional fees		960,325	863,120
Outside services		419,966	1,520,137
Transportation and travel		355,646	206,258
Security measurement management		288,638	677,158
Utilities		53,261	72,694
Support services		18,944	8,052
Others		765,115	584,132
		P8,869,354	P9,459,485

Professional fees pertains to expenses related to external audit services incurred by the Branch.

12. Related Party Transactions

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. Related parties may be individuals or corporate entities.

In the implementation of the ADM project, the Branch has transactions with its related parties as at 2018 and 2017 as follows:

Related Party/Transaction	Ref		Amount of the Transaction	Outstanding Balance	Terms and Conditions
				Due to Related Parties	
Head office					
▪ Technical support	12a	2018	P4,246,107	P -	30 days; non- interest;
		2017	7,744,918	521,965	bearing unsecured
BRAC Bangladesh					
▪ Technical support	12a	2018	1,758,714	-	30 days; non- interest;
		2017	4,804,292	705,380	bearing unsecured
BRAC USA					
▪ Cash advances	12b	2018	6,389,720	1,493,499	30 days; non- interest;
					bearing unsecured
		2018		P1,493,499	
		2017		P1,227,345	

- a. Technical support pertains to reimbursements to BRAC Bangladesh and the Head Office for expenses paid for in providing administration and financial management assistance to the Branch. It also entails sending support personnel to the Branch for the efficient and effective management and implementation of the ADM Project in accordance with the provisions of the Grant Agreement.
- b. Cash advances pertains to the cash received from BRAC USA for the reimbursement of monthly compensation of the staff of Ultra-poor Graduation (TUP) Project.
- c. Compensation and other short-term benefits of key management personnel amounted to P1,088,769 and P6,288,480 as at December 31, 2018 and 2017, respectively.

13. Lease Commitments

On March 5, 2012, the Branch entered into a lease agreement for a parcel of land located at No. 1 R. Mañara Street, Rosary Heights 10, Cotabato City with two (2) residential buildings, two (2) stories with an annex one room office and a guard house, with concrete perimeter fence. The lease was renewed for a fixed period of three (3) years until February 28, 2018. In August 2017, the lease agreement was terminated. The Branch transferred the Country Office from Cotabato City to DBP Village, Ma-a, Davao City and entered into a lease agreement for the period of one year commencing on August 1, 2017. In July 2018, the lease was terminated and the branch transferred the Country Office to Waterfront Insular Hotel, Km 7, Lanang, Davao City and entered into a lease agreement for the period of one (1) year commencing on July 2018.

In August 2017, the Branch entered into a new lease agreement for the office located at Pansacala St, RH-10 Cotabato City until May 2018. In September 2018, the branch then transferred to San Pablo St., Rosary Heights 10, Cotabato City and entered into a lease agreement until June 30, 2019.

The Branch also leases various premises serve as Project Office. The lease period which range until one (1) year. All these lease agreements require a refundable deposit except Iligan and Zamboanga office.

The Branch also entered into a lease agreement for the 101 CLCS that were previously endorsed to the community located in the five (5) provinces of Autonomous Region in Muslim Mindanao (ARMM).

Refundable deposits amounted to P248,880 and P179,944 as at December 31, 2018 and 2017, respectively (see Note 4).

The future rental payables for these lease agreements are as follows:

	2018	2018
Within one year	P290,000	P442,000
After one year but not more than five years	-	-
	P290,000	P442,000

Rent expense amounted to P2,110,855 and P7,378,331 in 2018 and 2017, respectively.

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

In addition to the disclosures mandated under PFRS, 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 PFRS. The following is the tax information required by Revenue Regulations No. 15-2010 for the taxable year ended December 31, 2018:

The Branch reported and/or paid the following types of taxes in 2018:

A. Withholding Taxes

Tax on compensation and benefits	P610,416
Final withholding taxes	251,773
	P862,189

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	P165,128

C. Deficiency Tax Assessments

As at December 31, 2018, the Branch has no deficiency tax assessment.

D. Tax Cases

As at December 31, 2018, 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, come from grants which were not charged with output VAT. The input tax incurred in all of its costs and expenses were charged to operations.

Information on the amount of custom duties and tariff fees, excise taxes and documentary stamp taxes paid or accrued are not applicable since the Branch did not enter into transactions that resulted in payment or accrual of such taxes.

COVER SHEET
For
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

F	N	2	0	1	2	0	0	8	8	2
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COMPANY NAME

S	T	I	C	H	T	I	N	G		B	R	A	C		I	N	T	E	R	N	A	T	I	O	N	A	L	,	
I	N	C	.		-		P	H	I	L	I	P	P	I	N	E		B	R	A	N	C	H						
(A		N	o	n	s	t	o	c	k	,		N	o	n	p	r	o	f	i	t								
O	r	g	a	n	i	z	a	t	i	o	n)																	

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

W	a	t	e	r	f	r	o	n	t		I	n	s	u	l	a	r		H	o	t	e	l					
K	m	.		7	,		L	a	n	a	n	g	,		D	a	v	a	o		C	i	t	y				

Form Type

A	A	F	S
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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
www.brac.net	+63 82 224 7153	+639171588096
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
N/A	N/A	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Efren V. Lubuguin	efren.l@brac.org.ph	+63 82 224 7153	+639171588096

CONTACT PERSON's ADDRESS

496 South Street, DBP Village, Maa, Davao City, Philippines

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

STICHTING BRAC INTERNATIONAL, INC.

(Incorporated in Netherlands) PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(TRANSLATED TO U.S. DOLLARS USING CLOSING
RATE AT REPORTING DATE)



R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com.ph

March 10, 2019

The Board of Directors and Stockholders
Stichting BRAC International, Inc. - Philippine Branch
Waterfront Insular Hotel, Km 7
Lanang, Davao City

Attention: Mr. Faruque Ahmed, Board Member, BRAC International


Gentlemen:

We have audited in accordance with Philippine Standards on Auditing, the financial statements of the Philippine Branch Office of Stichting BRAC International, Inc. (a nonstock, nonprofit organization) as at December 31, 2018 and 2017, and have issued our report thereon dated March 10, 2019. 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 U.S. dollars as the presentation currency.

Please note that the said financial statements are intended solely as supplementary information 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,


Y. G. Yu
Partner

R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
PRC-BOA Registration No. 0003, valid until March 15, 2020
SEC Accreditation No. 0004-FR-5, Group A, valid until November 15, 2020
IC Accreditation No. F-2017/010-R, valid until August 28, 2020
BSP - Selected External Auditors, Category A, valid for 3-year audit period (2017 to 2019)

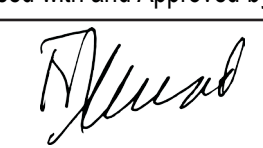
STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)

SUPPLEMENTARY INFORMATION TO THE
STATEMENTS OF ASSETS AND LIABILITIES
(TRANSLATED TO U.S. DOLLARS USING CLOSING RATE AT REPORTING DATE)

December 31			
	Note	2018	2017
ASSETS			
Current Assets			
Cash	4, 5	\$644,091	\$1,760,844
Other current assets	6	4,948	16,472
Total Current Assets		649,039	1,777,316
Noncurrent Assets			
Property and equipment - net	7	5,419	30,424
Refundable deposits	4, 13	4,721	3,604
Total Noncurrent Assets		10,140	34,028
		\$659,179	\$1,811,344
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	4, 8	\$90,476	\$123,263
Deferred grant income	9	568,703	1,688,081
Total Current Liabilities		\$659,179	\$1,811,344

See Notes to the Financial Statements.

Discussed with and Approved by BOD:



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

SUPPLEMENTARY INFORMATION TO THE
STATEMENTS OF INCOME AND EXPENSES
(TRANSLATED TO U.S. DOLLARS USING CLOSING RATE AT REPORTING DATE)

Years Ended December 31			
	Note	2018	2017
INCOME			
Grants	9	\$1,065,098	\$3,096,102
Interest income	5	1,243	3,648
		1,066,341	3,099,750
PROJECT EXPENSES			
Learning facilitators allowances	14	337,045	1,144,464
Salaries and employee benefits	14	174,738	320,728
Evaluation activity		83,905	63,654
Partner non-government organizations (NGO) employee benefits	14	71,075	347,023
Transportation and travel		66,022	160,537
Training and orientation		51,230	175,247
School supplies		48,691	185,895
Rent	13	40,039	147,794
Office utilities		6,485	44,483
Taxes and licenses		3,132	258
Production and development		-	6,172
Others	10	69,765	289,474
		952,127	2,885,729
OTHER NONCASH EXPENSES (INCOME)			
Depreciation	7	14,280	46,635
Foreign exchange gains	4	(68,301)	(22,096)
		(54,021)	24,539
GENERAL AND ADMINISTRATIVE EXPENSES			
	11	168,235	189,482
		1,066,341	3,099,750
NET EXCESS OF INCOME OVER EXPENSES			
		\$ -	\$ -

See Notes to the Financial Statements.

Discussed with and Approved by BOD:

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

SUPPLEMENTARY INFORMATION TO THE
STATEMENTS OF CASH FLOWS
(TRANSLATED TO U.S. DOLLARS USING CLOSING RATE AT REPORTING DATE)

Years Ended December 31			
	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net excess of income over expenses		\$ -	\$ -
Adjustments for:			
Depreciation	7	14,280	46,635
Loss on disposal of property and equipment	7	9,111	843
Interest income	5	(1,243)	(3,648)
Excess of income over expenses before working capital changes		22,148	43,830
Decrease (increase) in:			
Other current assets	6	10,650	37,949
Refundable deposits		(1,308)	3,524
Decrease in:			
Accounts payable and accrued expenses		(26,247)	(19,326)
Deferred grant income	9	(1,029,819)	(3,386,228)
Cash used in operations		(1,024,576)	(3,320,251)
Interest received		1,243	3,648
Net cash used in operating activities/ decrease in cash		(1,023,333)	(3,316,603)
Adjustments*		(93,420)	(11,519)
CASH AT BEGINNING OF YEAR		1,760,844	5,088,966
CASH AT END OF YEAR	5	\$644,091	\$1,760,844

*Adjustment to translate beginning balance at closing rate as of December 31, 2018

See Notes to the Financial Statements.

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

SUPPLEMENTARY INFORMATION TO THE
NOTES TO FINANCIAL STATEMENTS
(WITH AMOUNTS TRANSLATED TO U.S. DOLLARS USING
CLOSING RATE AT REPORTING DATE)

1. Branch Information

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

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

The Branch’s management and implementation of the ADM Project of the BEAM-ARMM has the following components:

Component 1: Curriculum, Materials and Assessment Development

This component involves 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, identification of 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 implements 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 develops 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 training courses for educators on curriculum materials development, assessment and instructional supervision.

Component 4: Project Management, Monitoring and Evaluation

This component includes the establishment, staffing and operations of the project management unit and provincial offices. In addition, this component performs the general coordination and supervision of CLCs, monitoring and evaluation, policy support and coordination for scale-up to other regions and conducts research and impact evaluations and policy advocacies.

As of the date of the approval of the financial statements, the Branch is extending its efforts in looking for opportunities to get new donors as its current Grant Agreement with DFAT will be terminated on June 30, 2019. This condition may cast doubt on the continued existence of the Branch. Management will continue its efforts to source for additional funding.

The Branch, in its letter to International Tax Affairs Division of the Bureau of International Revenue dated May 10, 2013, has requested for confirmation of the tax exemption privileges of the BEAM-ARMM Program pursuant to Section 30 of the Tax Reform Act of 1997 (R.A 8424). As at December 31, 2018, the Branch has not received confirmation of the said tax exemption.

The registered office of the Branch, which is also its principal place of business, is located at Waterfront Insular Hotel, Km. 7, Lanang, Davao City.

2. Basis of Preparation

Statement of Compliance

The financial statements, which are the basis of this supplementary information, have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). However, the supplementary information displays financial information from the financial statements which are translated using the closing rate for Philippine peso to U.S. dollar as of reporting date. PFRS is based on International Financial Reporting Standards issued by the International Accounting Standards Board. PFRS consists of PFRS, Philippine Accounting Standards, and Philippine Interpretations.

The accompanying financial statements were approved and authorized for issue by the Board of Directors on March 10, 2019.

Basis of Measurement

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

Functional Currency

The Branch’s functional currency is Philippine peso. However, these supplementary information to the financial statements were presented in U.S. dollar. All financial information were translated to U.S. dollar using the closing rate of Bangko Sentral ng Pilipinas as at December 31, 2018 and 2017 and has been rounded off to the nearest U.S. dollar, except when otherwise indicated. These supplemental information to the financial statements were prepared solely for the use of management.

Use of Estimates and Judgments

The preparation of the financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. However, uncertainty 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.

Operating Lease - Branch as Lessee

The Branch has entered into lease agreements as lessee. The Branch 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 operations amounted to \$40,039 and \$147,794 in 2018 and 2017, respectively (see Note 13).

Estimates and Assumptions

The Branch reviews key assumptions concerning the future and other key sources of estimation and uncertainty at reporting date that may have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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 ADM 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, 2018 and 2017, the property and equipment, net of depreciation amounted to \$5,419 and \$30,424, respectively (see Note 7).

3. Significant Accounting Policies

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

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Branch has adopted the following new standards, amendments to standards and interpretations starting January 1, 2018 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Branch's financial statements.

- *PFRS 9, Financial Instruments (2014).* PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets that reflects the business model in which assets are managed and their cash flow characteristics, including a new forward-looking expected credit loss model for calculating impairment, and guidance on own credit risk on financial liabilities measured at fair value. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.
- *PFRS 15 Revenue from Contracts with Customers* replaces PAS 11 *Construction Contracts*, PAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.
- *Philippine Interpretation IFRIC-22 Foreign Currency Transactions and Advance Consideration.* The amendments clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

Additional disclosures required by the amended standards and interpretation were included in the financial statements, where applicable.

Standards Issued but Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2018. However, the Branch has not applied the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Branch's financial statements.

Effective January 1, 2019

- *PFRS 16 Leases* supersedes PAS 17 *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance, and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification, and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of PFRS 16.

PFRS 16 is not expected to have a material impact on the financial statements in the period of initial application.

The following amended standards and interpretations are relevant but not expected to have a significant impact on the Branch's financial statements.

- *Amendments to PFRS 9 Prepayment Features with Negative Compensation*
- *Annual Improvements to PFRS Standards 2015-2017 Cycle* - various standards
- *Amendments to References to Conceptual Framework in PFRS standards* - effective January 1, 2020.
- *Plan Amendment, Curtailment or Settlement (Amendments to PAS 19 Employee Benefits)*
- *Definition of Material (Amendments to PAS 1 Presentation of Financial Statements and PAS 8 Accounting Policies, Changes in Accounting Estimates and Error)*

Financial Instruments

Date of Recognition. The Branch recognizes a financial asset or a financial liability in the statements of financial position 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.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those at fair value through profit or loss (FVPL), includes transaction costs.

Subsequent to initial recognition, the Branch classifies its financial assets in the following categories: financial assets at FVPL, financial assets at fair value through other comprehensive income (FVOCI), and financial assets at amortized cost. The classification of financial assets depends on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The Branch classifies its financial liabilities as either financial liabilities at amortized cost or financial liabilities at FVPL. The Branch classifies all financial liabilities at amortized cost, except for:

- (a) financial liabilities designated by the Branch at initial recognition as at fair value through profit or loss, when doing so results in more relevant information;
- (b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- (c) contingent consideration recognized by the Branch in a business combination which shall subsequently be measured at fair value with changes recognized in profit or loss; and
- (d) financial guarantee contracts and commitments to provide loan at a below-market interest rate which are initially measured at fair value and subsequently at the higher of amortized amount and amount of loss allowance.

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.

Determination of Fair Value. The fair value of financial instruments traded in active markets at reporting date is based on their quoted market price or dealer price quotations, without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been any significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Branch determines whether transfers have occurred between Levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For purposes of the fair value disclosure, the Branch has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

‘Day 1’ Profit. Where the transaction price in a non-active market is different from the fair value of the other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Branch recognizes the difference between the transaction price and fair value (a ‘Day 1’ profit) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where use is made of data which are not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Branch determines the appropriate method of recognizing the ‘Day 1’ profit amount.

The Branch has no financial liabilities at FVPL as at December 31, 2018 and 2017.

Financial Assets

Financial Assets at FVPL. The Branch measures a financial asset at FVPL unless it is measured at amortized cost or at FVOCI. At initial recognition, the Branch may choose to irrevocably designate a financial asset as measured at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets at FVPL are carried in the statements of financial position at fair value with gains or losses recognized in profit or loss. Interest income is recorded in the statement of comprehensive income when the right to receive payment has been established.

Financial Assets at Amortized Cost. The Branch measures a financial asset at amortized cost if it is not designated as at FVPL and both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are carried at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is included as part of “Interest income” in the statement of comprehensive income. Gains and losses are recognized in profit or loss when the financial assets at amortized cost are derecognized or impaired, as well as through the amortization process. Financial assets at amortized cost are included in current assets if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent assets.

The financial assets at amortized cost includes the Branch’s cash and refundable deposits.

Cash represents cash on hand and in bank and is stated at its face value. Cash in banks earns interest at the respective bank deposit rates.

Business Model Assessment

The Branch makes an assessment of the objectives of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management’s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Branch’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reason for such sales and its expectation about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Branch’s stated objective for managing the financial assets is achieved and how cash flows are realized.

Assessment whether Contractual Cash Flows are Solely Payments of Principal and Interest

For the purpose of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Branch considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Branch considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Branch’s claim to cash flows for specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money - e.g., periodical reset of interest rates.

Financial Liabilities

Financial Liabilities at Amortized Cost. This category pertains to financial liabilities that are not designated at FVPL upon inception of the liability. These include liabilities arising from operations or borrowings. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization for any related premium, discount and any directly attributable transaction costs. These financial liabilities are included in current liabilities if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent liabilities.

This category includes the Branch’s accounts payable and accrued expenses (excluding statutory liabilities to government agencies).

Reclassification of Financial Assets and Liabilities

Financial Assets. When, and only when, the Branch changes its business model for managing financial assets, it shall reclassify all affected financial assets. Such changes are determined by the Branch’s senior management as a result of external or internal changes and must be significant to the entity’s operations and demonstrable to external parties.

A change in the Branch’s business model will occur only when the Branch either begins or ceases to perform an activity that is significant to its operations; for example, when the entity has acquired, disposed of or terminated a business line.

Financial Liabilities. The Branch shall not reclassify any financial liability.

Derecognition of Financial Assets and Liabilities

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

- the rights to receive cash flows from the asset expired;
- the Branch retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Branch has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the assets; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Branch has transferred its right 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 carrying amount of the asset and 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets

The Branch measures impairment losses using the expected credit losses model (“ECL”) which is applied to all debt and equity instruments measured at amortized cost or FVOCI as well as to issued loan commitments and most financial guarantee contracts. The ECL is a ‘three stage’ approach which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses. Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or which have low credit risk at the reporting date. For these items, 12-month ECL are recognized. The 12-months ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these items, lifetime expected credit losses are recognized which is the weighted average credit losses with the probability of default as the weight. Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these items, lifetime expected credit losses are recognized. No impairment loss is recognized on equity investments.

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Branch considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Branch’s historical experience, credit assessment and including forward-looking information.

The information analyzed by the Branch includes the following, among others:

- actual and expected significant changes in the political, regulatory and technological environment of the debtor or in its business activities
- payment record - this includes overdue status as well as a range of variables about payment ratios
- existing and forecast changes in the business, financial and economic conditions

The Branch considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligation to the Branch in full, without recourse by the Branch to actions such as realizing security (if any is held); or
- the debtor is past due more than 90 days on any material credit obligation to the Branch.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The carrying amount of the asset is reduced either directly or through the use of an allowance account. The impairment loss for the year is recognized in profit or loss. If, in a subsequent year, 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 profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of assets 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 on a gross basis in the statements of assets and liabilities.

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 accumulated impairment losses, if any. Cost includes expenditures that are 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 statements of income 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 statements of income and expenses on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, or the remaining term of the ADM Project, whichever is shorter.

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 statements of income 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 statements of income 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 its value in use.

The fair value less costs to sell is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. 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 statements of income and expenses.

Recognition of Grants

Grants received are initially recognized as deferred income and are then recognized as income to the extent of the expenses incurred for the year as set in the conditions associated with the grant. Assets acquired 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 related project whichever is shorter.

Interest Income

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

Expense Recognition

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

Expenses are also recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition as an asset.

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 statements of income 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 of the financial statements of the Branch where the functional currency is Philippine peso are recorded using the applicable exchange rate 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 statements of income and expenses in the year in which they arise.

Provisions

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.

Contingencies

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 events that provide additional information about the Branch's statements of assets and liabilities at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

4. 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.

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

The Branch, through its training 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 performs oversight over financial management functions, specifically in the areas of managing credit, 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 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 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 is presented below:

	<i>Note</i>	2018	2017
Cash in banks	5	\$644,091	P1,760,844
Refundable deposits	13	4,721	3,604
		\$648,812	P1,764,448

The aging of financial assets as at December 31, are as follows:

	2018						
	Neither Past Due nor Impaired	Past Due but not Impaired				Past Due and Impaired	Total
		<30	31 - 60	61 - 90	90		
		Days	Days	Days	Days		
Cash in banks	\$642,783	\$ -	\$ -	\$ -	\$ -	\$ -	\$642,783
Refundable deposit	4,721	-	-	-	-	-	4,721
	\$647,504	\$ -	\$ -	\$ -	\$ -	\$ -	\$647,504

	2017						
	Neither Past Due nor Impaired	Past Due but not Impaired				Past Due and Impaired	Total
		<30	31 - 60	61 - 90	90		
		Days	Days	Days	Days		
Cash in banks	\$1,759,192	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,759,192
Refundable deposit	3,604	-	-	-	-	-	3,604
	\$1,762,796	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,762,796

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

2018	High Grade	Standard Grade	Total
Cash in banks	\$642,783	\$ -	\$642,783
Refundable deposits	4,721	-	4,721
	\$647,504	\$ -	\$647,504

2017	High Grade	Standard Grade	Total
Cash in banks	\$1,759,192	\$ -	\$1,759,192
Refundable deposits	3,604	-	3,604
	\$1,762,796	\$ -	\$1,762,796

The credit qualities of financial assets were determined as follows:

- Cash in banks is 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. Having minimal credit risk since these were assessed as having no instances of payment default.

Cash in Banks

Impairment on cash in banks has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Branch considers that its cash in banks have low credit risk considering the Branch's cash in banks are held with reputable bank institutions. Therefore, the ECL for the Branch's cash in banks as at December 31, 2018 was determined to have no significant impact on the Branch's financial statements.

The Branch's policy is to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Branch has cash deposited in two (2) banks in four (4) different branches. The Branch's management performs an assessment of its external environment, including the related risks and limitations, and selects the Branch's depository banks based on factors such as reputation in the market place, and compliance with regulations, among others.

Liquidity Risk

Liquidity risk pertains to the risk that the Branch will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Branch's objectives to manage its liquidity risk are as follows: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; and (c) to be able to access funding when needed at the least possible cost.

The table below summarizes the maturity profile of the Branch's financial liabilities based on contractual undiscounted payments used for liquidity management:

	As at December 31, 2018			
	Carrying Amount	Contractual Cash Flow	1 Year or Less	1 Year - 5 Years
Financial Liabilities*				
Accounts payable and accrued expenses	\$86,980	\$86,980	\$86,980	\$ -

**Excluding statutory payables.*

	As at December 31, 2017			
	Carrying Amount	Contractual Cash Flow	1 Year or Less	1 Year - 5 Years
Financial Liabilities*				
Accounts payable and accrued expenses	\$119,577	\$119,577	\$119,577	\$ -

**Excluding statutory payables.*

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 asset and liability 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 U.S. dollar and buying foreign currencies at spot rates where necessary to address short-term imbalances.

The Branch's foreign currency-denominated assets and liabilities as at December 31 are as follows:

2018	Current Assets	Current Liabilities	Net Foreign Currency Exposure
Currency			
USD	534,244	62,280	471,964

2017	Current Assets	Current Liabilities	Net Foreign Currency Exposure
Currency USD	1,408,124	24,586	1,383,538

The Branch recognized foreign exchange gains of \$68,301 and \$22,096 in 2018 and 2017, respectively.

Sensitivity Analysis

A 6% strengthening of the Philippine peso against USD as at December 31, 2018 would have increased foreign exchange gains by \$26,472. A 0.4% strengthening of the Philippine peso against USD as at December 31, 2017 would have increased foreign exchange gains by \$5,565.

A weakening of the Philippine peso against the USD by the same percentage as above as at December 31, 2018 and 2017 would have had equal but opposite effect on the basis that all other variables remain constant.

Percentage of the analysis is based on the change in Philippine peso against USD exchange rate used during the year and previous year.

The increase in USD rate means stronger USD against Philippine peso while the decrease in USD means stronger Philippine peso against USD.

Fair Values

The carrying value of cash approximates its fair value, since it can be readily withdrawn and used for operations at any time. The fair value of the refundable deposits approximates its carrying amount since it can be reasonably be collected on their due dates.

5. Cash

This account consists of:

	Note	2018	2017
Cash on hand		\$1,308	\$1,758
Cash in banks	4	642,783	1,759,086
		644,091	\$1,760,844

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

Interest income earned from cash in banks in 2018 and 2017 amounted to \$1,243 and \$3,648, respectively.

6. Other Current Assets

This account consists of advance to non-government organizations (NGO) partners and Branch employees amounting to \$4,948 and \$16,472 as at December 31, 2018 and 2017, respectively.

Advances to NGO partners and Branch employees represent advances given by the Branch which exceeded amounts liquidated as of December 31, 2018. These are expected to be applied against expenses for the next quarter.

7. Property and Equipment

The movements and balances of this account are as follows:

	Office Furniture and Equipment	Transportation Equipment	Total
Cost			
January 1, 2017	\$98,759	\$201,819	\$300,578
Adjustment*	(6)	(12)	(18)
Disposals	(6,983)	-	(6,983)
December 31, 2017	91,770	201,807	293,577
Adjustment*	(4,869)	(10,707)	(15,576)
Disposals	(47,669)	-	(47,669)
December 31, 2018	39,232	191,100	230,332
Accumulated Depreciation			
January 1, 2017	60,484	162,186	222,670
Adjustment*	-	(12)	(12)
Depreciation	15,454	31,181	46,635
Disposals	(6,140)	-	(6,140)
December 31, 2017	69,798	193,355	263,153
Adjustment*	(3,703)	(10,258)	(13,962)
Depreciation	6,276	8,003	14,280
Disposals	(38,558)	-	(38,558)
December 31, 2018	33,813	191,100	224,913
Carrying Amount			
December 31, 2017	\$21,972	\$8,452	\$30,424
December 31, 2018	\$5,419	\$ -	\$5,419

*Adjustment to translate beginning balance at closing rate as of December 31, 2018

8. Accounts Payable and Accrued Expenses

This account consists of:

	Note	2018	2017
Payroll-related payable		\$5,507	\$55,266
Due to related parties	12	28,329	24,584
Payable to NGO partners		-	13,308
Withholding tax payable		1,745	2,185
Accrued expenses		54,895	27,920
		\$90,476	\$123,263

Due to related parties includes payables to BRAC Bangladesh, BRAC USA and Stichting BRAC International. These pertain to reimbursements for expenses incurred in providing management and technical support to the Branch (see Note 12).

Payable to NGO partners pertain to the excess of the costs incurred for projects over the fund provided by the Branch.

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

9. Grant Agreement

A Grant Agreement between the Commonwealth of Australia, as represented by then AusAID and Stichting BRAC International, Inc. was executed on February 3, 2012 covering the ADM project for the BEAM-ARMM. This Grant Agreement was effective until June 30, 2015.

In accordance with the provisions of the Grant Agreement, the Branch received from AusAID a grant of AUD30,500,000 for the management and implementation of the ADM project which was given in four (4) tranches as follows:

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

The schedule of tranches is subject to the terms and conditions as stipulated in the Grant Agreement. In March 2015, the Amendment of the Grant Agreement ("Amendment") was executed by DFAT which extended the period covered by the Grant Agreement until June 30, 2017. As part of the Amendment, additional two (2) tranches were included amounting to AUD6,105,866 for each tranche. The first tranche was given in September 2015 and the remaining tranche will be given on August 2016. As a result of the Amendment, the new total amount of the grant is AUD42,711,732 from the previous amount of AUD30,500,000. Another amendment on 29 December 2015 was done resulting to the reduction of the remaining tranche which was received on September 2016 amounting to AUD 5,379,880. As a result of the amendment the total of the grants received was AUD 41,985,746 from the previous amount of AUD 42,711,732.

In March 2017, the Branch was able to obtain a one (1) year extension until June 30, 2018 (Note 1) for the Grant Agreement subject to the following conditions:

- the total amount of the grant received was AUD41,609,982 from the previous amount of AUD42,323,737.
- the operational budget for the additional year will be taken from the unspent funds.
- the remaining unspent funds will be returned by the Branch to DFAT.
- the extension will focus on ensuring the transition of the children to DepEd managed schools.
- monitoring and supervision of the learning centers will be done jointly by the Branch and DepEd.

In June 2018, the branch was able to obtain another one (1) year extension until June 30, 2019 for the Grant Agreement subject to the following conditions:

- the operational budget for the additional year will be taken from the unspent funds.
- the remaining unspent funds will be returned by the Branch to DFAT.
- the extension will focus on ensuring the transition of the children to DepEd managed schools.
- monitoring and supervision of the learning centers will be done jointly by the Branch and DepEd.

The grant received by the Branch from DFAT/AusAID which has not yet been utilized in the implementation of the ADM Project as at December 31, 2018 and 2017 amounted to \$535,031 and \$1,688,081, respectively.

In December 12 2018, the branch signed a contract with Asian Development Bank (ADB), TA-9592 REG: Implementation Support in the Philippines (50364-003), in support of the Ultra-Poor Graduation Project in Negros Occidental. The project will run until December 31, 2019. The first payment of \$35,000 was made on December 21, 2018. As at December 31 2018 total expense for this project was \$1,328 and the remaining fund balance amounted to \$33,672. The total amount of the contract is \$250,000.

10. Project Expenses

Project expenses per cost component as at December 31, 2018 and 2017, respectively, are presented below:

Description	2018	2017
Component 1: Curriculum, Materials and Assessment Development	\$ -	\$6,172
Component 2: Community Learning Center Operations	656,394	2,094,109
Component 3: Capacity Building	51,230	175,247
Component 4: Project Management, Monitoring and Evaluation	244,503	610,201
	\$952,127	\$2,885,729

The Branch entered into various agreements with local NGOs. As provided under the terms of these agreements, the NGOs will manage the operation of the CLCs in their designated provinces in ARMM. As at December 31, 2018, the Branch, together with its duly recognized local NGOs, implemented and managed the ADM Project for 442 CLCs and 101 CLCs for School Year (SY) 2017-2018 and 2018-2019, respectively. 342 CLCS were already endorsed and transitioned to mainstream education of Department of Education (DepEd) –ARMM before the start of SY 2018-2019.

The Branch disburses funds to its local partner NGOs on a quarterly basis for the management and operations of the CLCs in their designated areas and provinces. The partner NGOs will liquidate the funds received for the expenses incurred in accordance with the agreement.

As at December 31, 2018 and 2017, the disbursed funds to local partner NGOs which are not yet liquidated are as follows:

Description	2018	2017
Maranao People Development Center, Inc.	\$ -	\$6,381
Integrated Learning for Moslems and Highlanders Foundations	-	2,247
Kapagawida Development Services Association, Inc.	-	2,222
Notre Dame University	-	1,332
Community and Family Services International	-	\$849
Integrated Resource Development for Tri-People	-	426
Nagdilaab Foundation Inc.	-	371
Kalimudan Sa Ranao Foundation, Inc.	-	356
Tapukan Farmers Multipurpose Cooperative	-	308
Muslim Upliftment Foundation of Tawi-Tawi, Inc.	-	216
Concerned Alliance of Professional and Students Inc.	-	200
Mindanao Autonomous College Foundation Inc.	-	169
	\$ -	\$15,077

Other project expenses during the year include:

	2018	2017
ERP software and service charge overhead costs	\$47,754	\$237,247
Office running costs	22,011	49,140
Insurance	-	3,087
	\$69,765	\$289,474

11. General and Administrative Expenses

This account consists of:

	Note	2018	2017
Technical support	12	\$113,950	\$110,729
Outside services		7,966	30,450
Professional services		18,216	17,289
Security measurement management		5,475	13,564
Transportation and travel		6,746	4,132
Utilities		1,010	1,456
Support services		359	161
Others		14,513	11,701
		\$168,235	\$189,482

Professional fees pertains to expenses related to external audit services incurred by the Branch.

12. Related Party Transactions

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. Related parties may be individuals or corporate entities.

In the implementation of the ADM project, the Branch has transactions with its related parties as at December 31, 2018 and 2017 as follows:

Related Party/ Transaction	Ref	Year	Amount of the Transaction	Outstanding Balance Due to Related Parties	Terms and Conditions
Head office					
▪ Technical support	12a	2018	\$80,591	\$ -	30 days; non-interest bearing; unsecured
		2017	155,137	10,455	
BRAC Bangladesh					
▪ Technical support	12a	2018	33,360	-	30 days; non-interest bearing; unsecured
		2017	96,234	14,129	
BRAC USA					
▪ Technical support	12b	2018	121,201	28,329	30 days; non-interest bearing; unsecured
		2017	-	-	
		2018		\$28,329	
		2017		\$24,584	

- a. Technical support pertains to reimbursements to BRAC Bangladesh and the Head Office for expenses it paid for in providing administration and financial management assistance to the Branch. It also entails sending support personnel to the Branch for the efficient and effective management and implementation of the ADM Project in accordance with the provisions of the Grant Agreement.
- b. Cash advances pertains to the cash received from BRAC USA for the reimbursement of monthly compensation of the staff of Untra-poor Graduation (TUP) Project.
- c. Compensation and other short-term benefits of key management personnel amounted to \$20,652 and \$125,964 as at December 31, 2018 and 2017, respectively.

13. Lease Commitments

On March 5, 2012, the Branch entered into a lease agreement for a parcel of land located at No. 1 R. Mañara Street, Rosary Heights 10, Cotabato City with two (2) residential buildings, two (2) stories with an annex one room office and a guard house, with concrete perimeter fence. The lease was renewed for a fixed period of three (3) years until February 28, 2018. In August 2017, the lease agreement was terminated. The Branch transferred the Country Office from Cotabato City to DBP Village, Ma-a, Davao City and entered into a lease agreement for the period of one year commencing on August 1, 2017. In July 2018, the lease was terminated and the branch transferred the Country Office to Waterfront Insular Hotel, Km 7, Lanang, Davao City and entered into a lease agreement for the period of one year commencing on July 2018.

In August 2017, the Branch entered into a new lease agreement for the office located at Pansacal St, RH-10 Cotabato City until May 2018. In September 2018, the branch then transferred to San Pablo St., Rosary Heights 10, Cotabato City and entered into a lease agreement until June 30, 2019.

The Branch also leases various premises serve as Project Office. The lease period which range until one (1) year. All these lease agreements require a refundable deposit except Iligan and Zamboanga office.

The Branch also entered into a lease agreement for the 101 CLCS that were previously endorsed to the community located in the five (5) provinces of Autonomous Region in Muslim Mindanao (ARMM).

Refundable deposits amounted to \$4,721 and \$3,604 as at December 31, 2018 and 2017, respectively.

The future rental payables for these lease agreements are as follows:

	2018	2017
Within one year	\$5,501	\$8,854
After one year but not more than five years	-	-
	\$5,501	\$8,854

Rent expense amounted to \$40,039 and \$147,794 in 2018 and 2017, respectively.

14. Staff Cost

	Salaries and Employee Benefits	Learning Facilitators Allowances	Partner NGOs Employee Benefits
Basic salary			
2018	\$136,790	\$309634	\$67,117
2017	276,671	1,004,692	295,464
13 th month pay/Bonus			
2018	8,515	25,708	3,528
2017	12,045	82,370	23,440
SSS/Philhealth/Pag-ibig /Provident Fund/Gratuity			
2018	29,433	1,703	430
2017	32,012	57,402	28,120
2018	\$174,738	\$337,045	\$71,075
2017	\$320,728	\$1,144,464	\$347,024

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

In addition to the disclosures mandated under PFRS, 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 PFRS. The following is the tax information required by Revenue Regulations No. 15-2010 for the taxable year ended December 31, 2018:

The Branch reported and/or paid the following types of taxes in 2018:

A. Withholding Taxes

Tax on compensation and benefits	\$11,697
Final withholding taxes	4,776
	\$16,473

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	\$3,132

C. Deficiency Tax Assessments

As at December 31, 2018, the Branch has no deficiency tax assessment.

D. Tax Cases

As at December 31, 2018, 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, come from grants which were not charged with output VAT. The input tax incurred in all of its costs and expenses were charged to operations.

Information on the amount of custom duties and tariff fees, excise taxes and documentary stamp taxes paid or accrued are not applicable since the Branch did not enter into transactions that resulted in payment or accrual of such taxes.

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Disclaimer: Some names and identifying details in the case stories have been changed to protect the privacy of the individuals.