Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

ANNUAL AUDIT REPORT

on the

DBP DATA CENTER, INC.
(A Wholly-Owned Subsidiary of the Development Bank of the Philippines)

REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Corporate Government Sector
Cluster I – Banking and Credit

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
DBP Data Center, Inc.
Makati City

Report on the Audit of Financial Statements

Qualified Opinion

We have audited the financial statements of the DBP Data Center, Inc. (DCI), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the DCI as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Qualified Opinion

The Corporation established a Retirement Gratuity Plan for which Pension Benefits Payable as at December 31, 2018 and 2017 amounting to P20.043 million and P19.017 million, respectively, were recognized. The Pension Benefits Payable was measured at an amount equivalent to the value of the trust fund with the DBP Trust Banking Group and 1/12 of the monthly salary of regular employees, and not in accordance with the Philippine Accounting Standard (PAS) 19, Employee Benefits. PAS 19 requires the use of an actuarial technique to determine the present value of the obligations. Without an actuarial study, the effects on the financial statements are not reasonably determinable as at reporting dates. As such, we were unable to obtain sufficient evidence to determine the Pension Benefits Payable that should have been recognized as at December 31, 2018 and 2017, nor were we able to satisfy ourselves by other audit procedures.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the DCI in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippine Public Sector, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 DCI'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 DCI or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs 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 ISSAIs, 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 Company'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation 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.

Report on Other Regulatory Requirements

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 30 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

MARILYN C. BRIONES
Supervising Auditor

March 13, 2019

DCI

2019 MAR 1 AM 10:

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of ***DBP DATA CENTER, INC. (DCI)***, is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended *December 31, 2018 and December 31, 2017*, in accordance with the prescribed financial reporting framework indicated therein, 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 ***DCI'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 ***DCI*** or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing ***DCI's*** financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

The Commission on Audit (COA), the independent auditors appointed by the stockholders, has audited the financial statements of ***DCI*** in accordance with International Standards of Supreme Audit Institutions, and in their report to the stockholders, has expressed their opinion on the fairness of presentation upon completion of such audit.

LUIS C. BONGUYAN
Chairman of the Board

EMMANUEL P. GALICIA, JR.
President & Chief Executive Officer

GINA A. GONZALES
Operations Department Head

Signed this 13th day of March 2019.

DBP DATA CENTER, INC.
(A wholly-owned subsidiary of the Development Bank of the Philippines)
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017
(In Philippine Peso)

	Note	2018	2017 As restated
ASSETS			
Current assets			
Cash and cash equivalents	5	10,118,852	30,762,058
Receivables - net	6	126,942,757	103,454,538
Prepayments	7	2,368,342	2,854,105
Inventory	8	133,262	100,687
Other assets	9	945,147	965,289
		140,508,360	**138,136,677**
Non-current assets			
Property and equipment - net	10	3,736,941	7,443,221
Investments	11	5,895,136	6,988,296
Intangible assets - net	12	613,008	672,619
Deferred tax asset	13	223,584	223,584
		10,468,669	**15,327,720**
TOTAL ASSETS		**150,977,029**	**153,464,397**
LIABILITIES AND EQUITY			
Current liabilities			
Inter-agency payables	14	7,702,645	11,399,071
Accounts payable	15	80,377,004	55,609,625
Due to officers and employees		682,000	682,000
Dividend payable	16	1,500,000	1,500,000
Trust liability	17	0	26,505,629
Other financial liabilities	18	563,943	563,943
Leave benefits payable	19	4,389,364	4,694,045
		95,214,956	**100,954,313**
Non-current liabilities			
Pension benefit payable	20	20,043,288	19,016,777
		20,043,288	**19,016,777**
TOTALLIABILITIES		**115,258,244**	**119,971,090**
Equity			
Share capital	21	23,280,000	23,280,000
Retained earnings		12,438,785	10,213,307
TOTAL EQUITY		**35,718,785**	**33,493,307**
TOTAL LIABILITIES & EQUITY		**150,977,029**	**153,464,397**

The Notes on pages 9 to 32 form part of this financial statement.

DBP DATA CENTER, INC.
(A wholly-owned subsidiary of the Development Bank of the Philippines)
STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2018 and 2017
(In Philippine Peso)

	Note	2018	2017
INCOME			
Service and business income	22	123,132,606	147,625,542
Other business income	23	1,883,713	74,152
		125,016,319	**147,699,694**
EXPENSES			
Personnel services	24	(42,592,181)	(51,215,885)
Maintenance and other operating expenses	25	(77,488,513)	(94,029,538)
Non-cash expenses	26	(896,224)	(727,792)
		(120,976,918)	**(145,973,215)**
NET INCOME BEFORE TAXES		**4,039,401**	**1,726,479**
Provision for income tax	27	(1,208,942)	(509,384)
NET INCOME /TOTAL COMPREHENSIVE INCOME		**2,830,459**	**1,217,095**

The Notes on pages 9 to 32 form part of this financial statement.

DBP DATA CENTER, INC.

(A wholly-owned subsidiary of the Development Bank of the Philippines)

STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2018 and 2017

(In Philippine Peso)

	Note	Common Stock (Note 21) Share	Amount	Retained Earnings	Total
Adjusted Balance, January 1, 2017	33	202,800	20,280,000	18,177,772	38,457,772
Additional paid-up capital		30,000	3,000,000	(3,000,000)	0
Net Income for 2017		0	0	1,217,095	1,217,095
Declaration of Cash Dividend		0	0	(6,181,560)	(6,181,560)
Balance, December 31, 2017	33	232,800	23,280,000	10,213,307	33,493,307
Net Income for 2018		0	0	2,830,459	2,830,459
Declaration of Cash Dividend	16	0	0	(604,981)	(604,981)
Balance, December 31, 2018		232,800	23,280,000	12,438,785	35,718,785

The Notes on pages 9 to 32 form part of this financial statement.

DBP DATA CENTER, INC.

(A wholly-owned subsidiary of the Development Bank of the Philippines)

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2018 and 2017

(In Philippine Peso)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		463,205,372	161,290,745
Other income received		424	45,619
Cash payments to suppliers		(393,758,767)	(34,315,697)
Cash paid for operating expenses		(89,494,848)	(116,498,145)
Interest income received		9,594	28,534
Cash paid for other assets		0	(191,622)
Net cash (used in)/generated from operations		**(20,038,225)**	**10,359,434**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of computer equipment and office machine & equipment		0	(668,808)
Net cash used in investing activities		**0**	**(668,808)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Withdrawal of investment in DBP Trust Banking		0	(2,594,746)
Payment of cash dividend		(604,981)	(6,181,560)
Net cash used in financing activities		**(604,981)**	**(8,776,306)**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(20,643,206)**	**914,320**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5	**30,762,058**	**29,847,738**
CASH AND CASH EQUIVALENTS, END OF YEAR	5	**10,118,852**	**30,762,058**

The Notes on pages 9 to 32 form part of this financial statement.

DBP DATA CENTER, INC.
(A wholly-owned subsidiary of the Development Bank of the Philippines)
NOTES TO FINANCIAL STATEMENTS
(Amounts in Philippine Peso unless otherwise stated)

1. GENERAL/ CORPORATE INFORMATION

DBP Data Center, Inc. (DCI), formerly known as Development Bank Data Center, Inc., is a wholly owned subsidiary of the DBP created under DBP Board Resolution No. 3172 dated October 6, 1982 and registered with the Securities and Exchange Commission (SEC) per Registry No. 107887 dated October 26, 1982. Its operations started in November 1982 with the primary purpose of implementing the computerization program of DBP. DCI is equipped with this experience in banking systems and facilities management. DCI ventured towards the development and implementation of non-banking systems for private and government entities as well.

The Corporation's registered office is located at Senator Gil J. Puyat Avenue corner Makati Avenue, Makati City.

As of December 31, 2018, DCI had a total manpower of sixty-three (63) including twelve (12) contractual personnel.

The DCI Board approved the issuance of DCI's financial statements for the year ended December 31, 2018 on January 23, 2019.

2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

2.1 Basis of financial statement preparation

The accounting policies adopted in the presentation of the Financial Statements are set out below. These polices are consistently applied unless otherwise stated.

2.2 Statement of compliance

The financial statements have been prepared in accordance with Philippine Financial Reporting Standards/Philippine Accounting Standards (PFRS/PAS).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of measurement

The financial statements have been prepared under the historical cost basis, unless otherwise stated, and are presented in Philippine peso, the Corporation's functional currency. All values are rounded to the nearest peso except otherwise indicated.

Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements.*

The Corporation presents its statement of financial position in order of liquidity. An analysis regarding recovery of assets or settlement of liability within twelve (12) months after the statement of financial position date (current) and more than twelve (12) months after the statement of financial position date (non-current) is presented in Note 24 to the financial statements.

Use of judgments and estimates

The preparation of financial statements in compliance with PFRS requires the use of accounting estimates. It also requires the management to exercise judgment in the most appropriate application of the accounting policies.

Changes in accounting policies and disclosures

a. New standards and amendments issued and effective from January 1, 2018.

- PFRS 9, *Financial Instruments*. This new standard on financial instruments replaced PAS 39, Financial Instruments: *Classification and Measurement,* and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

  - three principal classification categories for financial assets based on business model on how an entity is managing its financial instruments;

  - an expected credit loss (ECL) model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial assets; and,

  The management applied the changes in the current year.

- PFRS 15, *Revenue from Contracts with Customers*. PFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. PFRS 15 superseded PAS 18, *Revenue*, PAS 11, *Construction Contracts*, and the related interpretations. PFRS 15 provides that the entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. PFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognize revenue when (or as) the entity satisfies a performance obligation.

The application of these amendments had no impact on the Corporation's financial statements.

b. New standards effective after the reporting period ended December 31, 2018.

The standards and interpretations that have been issued but are not yet effective as of December 31, 2018 are listed below:

- PFRS 16, *Leases* (effective January 1, 2019). On January 13, 2016, the IASB issued its new standard, PFRS 16, Leases, which replaces Philippine Accounting Standard (PAS) 17, the current lease standard, and the related interpretations.

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17. Rather, leases will apply the single-asset model in which the lessees will recognize the asset and the related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize the interest on the lease liabilities in their profit or loss. Leases with a term of twelve (12) months or less of which underlying asset is of low value are exempted from these requirements. The Corporation is currently assessing the impact of adopting this standard.

  The new standard has no impact on the Corporation's financial statements.

- IFRIC 23, *Uncertainty over Income Tax Treatments* (effective January 1, 2019) The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under PAS 12. It specifically considers:

  - Whether tax treatments should be considered collectively
  - Assumptions for taxation authorities' examinations
  - The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - The effect of changes in facts and circumstances

Management is currently assessing the impact of this new standard in its financial statements.

- Amendment to PFRS 9, *Prepayment Features with Negative Compensation* (effective January 1, 2019). The amendment clarifies that prepayment features with negative compensation attached to financial statement may still be qualify under the sole payments of principal and interest (SPPI) test. As such, financial assets containing prepayment features with negative compensation may still be classified at amortised cost or at FVTOCI. Management is currently assessing the impact of this new standard in its financial statements.

- Amendments to PAS 19, *Plan Amendment, Curtailment or Settlement* (effective January 1, 2019). The following are the amendments in Plan Amendment, Curtailment or Settlement:

    - If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.

    - In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

  The Corporation does not anticipate that the application of these amendments may have an impact of the financial statements in future periods.

- Amendments to PAS 1 and PAS 8 *Definition of Material* (effective January 1, 2020). The amendment clarifies the definition of 'material' and aligns the definition used in the Conceptual Framework and the standards. Management is currently assessing the impact of this new standard in its financial statements.

3.1 Financial instruments

Initial recognition

A financial asset or financial liability is recognized in the statements of financial position when the Corporation becomes a party to the contractual provisions of the instrument.

Financial instruments are classified as financial assets and financial liabilities or equity instruments in accordance with the substance of the contractual agreement.

Financial assets measured at amortised cost

A financial asset that is a debt instrument, other than those that are designated at FVTPL, which meet both of the following conditions:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and,
- 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.

The Corporation's cash and cash equivalents and receivables, as disclosed in Notes 5 and 6 are under this category.

Derecognition of financial assets and liabilities

Financial assets

A financial asset or, where applicable, a part of financial or part of a group of similar financial assets, is derecognized when (1) rights to receive cash flows from the asset have expired: (2) the Corporation retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to third party under a "pass-through" arrangement; (3) the Corporation has transferred its rights to receive cash flows from the asset and either has transferred substantially all risks and rewards of ownership of the asset or (4) has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, but transferred control of the asset.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

Where an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing liability is modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognized in the statement of comprehensive income.

Impairment of financial assets

Impairment of assets carried at amortised cost

Loans receivable – others are measured at amortised cost

Loans and other credit exposures with unpaid principal and/or interest are classified and provided with allowance for credit losses (ACL) based on the number of days of defaulted payments.

The Corporation has no receivable under this category.

3.2 Property, Plant and Equipment

Property, plant and equipment are initially recognized at cost. At the end of each financial reporting period, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

The cost of an asset comprises purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

Major repairs and maintenance are capitalized. Items below the threshold of P15,000.00 and semi-expendable items are adjusted to conform with COA Circular No. 2016-006 dated December 29, 2016.

Depreciation is computed using the straight line method over the estimated useful life of the depreciable assets. Amount subject for depreciation is net of 10 per cent residual value. The estimated life of the Corporation's property and equipment are as follows:

IT equipment	5 years
Office equipment	5 years
Furniture and fixture	5 years
Transportation equipment	7 years
Buildings	30 years

An item of the property, plant and equipment, including the related accumulated depreciation and accumulated impairment loss, if any, is derecognized upon disposal or when no future economic benefit are expected to arise from continuing use of an asset. Any gain or loss arising from derecognition of the asset is included in the statement of comprehensive income in the year the asset is derecognized.

Fully depreciated assets are retained in the books until they are no longer in use and no further charge for depreciation is made.

3.3 Other Assets

Other assets pertain to other resources controlled by the Corporation as a result of past events. They are recognized in the financial statements when it is probable that future economic benefits will flow and the asset has a cost value that can be measured reliably.

Other assets comprised prepayments and deposits. Prepayments represent expenses not yet incurred but already paid. Prepayment are initially recorded as assets and measured at cost. Subsequently, these are charged as expense on the statement of comprehensive income as they consumed in operations or as expire in the passage of time. Deposits represent amount deposited/paid in advance for rentals of office equipment, office space and parking space. Deposits are initially recorded at cost and reversed upon receipt of refund from suppliers.

3.4 Intangible Assets

Intangible assets are stated at cost and amortised on a straight-line method over the estimated useful life of the assets. The Corporation's intangible assets are assessed for impairment when there are indication that the intangible assets may be impaired.

Intangible assets comprised computer software licenses and maintenance with estimated life of 1-3 years.

3.5 Financial liabilities

Financial liabilities are recognized when the Corporation becomes a party to the contractual terms of the instrument. All interest-related charges are presented as part of Financial Expenses in the statement of comprehensive income.

Accounts payable and other liabilities are initially recognized at transaction price and subsequently measured at amortised cost less settlement payments.

Dividends to the national government are recognized upon declaration of the group.

Financial liabilities are derecognized from the statement of financial position when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the considerations paid are recognized in the statement of comprehensive income in the year of derecognition.

3.6 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is 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 liability, simultaneously.

3.7 Revenue and cost and expenses recognition

Revenues comprised service and business income from projects, interest income on bank deposits and other miscellaneous income.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the amount can be measured reliably. The following specific recognition criteria of income and expenses must also be met before revenue is recognized:

a. Interest – Interest income and expenses are recognized in profit or loss for all instruments measured at amortised cost using the effective interest method.

   The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over a relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

b. Other income – is recognized in the period in which these are earned.

Operating cost and expenses are recognized in the statement of comprehensive income upon the utilization of assets or services or at the date they are incurred. All financial expenses are reported in profit or loss on an accrual basis, except capitalized borrowing cost which are included as part of the cost of related qualifying asset.

3.8 Leases

The Corporation is a lessee under the operating lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating lease is recognized in the statement of comprehensive income on a straight line basis over the lease term. Initial direct costs incurred in negotiating operating lease are added to the carrying amount of the leased asset and recognized over the lease term. Contingent rents are recognized as revenue in the year they are earned.

3.9 Income Taxes

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable income for the year. Taxable income differs from net income reported in the statement of comprehensive income because it excludes item of income and expense that are taxable or deductible in other years and it further exclude items that are never taxable or deductible. All changes to current tax assets or liabilities are recognized as component of provision for income tax in statement of comprehensive income.

3.10 Employee benefits

a. Retirement benefits

The Corporation provides retirement benefits to employees based on the provisions of The Labor Code of the Philippines. Accrued amount of retirement pay are presented under Payables account in the statement of financial position.

b. Compensated Absences

Compensated absences are recognized for the number of paid leave days remaining at the end of the reporting period. They are included in the Payables account in the statement of financial position at the undiscounted amount that the Corporation expects to pay as a result of the unused entitlement.

3.11 Related party transactions

Related party transactions are transfer of resources, services or obligations between the Corporation and its related parties, regardless whether a price is charged.

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

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

4. RISK MANAGEMENT

The Corporation is exposed to various forms of risks. These risks can be grouped into credit, market, liquidity and operational. In managing these risks, the approach is not always risk minimization but managing risks to make an optional contribution to company revenues.

Credit risk

Credit risk is the risk that the Corporation will incur a loss because its clients, customers or counterparties will fail to discharge their contractual obligations. Acceptance of projects from agencies/clients is based on criteria that the Board of Directors and Management continuously review and improve based on on-going analyses of agency/client behavior. The objective is to continuously improve the Company's portfolio quality. Management carefully manages its exposure to credit risk. Project proponents' payment attitude is being evaluated for future engagements.

Presently, DCI's primary counterparty is DBP. With the Bank's IT including DCI in their annual budget allocation, DCI only considers cash flow concerns and not the risk of non-payment. However, the Company has started offering services and expertise to other government agencies and instrumentalities outside DBP. Additional due diligence is being exerted by the Management to avoid recurrence of previous experiences in government collections.

Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its payment obligations when they fall due under the normal and stress circumstances. To limit this risk, Management monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of short-term investments, which could be used to secure additional funding if required. Further, the Corporation limits its engagement in short-term projects to facilitate inflows of cash.

As the Company's primary source of income comes from DBP, DCI considers liquidity risk as part of its risk universe. The organization recognizes the risk in matching its receivables from DBP to its payables, specifically in servicing the salaries of its employees.

With the staff supplementation contract stating a certain period required for DBP IT to pay DCI, DCI closely monitors the payment period stated in the contract.

Below is the asset-liability gap analysis for the year 2018 and 2017:

2018	Up to 3 mos.	Over 3-6 mos.	Over 6 mos-1 yr	Over 1-5 yrs	Over 5 yrs	Total
Assets:						
Petty cash fund	10,000	0	0	0	0	10,000
Cash in bank-local currency	10,108,852	0	0	0	0	10,108,852
Receivables	126,942,757	0	0	0	0	126,942,757
Property plant & equipment	0	0	0	3,736,941	0	3,736,941
Investments	0	0	0	5,895,136	0	5,895,136
Intangible assets	0	0	0	613,008	0	613,008
Other assets	945,147	0	0	0	0	945,147
Deferred asset	0	0	0	223,584	0	223,584
Inventory	133,262	0	0	0	0	133,262
	138,140,018	**0**	**0**	**10,468,669**	**0**	**148,608,687**
Liabilities:						
Inter-agency payables	7,702,645	0	0	0	0	7,702,645
Accounts payable	80,377,004	0	0	0	0	80,377,004
Due to officers and employees	682,000	0	0	0	0	682,000
Dividend payable	1,500,000	0	0	0	0	1,500,000
Trust liability	0	0	0	0	0	0
Other financial liabilities	0	0	0	563,943	0	563,943
Leave benefits payable	0	0	0	4,389,364	0	4,389,364
Pension benefit payable	0	0	0	20,043,288	0	20,043,288
	90,261,649	**0**	**0**	**24,996,595**	**0**	**115,258,244**
Asset-liability gap	**47,878,369**	**0**	**0**	**(14,527,926)**	**0**	**33,350,443**

2017	Up to 3 mos.	Over 3-6 mos.	Over 6 mos-1 yr	Over 1-5 yrs	Over 5 yrs	Total
Assets:						
Petty cash fund	10,000	0	0	0	0	10,000
Cash in bank-local currency	30,752,058	0	0	0	0	30,752,058
Receivables	103,454,538	0	0	0	0	103,454,538
Property plant & equipment	0	0	0	7,443,221	0	7,443,221
Investments	0	0	0	6,988,296	0	6,988,296
Intangible assets	0	0	0	672,619	0	672,619
Other assets	965,289	0	0	0	0	965,289
Deferred asset	0	0	0	223,584	0	223,584
Inventory	100,687	0	0	0	0	100,687
	135,282,572	**0**	**0**	**15,327,720**	**0**	**150,610,292**
Liabilities:						
Inter-agency payables	11,399,071	0	0	0	0	11,399,071
Accounts payable	55,609,625	0	0	0	0	55,609,625
Due to officers and employees	682,000	0	0	0	0	682,000
Dividend payable	1,500,000	0	0	0	0	1,500,000
Trust liability	26,505,629	0	0	0	0	26,505,629
Other financial liabilities	0	0	0	563,943	0	563,943
Leave benefits payable	0	0	0	4,694,045	0	4,694,045
Pension benefit payable	0	0	0	19,016,777	0	19,016,777
	95,696,325	**0**	**0**	**24,274,765**	**0**	**119,971,090**
Asset-liability gap	**39,586,247**	**0**	**0**	**(8,947,045)**	**0**	**30,639,202**

Market risk

Previously, the Corporation's exposure to market risk would be the amendment of Government Procurement Policy Board (GPPB) Resolution No. 03-2007 amending section 53(e) of IRR-A of Republic Act (RA) 9184 to include infrastructure projects and consulting services. This section states that negotiated procurement shall be allowed in the procurement of consulting services and goods from another agency of the government, such as the Procurement Service-Department of Budget and Management, the Office tasked with a centralized procurement of commonly used goods for the government in accordance with the Letters of Instruction No. 755 and Executive Order No. 359, series of 1989. For purposes of this paragraph, the term agency shall exclude GOCC incorporated under Batas Pambansa Blg. 168, otherwise known as the Corporation Code of the Philippines. RA 9184 is a law enacted to govern government dealings with private sector contractors and if such is the scope of the law, it should not cover government dealings with other government agencies such as DCI. With the issuance of GPPB Resolution No. 12-2013, which reversed GPPB Resolution No. 03-2007, DCI's position in the Information Technology market industry dealing with government agencies and instrumentalities, is once again brought into an active status.

During the current year (2018), DCI continued to focus primarily on assisting the Bank's initiatives on various bank products by providing the workforce for the development and maintenance of the Bank's systems and applications.

Due to the DBP's intention to engage the services of some DCI contractual employees as direct-hired contractual for a period of three (3) months (extendible at the option of the Bank) commencing 01 January 2018, DCI opt not to renew the contract of service of those personnel that expire prior to 31 December 2017. This action resulted to a decrease in the Staff Supplementation/Professional Service Agreement from 55 as of 31 December 2017 to 29 as of 31 December 2018.

Further, DCI also intensified the effort to seek opportunities to increase revenues by expanding its customer base to include government agencies and instrumentalities.

Operational risk

Operational risk is the risk of loss arising from the systems failure, human error, omission, inefficiency, unauthorized activities, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or lead to financial loss. The Corporation cannot expect to eliminate all operational risks, but through a control framework that is monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, authorized access, authorization and reconciliation procedures, staff education and assessment processes. Further, a comprehensive business continuity and recovery plan is in place to mitigate this risk.

As the organization's operations involve providing IT workforce to DBP, DCI considers operational risk as the major risk particularly the ones related to employee management.

5. CASH AND CASH EQUIVALENTS

Included in this account are the following:

	2018	2017
Cash in bank – local currency (SA/CA)	10,108,852	30,752,058
Petty cash fund	10,000	10,000
	10,118,852	**30,762,058**

Cash in bank consists of savings and current deposits with the DBP Financial Center (DFC) and current deposit with Land Bank of the Philippines (LBP).

6. RECEIVABLES - NET

This account consists of the following:

	2018	2017 As Restated
Trade	120,690,824	101,691,223
Non-trade	6,997,214	2,508,596
	127,688,038	104,199,819
Allowance for probable loss	(745,281)	(745,281)
	126,942,757	**103,454,538**

Breakdown of Trade receivables:

	2018	2017
DBP	62,816,666	88,821,080
Non-DBP	57,874,158	12,870,143
	120,690,824	**101,691,223**

7. PREPAYMENTS

This account consists of the following:

	2018	2017
Prepaid insurance	1,299,994	1,407,238
Prepaid rent	504,778	483,578
Taxes & Licenses	1,353	0
Other prepayments	562,217	963,289
	2,368,342	**2,854,105**

Prepaid insurance is the amount paid for the life insurance coverage and health maintenance insurance coverage of all regular officers and employees.

Prepaid rent is the amount advanced/deposited for leases/rentals of property used in the government operation.

Other prepayments pertain to unamortised portion of payment for uniform allowance of employees.

8. INVENTORY

This account pertains to the inventory of Computer and Office Supplies.

9. OTHER ASSETS

This comprises the following:

	2018	2017
Rental deposit	902,998	860,332
Miscellaneous asset	37,220	37,220
Refundable deposit	4,929	67,737
	945,147	**965,289**

10. PROPERTY AND EQUIPMENT - NET

This account consists of the following:

2018	Computer Equipment	Office Machine and Equipment	Computer Equipment – in transit	Leasehold Improvement	Furniture and Fixtures	Transportation Equipment	Total
Cost							
Beginning Balance	5,146,808	675,672	2,912,566	675,410	3,985,475	1,807,946	15,203,877
Additions	0	0	0	0	0	0	0
Ending Balance	**5,146,808**	**675,672**	**2,912,566**	**675,410**	**3,985,475**	**1,807,946**	**15,203,877**
Accumulated depreciation							
Beginning Balance	3,626,053	366,763	0	287,049	2,731,484	749,307	7,760,656
Depreciation/Amort.	259,767	67,687	0	146,307	117,330	202,623	793,714
Adjustment	0	0	2,912,566	0	0	0	2,912,566
Ending Balance	**3,885,820**	**434,450**	**2,912,566**	**433,356**	**2,848,814**	**951,930**	**11,466,936**
Net Book Value	**1,260,988**	**241,222**	**0**	**242,054**	**1,136,661**	**856,016**	**3,736,941**

2017	Computer Equipment	Office Machine and Equipment	Computer Equipment – in transit	Leasehold Improvement	Furniture and Fixtures	Transportation Equipment	Total
Cost							
Beginning Balance	4,496,144	615,125	0	675,410	3,807,496	1,807,946	11,402,121
Additions	650,664	60,547	2,912,566	0	177,979	0	3,801,756
Ending Balance	**5,146,808**	**675,672**	**2,912,566**	**675,410**	**3,985,475**	**1,807,946**	**15,203,877**
Accumulated depreciation							
Beginning Balance	3,485,919	302,193	0	84,426	2,619,502	603,000	7,095,040
Depreciation/Amort.	140,134	64,570	0	202,623	111,982	146,307	665,616
Adjustment	0	0	0	0	0	0	0
Ending Balance	**3,626,053**	**366,763**	**0**	**287,049**	**2,731,484**	**749,307**	**7,760,656**
Net Book Value	**1,520,755**	**308,909**	**2,912,566**	**388,361**	**1,253,991**	**1,058,639**	**7,443,221**

11. INVESTMENTS

This pertains to the Investment with DBP Trust for the DCI Retirement Fund being administered by the DBP Trust Department for the payment of retirement benefits of qualified employees. On June 1, 1998, a Memorandum of Agreement was entered into by and between DCI, the Trustor and DBP Trust Department, the Trustee, wherein a Trust Fund was created for the primary purpose of paying the benefits of the members of DCI retirement plan.

12. INTANGIBLE ASSETS - NET

Breakdown of the account:

	2018	2017
Computer software	4,094,343	4,051,444
Less: Accumulated amortization	3,481,335	3,378,825
	613,008	**672,619**

Intangibles are software costs accounted for as follows:

	2018	2017
Balance at beginning of year	672,619	550,294
Additions/Adjustment	42,899	184,501
Amortisation	(102,510)	(62,176)
Balance at end of year	**613,008**	**672,619**

13. DEFERRED TAX ASSET

This account pertains to the outcome of the initial assessment of taxes of the company for the year 2007.

14. INTER-AGENCY PAYABLES

This account pertains to various liabilities to government agencies, such as Bureau of Internal Revenue (withholding taxes, income taxes, value added taxes), SSS (contributions and loans), Philhealth (contributions) and Home Development Mutual Fund (contributions and loans).

The details of this account are as follows:

	2018	2017
Due to BIR	7,510,696	11,144,377
Due to SSS	90,085	136,713
Due to Philhealth	49,666	54,004
Due to Pag-ibig	52,198	63,977
	7,702,645	**11,399,071**

15. ACCOUNTS PAYABLE

This account comprises short-term liabilities to suppliers and business partners as follows:

	2018	2017
Suppliers/business partners	57,166,425	34,623,253
Utilities	22,106,511	0
Service providers (SLI/IT Managers)	542,953	20,432,111
Others	561,115	554,261
	80,377,004	**55,609,625**

16. DIVIDENDS PAYABLE

DCI declared cash dividend amounting to P3 million per Board Resolution No. 003 dated March 11, 2016 for 2015 Net Income After Tax of P2.68 million. Cash dividend of P3 million was distributed as follows:

a. P1.5 million for the National Government thru the Bureau of Treasury; and,
b. P1.5 million for DBP being the parent company.

The amount due to the National Government was paid to the Bureau of Treasury, while the amount due to DBP is not yet remitted due to operational issues.

For the year 2018, DCI paid the National Government thru the Bureau of Treasury the amount of P604,981 pertaining to 50% of the Company's net income for the year 2017.

17. TRUST LIABILITY

This is a temporary account of DCI's liability on all transactions of the Professional Regulation Commission (PRC) Electronic Payment and Collection System (EPCS) and TIEZA.

	2018	2017
Professional Regulation Commission (PRC)	0	26,462,524
DCI and PMTI share in BIR convenience fee	0	30,605
Deposit of PMTI in the JV account opening	0	12,500
	0	**26,505,629**

18. OTHER FINANCIAL LIABILITIES

This account includes accrued liabilities from past audit services of Commission on Audit.

19. LEAVE BENEFITS PAYABLE

This account pertains to the corresponding liability on monthly accrued vacation/sick leave credits of DCI regular employees. The vacation/sick leave credits are commutable anytime within the year and upon separation of the employees from the service.

20. PENSION BENEFITS PAYABLE

The Corporation provides corresponding liability on the retirement of active regular employees based on the guidelines of the Trust Fund. The DCI Retirement Fund is being administered by DBP Trust Department and presented in the books as Pension Benefits Payable.

The details of this account are as follows:

	2018	2017
Pension fund payable	5,895,136	6,988,296
Past service pension cost payable	14,148,152	12,028,481
	20,043,288	**19,016,777**

Pension Fund Payable is the account placed to DBP Trust for the payment of retirement of qualified employees. On June 1, 1998, a Memorandum of Agreement was entered into by and between DCI, the Trustor and DBP-Trust Department, the Trustee. Under the said agreement, a Trust Fund was created for the primary purpose of paying the benefits of the members of DCI retirement plan. The Trustee shall manage and administer the Trust Fund. The DCI Retirement Fund being administered by DBP Trust Department has value of P5.89 million as of December 31, 2018.

The Past Service Pension Cost Payable is the amount already set-up to recognize the faithful and satisfactory service of DCI employees. It was provided by DCI through the setting up of the past service liability and the normal cost.

21. SHARE CAPITAL

Capital stock represents the nominal value of common shares issued and outstanding. The Authorized Capital Stock amounts to P50 million representing 500,000 shares at P100.00 par value. Capital Stock paid, issued and outstanding as of December 31, 2018 amounts to P23.28 million or 232,800 shares.

In 2017, stock dividends amounting to P3.0 million were issued in favor of the Development Bank of the Philippines, increasing the capital stock from P20.280 million to P23.280 million.

22. SERVICE AND BUSINESS INCOME

DCI delivers high-quality services, build an excellent team, and capture competitive market share in the industry which leads to a favorable outcome on revenue recognized for the year, from projects outside DBP staff supplementation, broken down as follows:

	2018	2017
DBP	24,576,500	104,798,771
Non-DBP	98,556,106	42,826,771
	123,132,606	**147,625,542**

Service and business income from Non-DBP projects are as follows:

	2018	2017
Jose B. Lingad Regional Memorial Hospital	29,629,902	14,620,910
Zamboanga Del Norte Medical Center	24,640,248	11,709,091
Bureau of Treasury	9,450,446	5,516,518
Dr. Jose N. Rodriguez	9,263,464	0
Bangko Sentral ng Pilipinas	6,600,000	1,650,000
FDA	5,161,786	0
BTr - Panay	4,816,964	0
Professional Regulation Commission	3,518,348	6,944,598
DICT	2,824,472	355,539
PITC	2,283,125	0
PNP Cebu	245,500	190,115
BIR	116,561	0
TIEZA	5,290	0
Cooperative Development Authority	0	1,840,000
	98,556,106	**42,826,771**

23. OTHER BUSINESS INCOME

Other Business Income of DCI pertains to collection for the cost of bid documents during its Joint Venture selection process, income from processing of individual insurance of employees previously entered into and interest income on deposits.

24. PERSONNEL SERVICES

	2018	2017
Salaries & Wages	27,084,823	34,108,527
Other Compensation	11,054,611	13,589,975
Personnel Benefit Contribution	373,320	423,703
Other Personnel Benefits	4,079,427	3,093,680
	42,592,181	**51,215,885**

Other Compensation	2018	2017
Year-end bonus	2,895,628	3,471,084
Other personnel benefits	2,813,834	3,451,529
Other bonuses and allowances	2,433,578	3,072,402
Overtime and night pay	2,213,652	2,871,554
Cash gift	295,000	420,000
Clothing/Uniform allowance	281,786	111,439
Productivity incentive allowance	69,000	110,500
Transportation allowance	52,133	81,467
	11,054,611	**13,589,975**

Personnel Benefit Contribution	2018	2017
Philhealth contributions	272,370	295,263
Pag-IBIG contributions	78,800	99,900
Employees compensation insurance premiums	22,150	28,540
	373,320	**423,703**

Other Personnel Benefits	2018	2017
Pension benefit	2,119,672	913,756
Terminal leave benefits	1,954,130	2,043,166
Members' benefits	5,625	136,758
	4,079,427	**3,093,680**

25. MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE)

	2018	2017
Professional services	67,073,477	82,503,189
Taxes, insurance, premiums and other fees	1,421,588	1,792,284
Communication expenses	1,194,477	1,501,389
Travelling expenses	932,659	177,701
Utility expenses	453,105	753,441
Supplies and material expenses	465,209	496,251
Training and scholarship expenses	197,723	477,809
Security services	80,926	387,275
Repairs and maintenance	64,165	67,034
Other maintenance and operating expenses	5,605,184	5,873,165
	77,488,513	**94,029,538**

Professional services	2018	2017
Consultancy Services	67,057,827	82,490,789
Legal Services	15,650	12,400
	67,073,477	**82,503,189**

	2018	2017
Supplies and material expenses		
Fuel, oil, and lubricant	89,327	166,527
Supplies expenses	55,333	119,933
Semi-expendable machinery and equipment	9,164	19,006
Other supplies and material expenses	311,385	190,785
	465,209	**496,251**

	2018	2017
Other maintenance and operating expenses		
Rent/Lease expenses	4,263,327	3,885,511
Directors and committee members' fees	575,000	420,800
Advertising, promotional and marketing expenses	398,410	63,170
Representation expense	298,589	506,662
Other maintenance and operating expenses	69,858	997,022
	5,605,184	**5,873,165**

26. NON-CASH EXPENSES

	2018	2017
Depreciation	793,714	665,616
Amortisation – Intangible assets	102,510	62,176
	896,224	**727,792**

	2018	2017
Depreciation		
Machinery and equipment	327,454	204,704
Transportation equipment	202,623	146,307
Leasehold improvements	146,307	202,623
Furniture, fixture and books	117,330	111,982
	793,714	**665,616**

27. PROVISION FOR INCOME TAX

Computation of income tax expense for 2018 and 2017 are as follows:

	2018	2017
Financial income	4,039,401	1,726,479
Add (Deduct): Reconciling items		
Interest income subject to final tax	(9,594)	(28,533)
Taxable income	4,029,807	1,697,946
Tax rate	30%	30%
Provision for income tax	**1,208,942**	**509,384**

Under the existing laws and regulations, Normal Corporate Income Tax rate is computed at 30% of taxable income effective January 1, 2009.

The Company is also subject to Minimum Corporate Income Tax (MCIT) which is 2% of gross income. Any excess MCIT over NIT shall be carried forward and credited against the NIT for the next three (3) immediately succeeding taxable years.

28. EARNINGS PER SHARE

The basic earnings per share shall be calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period. The Company's earnings per share was computed as follows:

	2018	2017
Net earnings	2,830,459	1,217,095
Divided by the number of outstanding common shares (Note 21)	232,800	232,800
Earnings per share	**12.16**	**5.23**

29. RELATED PARTY TRANSACTION

On May 1, 2009, DBP and DCI entered into a Staff Supplementation Agreement, which is part of the Professional Service Agreement averaging an earning of P140.90 million.

Further, the Corporation has significant transactions in the normal course of business with related parties. DCI maintains current account deposits, short-term placements and long-term investment (Investment in Trust - Retirement Fund) at DBP Head Office, Makati City.

Below is the tabulation of transactions with related party, DBP:

Particulars	2018	2017
Receivables – Professional Service Agreement	62,816,666	88,821,080
Cash in Bank – Current Account	10,009,680	30,752,058
Investment in Trust – Retirement Fund	5,895,136	6,988,296
	78,721,482	**126,561,434**

30. SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATION (RR) NO. 15-2010

As provided in Revenue Regulation No. 15-2010: In addition to the disclosures mandated under the Philippine Financial Reporting Standards, and such other standards and/or conventions as may heretofore be adopted, the Notes to Financial Statements shall include information on taxes, duties and license fees paid or accrued during the taxable year, particularly the following:

a. Amount of VAT output tax — 14.85 Million
   Account title — Service and Business Income
   Amount of VAT output tax base — 123.77 Million

b. Amount of Vat input tax
   1. Beginning of the year:
      i. VAT input tax — 0
      ii. Deferred VAT input tax — 0

   2. Current year's domestic purchases/payments for:
      i. Goods for resale/manufacture or further processing — 0
      ii. Goods other than for resale or manufacture — 90,134
      iii. Capital goods subject to amortisation — 0
      iv. Capital goods not subject to amortisation — 0
      v. Services lodged under cost of goods — 0
      vi. Services lodged under other accounts — 7,898,899

   3. Claims for tax credit/refund and other adjustments — 0

   4. Balance at the end of the year:
      i. VAT input tax — 0
      ii. Deferred VAT input tax — 0

c. The landed cost of imports and the amount of customs duties and tariff fees paid or accrued thereon. — Not Applicable

d. The amount of excise tax/es, classified per major product category, i.e. tobacco products, alcohol products, automobiles, minerals, oil and petroleum, etc. paid on:
   1. Locally produced excisable items, and — Not Applicable
   2. Imported excisable items. — Not Applicable

e. DST on loan instruments, shares of stock and other transactions subject thereto. — 0

f. All other taxes, local and national, including real estate taxes, license and permit fees lodged under the Taxes and Licenses account both under the Cost of Sales and Operating Expense accounts:

i. Business permit	1,419,200
ii. Community tax certificate	10,500
iii. Miscellaneous	2,388
Total	**1,432,088**

g. The amount of withholding taxes categorized into:

i. Tax on compensation and benefits	3,130,128
ii. Creditable withholding tax/es	1,590,173
iii. Final withholding tax/es	3,322,511
Total	**8,042,812**

h. Amount/s of deficiency tax assessments, whether protested or not — Not Applicable
Period covered — Not Applicable

i. Tax cases, and amounts involved, under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR — Not Applicable

31. HIGHLIGHTS OF OPERATIONS

DBP Data Center, Inc. (DCI) has been continuously supporting DBP's Information Technology infrastructure for the past 35 years. In 2018, DCI continued to focus primarily on assisting the Bank's initiatives on various bank products by providing the workforce for the development and maintenance of the Bank's systems and applications. Further, DCI also started to seek opportunities to increase revenues by expanding its customer base to include government agencies and instrumentalities via an Agency-to-Agency Agreements.

Aligned with DCI's strategic plan, DCI pursues an aggressive business plan to deliver high-quality services, build an excellent team, and capture competitive market share in the industry.

Below are some of DCI's notable accomplishments/performance in 2018.

a. DBP Opportunities

DBP IT Staffing - Among DCI's core competencies is identifying the right people suitable for augmenting the IT staffing needs of the Bank. As of December 31, 2018, DCI has a total of 29 strong workforce working closely with the Bank's IT requirements.

b. Non-DBP Opportunities

The Company has started opportunities and negotiations on non-DBP projects focusing on government agencies and instrumentalities such as:

1. Zamboanga Del Norte Medical Center – This is an on-going project (5-year contract) where DCI provides Hospital Information System for the Local Government Unit (LGU) hospitals.

2. Bureau of Customs – This is a project related to Cyber Security package solution, which was completed in the year 2016.

3. Jose B. Lingad Memorial Regional Hospital – This is a Department of Health (DOH) hospital where we offered the Hospital Information System (HIS) BPO project with a contract of five (5) years. Live production started in July 14, 2016, implementing changes to hospital processes and workflows and monitoring end-user compliance to ensure smooth operations and correctness of data gathered by the system.

4. PNP Online Police Clearance (Cebu City) - An online application for Philippine National Police (PNP) clearance project which piloted in Cebu City. A system provided to PNP Cebu City at no cost to the agency through a servicing partner that DCI engaged via direct contracting. The project ended in October 2018.

5. Bangko Sentral ng Pilipinas - This is an on-going engagement that entails supply, delivery, installation, configuration, testing and implementation of Human Resource Information System (HRIS).

6. Bureau of Treasury (BTr) - Consulting services to enhance IT infrastructure and strengthen Information and Communications Technology (ICT) capacity project. This project aims to address BTr's IT requirements and gaps to effectively and efficiently support BTr's enhancement of its Information Management Infrastructure (IMI), address critical requirements in application systems deployment, assists in the formulation of its Information Systems Strategic Plan (ISSP) and develop and implement a back up and disaster recovery framework.

7. Bureau of Treasury (BTr) Panay - Data center operation of BTr Panay for a period of one year.

8. Dr. Jose N. Rodriguez Memorial Hospital – This is a DOH hospital where we offered the HIS BPO project with a contract of seven (7) years. Contract was signed in February 2018. The project includes implementing changes to hospital processes and workflows and monitoring end-user compliance to ensure smooth operations and correctness of data gathered by the system.

9. James L. Gordon Memorial Hospital – This is a DOH hospital where we offered the Hospital Information System (HIS) BPO project with a contract of five (5) years. Implementing changes to hospital processes and workflows and monitoring End-User compliance to ensure smooth operations and correctness of data gathered by the system.

10. Philippine International Trading Corporation (PITC) – This is a consulting service for the design and development of Trading Management Information System (TMIS) – Business Process Automation. Contract was signed in May 2018.

11. Department of Information and Communication Technology (DICT) – This project involves provision of FireEye Helix for Tradenet.

12. Tourism Infrastructure and Enterprise Zone Authority (TIEZA) – This project involves provision of Electronic Payment Services for the collection of travel taxes.

13. Food and Drug Administration (FDA) – This is a cloud migration project.

32. COMPLIANCE WITH COA CIRCULAR NO. 2016-006

DBP Data Center, Inc. (DCI) has complied with the implementation of COA Circular No. 2016-006, the Revised Chart of Accounts.

33. PRIOR PERIOD ADJUSTMENTS

In 2016, Total Allowance for Probable Loss recognized in the Financial Statements amounted to P745,281. No additional allowance was established in the previous years for receivable from BIR amounting to P13.133 million, representing erroneous payment of VAT for the years 2006 to 2008. Since the transactions pertain to previous years, the Company made adjustment on Receivables in the earliest accounting period presented.

The Corporation has applied PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors to correct the prior period errors. Consequently, it restated the amount disclosed in 2017 and adjusted the changes against the 2017 balances of the affected asset and equity components as shown below:

	As Previously Reported	Adjustment	As Adjusted
Changes in assets and equity:			
Receivables, net			
(December 31, 2017)	116,587,771	(13,133,233)	103,454,538
Retained Earnings,			
(January 1, 2017)	31,311,005	(13,133,233)	18,177,772
Retained Earnings,			
(December 31, 2017)	23,346,540	(13,133,233)	10,213,307