



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

ANNUAL AUDIT REPORT

on the

DBP DATA CENTER, INC.

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

For the Years ended December 31, 2020 and 2019

EXECUTIVE SUMMARY

INTRODUCTION

DBP Data Center, Inc. (DCI), formerly known as Development Bank Data Center, Inc., is a wholly-owned subsidiary of the Development Bank of the Philippines (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.

DCI provides services to DBP and its subsidiaries under the direction set by the Board in 2007. In 2013, when the Government Procurement Policy Board (GPPB) officially advised DCI that it can enter into Agency-to Agency contracts with government corporations and agencies following GPPB Resolution No. 12-2013 dated May 10, 2013, the Board noted in October 2013 the Corporation's initiatives to expand the coverage of its business outside the DBP Group.

The DCI's registered office is located at Senator Gil J. Puyat Avenue corner Makati Avenue, Makati City. DCI Chairman of the Board is Mr. Luis C. Bonguyan and the President is Atty. Emmanuel P. Galicia, Jr.

As of December 31, 2020, DCI had a total manpower of 58 including 23 contractual personnel.

AUDIT METHODOLOGY AND SCOPE OF AUDIT

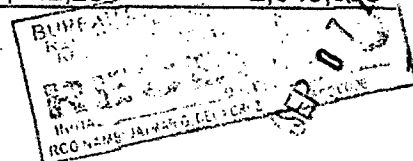
The audit covered the examination, on a test basis, of transactions and accounts for the period January 1 to December 31, 2020 to enable us to express an opinion on the financial statements for the years ended December 31, 2020 and 2019 in accordance with the International Standard of Supreme Audit Institutions. Also, we conducted our audit to assess compliance with pertinent laws, rules and regulations as well as adherence to prescribed policies and procedures.

FINANCIAL HIGHLIGHTS

(In Philippine Peso)

I. Financial Position (with corresponding figures from 2019)

	2020	2019 As restated	Increase/ (Decrease)
Assets	508,811,542	521,704,946	(12,893,404)
Liabilities	424,719,303	440,562,692	(15,843,389)
Equity	84,092,239	81,142,254	2,949,985



II. Results of Operations (with corresponding figures from 2019)

	2020	2019 As restated	Decrease
Income	188,356,366	375,161,343	(186,804,977)
Expenses	183,717,535	351,400,580	(167,683,045)
Net Income	4,638,831	23,760,763	(19,121,932)

III. Budget and Actual Expenditures (with corresponding figures from 2019)

	Budget		Utilization	
	2020	2019	2020	2019
Personnel Services	47,637,050	41,628,075	37,130,253	39,613,459
Maintenance and Other Operating Expenses	296,734,309	231,272,701	143,769,782	198,171,778
Capital Expenditures	770,880	0	243,941	0
Total	345,142,239	272,900,776	181,143,976	237,785,237

AUDITOR'S OPINION

The Auditor expressed a qualified opinion on the fairness of presentation of the financial statements as at December 31, 2020 and 2019 due to the understatement of Receivables by P6.349 million and P8.299 million, respectively, and that actuarial assumptions were not used in the valuation of the Pension Benefit Plan, contrary to Philippine Accounting Standard (PAS) 19 on accounting for employee benefits.

For the audit observations, which caused the rendition of a modified opinion, we recommended the following:

1. Revisit the transactions and documents supporting the recognition of negative balances and take up the necessary adjustments of the negative balances on the accounts of JBLMRH, Multisys and ZNMC accounts.
2. Measure its defined benefit obligations to its discounted value, using actuarial assumptions in accordance with PAS 19 in order to faithfully represent the balance of the Pension Benefit Payable account as of date of the financial statements.

SUMMARY OF AUDIT DISALLOWANCES

As at December 31, 2020, the audit disallowances amounted to P12.614 million. There were no audit suspensions and charges at year-end.

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STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 11 audit recommendations embodied in the CY 2019 AAR, seven were fully implemented, and four were not implemented of which three were reiterated in Part II of this Report.

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PART I
AUDITED FINANCIAL STATEMENTS



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, 2020 and 2019, 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, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Bases for Qualified Opinion

As at December 31, 2020 and 2019, DCI reported Receivables amounting to P119,565,502 and P158,865,183, respectively, net of allowance for impairment. The negative balances under Trade Receivables in 2020 and 2019 amounting to P6,349,058 and P8,298,884, respectively, which were not supported with documents, were deducted from the total Receivables. Hence, the balance of Receivables in the Statements of Financial Position as at December 31, 2020 and 2019 were understated by P6,349,058 and P8,298,884, respectively.

Also, the DCI established a Retirement Gratuity Plan for which Pension Benefit Payable as at December 31, 2020 and 2019 amounting to P18.533 million and P16.286 million, respectively, were recognized. The Pension Benefit 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 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 of reporting dates.

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As such we were unable to obtain sufficient evidence to determine the Pension Benefit Payable that should have been recognized as at December 31, 2020 and 2019, nor we were 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 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 Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees 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.

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.

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- 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 DCI's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.

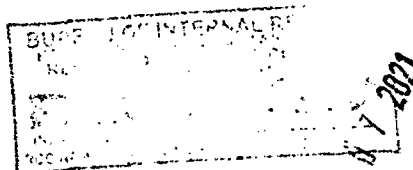
Report on Other Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under the Revised Securities Regulation Code Rule 68 in Note 31 and Revenue Regulations 15-2010 in Note 32 to the 2020 financial statements is presented for purposes of filing with the Securities and Exchange Commission and the Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such supplementary 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

MFO
MARIE FRANCES HAZEL S. ACEBEDO
OIC – Supervising Auditor

March 26, 2024



DCI

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, 2020 and December 31, 2019*, 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.

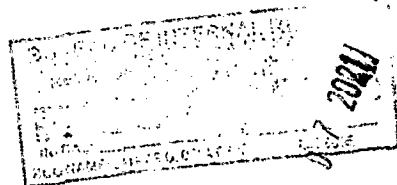
The Commission on Audit (COA), the independent auditors appointed by the stockholders, has audited the financial statements of *DCI* in accordance with International Standards of Supreme Audit Institutions, and in their report to the stockholders, has expressed their opinion on the fairness of presentation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


LUIS C. BONGUYAN
Chairman of the Board


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

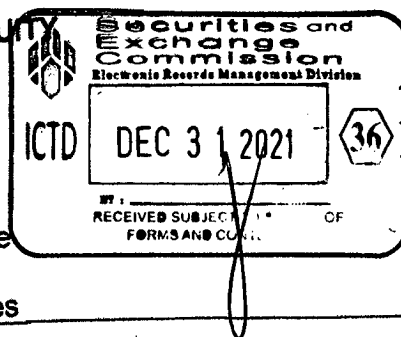

GINA A. GONZALES
Operations Department Head

Signed this 22nd day of March 2021.



DBP DATA CENTER, INC.
(A wholly-owned subsidiary of the Development Bank of the Philippines)
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019
(In Philippine Peso)

	Note	2020	2019 Restated
ASSETS			
Current assets			
Cash and cash equivalents	6	38,080,582	2,516,981
Receivables - net	7	119,411,761	158,865,183
Prepayments	8	2,618,529	2,308,299
Inventory	9	98,448	109,425
Other assets	10	798,089	1,012,688
		161,007,409	164,812,576
Non-current assets			
Property and equipment - net	11	2,621,134	2,969,576
Contract Asset	12	340,260,249	349,565,611
Investments	13	4,793,526	4,284,933
Intangible assets - net	14	129,224	72,250
		347,804,133	356,892,370
TOTAL ASSETS		508,811,542	521,704,946
LIABILITIES AND EQUITY			
Current liabilities			
Inter-agency payables	5	40,166,641	48,673,483
Accounts payable	6	89,593,079	99,563,155
Dividend payable	7	1,500,000	1,500,000
Trust liability	8	4,543,554	59,945
Leave benefits payable	9	3,913,933	3,587,578
Deferred tax liability	28	17,983,138	18,738,382
Other financial liabilities	20	248,485,896	252,154,258
		406,186,241	424,276,801
Non-current liabilities			
Pension benefit payable	21	18,533,062	16,285,891
		18,533,062	16,285,891
		424,719,303	440,562,692
Equity			
Share capital			
Authorized - 500,000 shares, P100 par value			
Issued and outstanding	22	23,280,000	23,280,000
(2020: 232,800 shares; 2019: 232,800 shares)			
Retained earnings		60,812,239	57,862,254
		84,092,239	81,142,254
TOTAL LIABILITIES & EQUITY		508,811,542	521,704,946



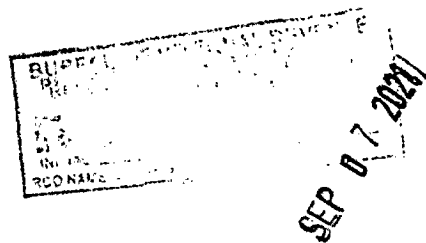
The Notes on pages 9 to 38 form part of this financial statement.

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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, 2020 and 2019
(In Philippine Peso)

	Note	2020	2019 Restated
INCOME			
Service and business income	23	186,226,580	374,439,273
Other business income	24	2,115,676	714,772
		188,342,256	375,154,045
EXPENSES			
Personnel services	25	(37,130,253)	(39,531,684)
Maintenance and other operating expenses	26	(143,769,782)	(301,037,990)
Non-cash expenses	27	(769,588)	(1,327,903)
		(181,669,623)	(341,897,577)
INCOME BEFORE INTEREST AND TAXES		6,672,633	33,256,468
Interest income		14,110	7,298
INCOME BEFORE TAXES		6,686,743	33,263,766
Income tax expense	28	(2,047,912)	(9,503,003)
NET INCOME FOR THE PERIOD		4,638,831	23,760,763
TOTAL COMPREHENSIVE INCOME		4,638,831	23,760,763

The Notes on pages 9 to 38 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, 2020 and 2019
(In Philippine Peso)

		Common Stock (Note 22)		Retained	
	Note	Share	Amount	Earnings	Total
Balance, January 1, 2019		232,800	23,280,000	11,514,449	34,794,449
Prior Year's Adjustment	34			24,002,272	24,002,272
Restated Balance, January 1, 2019, As restated		232,800	23,280,000	35,516,721	58,796,721
Net income for 2019				23,760,763	23,760,763
Cash Dividend to National Government	17			(1,415,230)	(1,415,230)
Balance, December 31, 2019, As restated		232,800	23,280,000	57,862,254	81,142,254
Net Income for 2020				4,638,831	4,638,831
Cash Dividend to National Government	17			(1,688,846)	(1,688,846)
Balance, December 31, 2020		232,800	23,280,000	60,812,239	84,092,239

The Notes on pages 9 to 38 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, 2020 and 2019
(In Philippine Peso)

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		246,730,624	196,953,879
Cash payments to suppliers		(151,154,028)	(151,087,504)
Cash paid for operating expenses		(58,013,880)	(52,060,314)
Interest income received		14,110	7,298
Net cash provided by/(used in) operating activities		37,576,826	(6,186,641)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of computer equipment		(324,379)	0
Net cash used in investing activities		(324,379)	0
CASH FLOWS FROM FINANCING ACTIVITY			
Payment of cash dividend		(1,688,846)	(1,415,230)
Net cash used in financing activity		(1,688,846)	(1,415,230)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		35,563,601	(7,601,871)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		2,516,981	10,118,852
CASH AND CASH EQUIVALENTS, END OF YEAR	6	38,080,582	2,516,981

The Notes on pages 9 to 38 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
December 31, 2020 and 2019
(Amounts in Philippine Peso unless otherwise stated)

1. GENERAL/ CORPORATE INFORMATION

DBP Data Center, Inc. (DCI or the Corporation), formerly known as Development Bank Data Center, Inc., is a wholly owned subsidiary of the Development Bank of the Philippines (DBP) created under DBP Board Resolution No. 3172 dated October 6, 1982 and registered with the Securities and Exchange Commission 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, 2020, DCI had a total manpower of 58 including 23 contractual personnel.

The DCI Board approved the issuance of DCI's financial statements for the year ended December 31, 2020 on February 23, 2021.

2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Statement of compliance

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

2.2 Basis of presentation

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

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 4 to the financial statements.

Changes in accounting policies and disclosures

a. New standards and amendments issued and effective for annual periods beginning on or after January 1, 2020.

- Amendments to PFRS 3, Business Combinations – Definition of a Business. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. It narrows the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs. In addition, it provides guidance and illustrative examples to help entities assess whether a substantive process has been acquired and remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendment also adds an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments are effective for annual periods beginning on or after January 1, 2020, with earlier application permitted. The amendments had no material impact on the disclosures and amounts recognized on the Corporation's financial statements.

- Amendments to PFRS 9, Financial Instruments, PAS 39, Financial Instruments: Recognition and Measurement and PFRS 7, Financial Instruments: Disclosures – Interest Rate Benchmark Reform. The main amendments, its requirements and its scope are summarized as follows:
 - entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform;
 - are mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform;
 - are not intended to provide relief from any other consequences arising from interest rate benchmark reform (if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required); and
 - require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments.

The application of this amendment had no material impact on the Corporation's financial statements.

- Amendment to PFRS, 16 Leases – Covid-19-Related Rent Concessions. The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

The application of this amendment had no material impact on the Corporation's financial statements

- Amendments to PAS 1, Presentation of Financial Statements and Amendment to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material. The amendments clarify that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments will not have an impact on the disclosures and amounts recognized on the Corporation's financial statements.

b. New standards effective after the reporting period ended December 31, 2020.

Standards issued but not yet effective up to the date of the Corporation's financial statements are listed below. The Corporation intends to adopt these standards when they become effective.

- Amendments to PFRS 9, Financial Instruments, PAS 39, Financial Instruments: Recognition and Measurement, PFRS 7, Financial Instruments: Disclosures, PFRS 4, Insurance Contracts and PFRS 16, Leases – Interest Rate Benchmark Reform - Phase 2. The amendments relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying PFRS 7 to accompany the amendments regarding modifications and hedge accounting.

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

- Amendments to PFRS 3, Business Combination – Reference to the Conceptual Framework (effective January 1, 2022). The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard as follows:
 - update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
 - add to PFRS 3 a requirement that, for transactions and other events within the scope of PAS 37 or IFRIC 21, an acquirer applies PAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and

- add to PFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

- Amendments to PAS 16, Property, Plant and Equipment — Proceeds before Intended Use (effective for annual periods beginning on or after January 1, 2022 with early application permitted). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

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

- Amendments to PAS 37, Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts - Cost of Fulfilling a Contract (effective for annual periods beginning on or after January 1, 2022 with early application permitted). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The application of this amendment had no impact on the Corporation's financial statements.

- Annual Improvements to PFRS Standards 2018–2020 (effective January 1, 2022)
 - PFRS 1, First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter. The amendment permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs.
 - PFRS 9, Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of PFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
 - PFRS 16, Leases – Lease incentives. The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve

any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- PAS 41, Agriculture – Taxation in fair value measurements. The amendment removes the requirement in paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

Management is currently assessing the impact of these amendments in its financial statements.

- Amendments to PFRS 4, Insurance Contracts – Extension of the Temporary Exemption from Applying PFRS 9. The amendment changes the fixed expiry date for the temporary exemption in PFRS 4 Insurance Contracts from applying PFRS 9 Financial Instruments, so that entities would be required to apply PFRS 9 for annual periods beginning on or after January 1, 2023.

The new standard will not have an impact on the disclosures and amounts recognized on the Corporation's financial statements.

- PFRS 17, Insurance Contracts. The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, including reinsurance contracts held and investment contracts with discretionary participation features issued. The objective of the standard is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of the standard have on the entity's financial position, financial performance and cash flows. The standard is effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.

The new standard will not have an impact on the disclosures and amounts recognized on the Corporation's financial statements.

- Amendments to PAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after January 1, 2022 deferred to January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

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.

Classification of financial instruments

Financial Assets

1. Financial assets at fair value through profit or loss (FVTPL)

Financial assets measured at FVTPL shall consist of the following:

- Financial assets held for trading (HFT), which include stand-alone and/or embedded derivatives, except a derivative that is a financial guarantee contract or designated and effective hedging instruments, as defined in PFRS 9;
- Financial assets designated at FVTPL as defined in PFRS 9.

The Corporation has no asset under this category.

2. Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI)

A financial asset measured at FVTOCI shall meet both of the following conditions:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; 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 has no asset under this category.

3. 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 (SPPI) 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.

Financial Liabilities

Financial liabilities shall be classified and subsequently measured at amortised cost using the effective interest method, except for:

1. Financial liabilities measured at FVTPL. This shall consist of the following:
 - a. Financial liabilities HFT, including derivative liabilities that are not accounted for as hedging instruments; and
 - b. Financial liabilities designated at FVTPL.

The Corporation has no liability under this category.

2. Financial liabilities which shall be subsequently measured in accordance with the provisions of PFRS 9, as follows:
 - a. Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
 - b. Financial guarantee contracts, as defined under PFRS 9;
 - c. Commitments to provide a loan at a below-market interest rate; and
 - d. Contingent consideration recognized by an acquirer in a business combination.

The Corporation has no liabilities 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) contractual rights to receive cash flows from the financial asset expire; (2) the Corporation retains the contractual right to receive cash flows from the financial asset, but has assumed a contractual obligation to pay them in full without material delay to third party under a "pass-through" arrangement; (3) the Corporation transfers the contractual rights to receive cash flows from the financial asset and either has transferred substantially all risks and rewards of ownership of the financial asset or (4) neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but transferred control of the financial asset.

Financial liabilities

A financial liability is derecognized when the obligation specified in the contract is discharged or cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing financial liability is modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial 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), which is computed as a percentage of outstanding balance based on the number of days past due.

The Corporation's Accounts Receivable – Trade is 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 comprised 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 recorded in conformity 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	10 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 is 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 Prepayment

Prepayments represent expenses not yet incurred but already paid. Prepayments 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.

3.4 Other Assets

Other assets pertain to deposits and other miscellaneous assets. 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.

3.5 Intangible Assets

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

The Corporations intangible assets comprised computer software licenses and maintenance. The estimated lives of the Corporation's intangible assets are as follows:

Computer software	1-3 years
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3.6 Financial liabilities

Financial liabilities which comprised loans payable, accounts payable, accrued expenses payables, lease deposits and other liabilities other than tax-related and other inter-agency payables 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.

Loans payable represents amount drawn from the Corporation's loan facilities. They are recognized at proceeds received, net of direct issue cost.

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 by the Group.

3.7 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.

3.8 Equity

Share Capital represents the nominal value of shares that have been issued.

Retained earnings represent cumulative results of all current and prior period operations as reported in the statement of comprehensive income excluding other comprehensive income, reduced by amount of dividends declared.

3.9 Revenue recognition

The Corporation recognizes revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for those goods and services. Revenue is recognized when (or as) the Corporation satisfies a performance obligation by transferring a promised good or service (i.e., an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The following service-specific recognition criteria must also be met before revenue is recognized:

Revenue from Hospital Information System – Business Process Outsourcing. Revenue is recognized when the Corporation satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the contract price allocated to the satisfied performance obligation.

The performance obligations in a HIS project involves two phases, (1) delivery of hardware, installation and testing of software, set up of workstations and training of hospital employees; and (2) BPO services. Phase 1 is normally satisfied within three months from the commencement of the contract, while phase 2 is satisfied over the period of the contract with client.

Cost associated with the revenue from HIS – BPO includes the share of the joint venture partner in the HIS project and is recognized simultaneously upon recognition of revenue on a satisfied performance obligation.

Revenue from DBP Staff Supplementation. Revenue from DBP staff supplementation is based on a contracted rate per personnel assigned in DBP, subject to adjustment on increase in salary of the personnel. Revenue is recognized at a point in time upon completion of the service rendered during the month, regardless of when the amount is collected.

Revenue from Software Development. Revenue from software development is based on milestones stipulated in the contract. Revenue is recognized at a point in time, usually upon acceptance by the client of the completed milestone during the period, regardless of when the amount is collected.

Revenue from Data Center Management. Revenue from data center management is based on a contracted rate per personnel assigned in client's data center. Revenue is recognized at a point in time upon completion of the service rendered during the month, regardless of when the amount is collected.

Revenue from Supply of Software. Revenue from supply of software is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery and acceptance of the software.

Revenue from DBP Cyber Security Services. Services include responding to intrusions, assessment of risks by identifying the weaknesses in security, vulnerabilities, improper usage or policy violations and system security misconfigurations of the network and infrastructure. Revenue is recognized upon completion of the service rendered.

Revenue from Cloud Migration. Revenue is recognized upon completion of transferring of databases, applications and IT processes from the on premise into the cloud.

Revenue from Online Payment. Revenue from online payment is based on a transaction fee charged by the payment partner for transactions made through the website of the client. Revenue is recognized at a point in time upon completion of the transaction.

Interest Income. Interest income is recognized on a time proportion basis that reflects the effective yield on the asset.

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

3.10 Leases

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.

The Corporation is a lessee under the operating lease.

3.11 Borrowing Cost

Borrowing cost that are directly attributable to the acquisition, construction or production of a "qualifying asset" or an asset that necessary takes a substantial period to get ready for its intended use or sale, are included as part of the cost of the asset. Other borrowing costs which consist of interest and other cost that the Corporation incurs in connection with borrowing of funds are recognized as expense in the year in which these costs are incurred using the effective interest method.

3.12 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.

3.13 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 is 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.

3.14 Related party transactions

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

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the financial reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require material adjustments to the carrying amounts of the assets and liabilities affected in future years.

In the process of applying the Corporation's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements.

Revenue from contracts with customers (Applicable upon adoption of PFRS 15). The Corporation applied the following significant judgements in assessing the amount and timing of revenue from contracts with customers in accordance with the requirements of PFRS 15:

Revenue from Hospital Information System – Business Process Outsourcing.

1. Identifying performance obligations

The Corporation identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Corporation's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

The Corporation assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if:

- a. each distinct good or services in the series are transferred over time; and
- b. the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

Contracts with customers in a HIS – BPO projects involve two phases which are considered two separate performance obligations.

2. Timing of satisfaction of performance obligation and recognition of revenue

The Corporation recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Corporation determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Corporation does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Corporation concluded that phase 1 of the contracts is to be recognized at a point in time, since the assets have been transferred to the customers who has the right to direct the use of the asset and restrict others from obtaining benefit therefrom. On the other hand, phase 2 is to be recognized over time, since customers simultaneously receives and consumes the benefits as the Corporation supplies the BPO service to the customers.

3. Identifying methods for measuring progress of revenue recognized over time

The Corporation determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

4. Determining the transaction price and the allocation to performance obligations

The transaction price is stipulated in the contract with customer at a certain rate for every successful claim from PhilHealth over the period of the contract. The Corporation did not adjust the consideration for the effects of the time value of

money in determining the transaction price. The amount is allocated between the two performance obligations using the relative stand-alone prices of the goods and services delivered to customer.

5. 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 Corporation 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 Corporation'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. The Information Technology (IT) of DBP has included DCI in their annual budget allocation, hence, DCI only considers cash flow concerns and not the risk of non-payment from DBP. However, the Corporation 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 Corporation'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 2020 and 2019:

2020						
	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	38,070,582	0	0	0	0	38,070,582
Receivables	119,411,761	0	0	0	0	119,411,761
Prepayments	2,618,529	0	0	0	0	2,618,529
Property plant & equipment	0	0	0	2,621,134	0	2,621,134
Contract Asset	0	0	0	340,260,249	0	340,260,249
Investments	0	0	0	4,793,526	0	4,793,526
Intangible assets	0	0	0	129,224	0	129,224
Other assets	798,089	0	0	0	0	798,089
Inventory	98,448	0	0	0	0	98,448
	161,007,409	0	0	347,804,133	0	508,811,542
Liabilities:						
Inter-agency payables	10,992,875	0	0	0	0	10,992,875
Accounts payable	89,593,079	0	0	0	0	89,593,079
Dividend payable	1,500,000	0	0	0	0	1,500,000
Trust liability	4,543,554	0	0	0	0	4,543,554
Leave benefits payable	0	0	3,913,933	0	0	3,913,933
Deferred tax liability	0	0	17,983,138	0	0	17,983,138
Other financial liabilities	0	0	277,659,662	0	0	277,659,662
Pension benefit payable	0	0	0	18,533,062	0	18,533,062
	106,629,508	0	299,556,733	18,533,062	0	424,719,303
Asset-liability gap	54,377,901	0	(299,556,733)	329,271,071	0	84,092,239

2019						
As restated						
	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	2,506,981	0	0	0	0	2,506,981
Receivables	158,865,183	0	0	0	0	158,865,183
Prepayments	2,308,299	0	0	0	0	2,308,299
Property plant & equipment	0	0	0	2,969,576	0	2,969,576
Contract Asset	0	0	0	349,565,611	0	349,565,611
Investments	0	0	0	4,284,933	0	4,284,933
Intangible assets	0	0	0	72,250	0	72,250
Other assets	1,012,688	0	0	0	0	1,012,688
Inventory	109,425	0	0	0	0	109,425
	164,812,576	0	0	356,892,370	0	521,704,946
Liabilities:						
Inter-agency payables	18,804,811	0	0	0	0	18,804,811
Accounts payable	99,563,155	0	0	0	0	99,563,155
Dividend payable	1,500,000	0	0	0	0	1,500,000
Trust liability	59,945	0	0	0	0	59,945
Leave benefits payable	0	0	3,587,578	0	0	3,587,578
Deferred tax liability	0	0	18,738,382	0	0	18,738,382
Other financial liabilities	0	0	282,022,930	0	0	282,022,930
Pension benefit payable	0	0	0	16,285,891	0	16,285,891
	119,927,911	0	304,348,890	16,285,891	0	440,562,692
Asset-liability gap	44,884,665	0	(304,348,890)	340,606,479	0	81,142,254

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 2020, DCI continued to focus primarily on assisting the DBP'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 employees as DBP organic personnel, there are 18 personnel assigned at DBP as of December 31, 2020 under Staff Supplementation/Professional Service Agreement.

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, however, with the existence of a control framework that is monitoring and responding to potential risks, the Corporation 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 that it has, particularly the ones related to employee management.

6. CASH AND CASH EQUIVALENTS

Included in this account are the following:

	2020	2019
Cash in bank – local currency (SA/CA)	38,070,582	2,506,981
Petty cash fund	10,000	10,000
	38,080,582	2,516,981

Considered cash equivalents are investment/placements at DBP Trust Services on short-term or temporary investments and placements of excess cash purchased with maturity of three months or less from date of acquisition. Currently, the Corporation has no short-term investments/placements.

7. RECEIVABLES - NET

This account consists of the following:

	2020	2019
		As restated
Trade	95,808,910	145,469,647
Non-trade	24,501,873	14,140,817
	120,310,783	159,610,464
Allowance for credit losses	(899,022)	(745,281)
	119,411,761	158,865,183

Trade receivables consist of allocated transaction price on satisfied performance obligations to which the Corporation has a right to an amount of consideration that is unconditional. Details are as follows:

	2020	2019
		As restated
DBP	23,515,710	70,140,628
Non-DBP	72,293,200	75,329,019
	95,808,910	145,469,647

8. PREPAYMENTS

This account consists of the following:

	2020	2019
Prepaid insurance	1,305,806	1,347,466
Prepaid rent	688,400	504,778
Taxes & Licenses	5,179	1,353
Other prepayments	619,144	454,702
	2,618,529	2,308,299

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.

9. INVENTORY

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

10. OTHER ASSETS

The details of this account are as follows:

	2020	2019
Rental deposit	688,399	902,998
Miscellaneous asset	104,761	104,761
Refundable deposit	4,929	4,929
	798,089	1,012,688

Miscellaneous asset includes residual values of properties for use of the Corporation in the future.

11. PROPERTY AND EQUIPMENT - NET

This account consists of the following:

	2020					Total
	Computer Equipment	Office Machine and Equipment	Furniture and Fixtures	Transportation Equipment		
Cost						
Beginning Balance	5,146,808	675,672	3,985,475	1,807,946		11,615,901
Additions	243,941	0	0	0		243,941
Ending Balance	5,390,749	675,672	3,985,475	1,807,946		11,859,842
Accumulated depreciation						
Beginning Balance	4,140,979	497,281	2,966,144	1,041,921		8,646,325
Depreciation/Amort	263,629	65,116	117,331	146,307		592,383
Adjustment	0	0	0	0		0
Ending Balance	4,404,608	562,397	3,083,475	1,188,228		9,238,708
Net Book Value	986,141	113,275	902,000	619,718		2,621,134

	2019					Total
	Computer Equipment	Office Machine and Equipment	Leasehold Improvement	Furniture and Fixtures	Transportation Equipment	
Cost						
Beginning Balance	5,146,808	675,672	675,410	3,985,475	1,807,946	12,291,311
Disposal	0	0	(675,410)	0	0	(675,410)
Ending Balance	5,146,808	675,672	0	3,985,475	1,807,946	11,615,901
Accumulated depreciation						
Beginning Balance	3,885,820	434,450	433,356	2,848,814	951,930	8,554,370
Depreciation/Amort	255,159	62,831	118,197	117,330	146,307	699,824

	2019					Total
	Computer Equipment	Office Machine and Equipment	Leasehold Improvement	Furniture and Fixtures	Transportation Equipment	
Adjustment	0	0	(551,553)	0	(56,316)	(607,869)
Ending Balance	4,140,979	497,281	0	2,966,144	1,041,921	8,646,325
Net Book Value	1,005,829	178,391	0	1,019,331	766,025	2,969,576

12. CONTRACT ASSET

This pertains to the allocated transaction price on satisfied performance obligations in Hospital Information System – Business Process Outsourcing, but the Corporation has no right to an amount of consideration that is unconditional.

	2020	2019
Current	97,367,968	80,243,132
Non-current	242,892,281	269,322,479
	340,260,249	349,565,611

DCI's HIS-BPO project is an engagement between DCI and seven hospitals, namely: Zamboanga Del Norte Medical Center (ZNMC), Jose B. Lingad Memorial Regional Hospital (JBLMRH), Dr. Jose N. Rodriguez Memorial Hospital (DJNRMH), James L. Gordon Memorial Hospital (JLGMH), Eastern Visayas Regional Medical Center (EVRMC), Tondo Medical Center (TMC) and Don Fernando S. Duran Medical Center (DFSDMC).

13. INVESTMENTS

Included in this account is the Investment in Trust for the Retirement Fund. This pertains to the DCI placement of funds with the DBP Trust Banking Group (TBG) for the payment of retirement of qualified employees. On 1 June 1998, a Memorandum of Agreement was entered into by and between DCI, the Trustor and DBP TBG, 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 TBG has value of P4.794 million as of December 31, 2020.

14. INTANGIBLE ASSETS - NET

The details of this account are as follows:

	2020	2019
Computer software	207,939	127,500
Less: Accumulated amortization	78,715	55,250
	129,224	72,250

Intangibles are software costs accounted for as follows:

	2020	2019
Balance at beginning of year	72,250	613,008
Additions/Adjustment	80,438	(466,766)
Amortization	(23,464)	(73,992)
Balance at end of year	129,224	72,250

15. INTER-AGENCY PAYABLES

This account pertains to various liabilities to government agencies, such as the 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:

	2020	2019 As Restated
Deferred Output Tax	36,456,455	37,453,458
Due to BIR	3,524,976	11,011,567
Due to SSS	73,409	98,103
Due to Philhealth	46,126	46,473
Due to Pag-IBIG	65,675	63,882
	40,166,641	48,673,483

16. ACCOUNTS PAYABLE

This account includes the short-term liabilities to suppliers and business partners. Details as follows:

	2020	2019
Service providers/business partners	84,506,276	97,440,567
Suppliers	3,754,735	1,292,501
Others	1,332,068	830,087
	89,593,079	99,563,155

17. 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 Corporation.

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.

Further, payment of dividends in the amount of P1,688,846 and P1,415,230 for 2020 and 2019, respectively, were also remitted to the Bureau of Treasury.

18. TRUST LIABILITY

This is a temporary account of DCI's liability on all transactions pertaining to online payment project such as TIEZA and BIR. This is customers' deposit on all online payment transactions that passes through DCI then to be transferred to the account of the clients.

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. OTHER FINANCIAL LIABILITIES

This account includes the Corporation's accrual of liabilities pertaining to the following:

	2020	2019 As restated
Hospital JV Partner	243,114,719	248,905,599
Audit Fees (various years)	3,411,659	2,961,659
DCI Employees	1,599,518	287,000
Legal counsel	360,000	0
	248,485,896	252,154,258

Accrued liabilities to DCI officers and employees pertain to accrued short-term benefits.

21. PENSION BENEFIT 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 Benefit Payable.

The details of this account are as follows:

	2020	2019
Pension fund payable	4,793,525	4,284,933
Past service pension cost payable	13,739,537	12,000,958
	18,533,062	16,285,891

Pension Fund Payable is the account placed with the 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 P4.79 million as of December 31, 2020.

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.

22. 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, 2020 amounts to P23,280 million or 232,800 shares.

In 2017, stock dividends amounting to P3 million were issued in favor of the DBP, increasing the subscribed capital stock from P20.280 million to P23.280 million.

23. SERVICE AND BUSINESS INCOME

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

	2020	2019 As restated
DBP	29,307,589	62,059,869
Non-DBP	156,918,991	312,379,404
	186,226,580	374,439,273

Service and business income are further disaggregated as to the type of revenue as follows:

	2020	2019 As restated
Revenue from Hospital Information System – BPO Services	138,143,811	229,389,802
Revenue from DBP Staff Supplementation	29,307,589	14,479,650
Revenue from Software Development	17,448,394	12,762,034
Revenue from Data Center Management	1,326,786	10,620,536
Revenue from Supply/Distribution of Software	0	59,153,544
Revenue from DBP Cyber Security Services	0	47,580,219

	2020	2019 As restated
Revenue from Cloud Migration	0	241,959
Revenue from Online Payment	0	211,529
	186,226,580	374,439,273

24. OTHER BUSINESS INCOME

Other Business Income of DCI pertains to cost of bid documents used during the Joint Venture Selection Process.

25. PERSONNEL SERVICES

	2020	2019 As restated
Salaries and Wages	23,260,690	24,777,131
Other Compensation	9,659,262	10,725,562
Other Personnel Benefits	3,840,942	3,688,493
Personnel Benefit Contribution	369,359	340,498
	37,130,253	39,531,684

	2020	2019 As restated
Other Compensation		
Other bonuses and allowances	3,643,540	4,166,134
Other personnel benefits	2,366,431	2,563,281
Year-end bonus	1,972,221	2,003,011
Overtime and night pay	1,024,937	1,352,169
Cash gift	280,000	300,000
Hazard Pay	226,000	0
Clothing/Uniform allowance	113,448	311,963
Productivity incentive allowance	18,500	5,000
Transportation allowance	14,185	24,004
	9,659,262	10,725,562

	2020	2019
Personnel Benefit Contribution		
Philhealth contributions	280,159	246,408
Pag-IBIG contributions	71,600	74,700
Employees compensation insurance premiums	17,600	19,390
	369,359	340,498

	2020	2019
Other Personnel Benefits		
Pension benefit	1,738,579	2,925,335
Terminal leave benefits	2,102,363	733,287
Members' benefits	0	29,871
	3,840,942	3,688,493

26. MAINTENANCE AND OTHER OPERATING EXPENSES

	2020	2019 As restated
Professional services	132,591,835	292,400,323
Taxes, insurance, premiums and other fees	1,948,881	1,190,900
Communication expenses	730,232	442,427
Supplies and material expenses	344,527	256,088
Travelling expenses	276,782	110,530
Finance expense	217,757	0
Training and scholarship expenses	26,714	195,140
Repairs and maintenance	27,556	64,407
Other maintenance and operating expenses	7,605,498	6,378,175
	143,769,782	301,037,990

	2020	2019 As restated
Professional services		
Consultancy Services	131,739,028	291,876,373
Audit Fees	450,000	513,000
Legal Services	402,807	10,950
	132,591,835	292,400,323

	2020	2019
Supplies and material expenses		
Fuel, oil, and lubricant	302,789	75,484
Supplies expenses	28,109	39,525
Other supplies and material expenses	13,629	141,079
	344,527	256,088

	2020	2019
Other maintenance and operating expenses		
Rent/Lease expenses	5,900,675	4,718,000
Directors and committee members' fees	1,085,040	339,000
Advertising, promotional and marketing expenses	415,000	868,137
Representation expense	98,478	403,016
Extraordinary and miscellaneous expenses	56,518	0
Bank charges	0	400
Other maintenance and operating expenses	49,787	49,622
	7,605,498	6,378,175

27. NON-CASH EXPENSES

	2020	2019
Depreciation	592,383	699,824
Amortization – Intangible assets	23,464	628,079
Allowance for credit losses	153,741	0
	769,588	1,327,903

	2020	2019
Depreciation		
Machinery and equipment	328,745	317,990
Transportation equipment	146,307	146,307
Leasehold improvements	0	118,197
Furniture, fixture and books	117,331	117,330
	592,383	699,824

28. INCOME TAX EXPENSE

The income tax expense consists of:

	2020	2019
Current	2,803,156	1,948,646
Deferred	(755,244)	7,554,357
Income tax expense	2,047,913	9,503,003

Computation of current income tax expense for 2020 and 2019 are as follows:

	2020	2019
Financial income	6,840,485	33,263,766
Add (Deduct): Reconciling items		
Taxable (Non-taxable) business income	8,308,359	(127,965,628)
Accrual of expenses	(5,790,880)	102,784,439
Interest income subject to final tax	(14,110)	(7,298)
Application of NOLCO	0	(1,579,793)
Taxable income	9,343,854	6,495,486
Tax rate	30%	30%
Income tax expense	2,803,156	1,948,646

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

The Corporation 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.

Computation of deferred income tax expense for 2020 and 2019 are as follows:

	2020	2019
Accrual business income	(2,492,508)	38,389,689
Accrual of consultancy services	1,737,264	(30,836,332)
Income tax expense	(755,244)	7,554,357

Details of deferred taxes are as follows:

	2020	2019
Deferred taxes on account of expenses	72,934,416	74,671,680
Deferred taxes on dividend income	(91,141,138)	(93,633,646)
Deferred taxes - others	223,584	223,584
Deferred Tax Liability	(17,983,138)	(18,738,382)

29. 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 Corporation's earnings per share was computed as follows:

	2020	2019 As restated
Net earnings	4,792,572	23,760,763
Divided by the number of outstanding common shares (Note 22)	232,800	232,800
Earnings per share	20.59	102.07

30. RELATED PARTY TRANSACTION

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

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	2020	2019
Receivables - Professional Service Agreement	23,515,710	70,140,627
Cash in Bank - Current Account	37,968,350	2,462,091
Investment in Trust - Retirement Fund	4,793,526	4,284,933
	66,277,586	76,887,651

31. SELECTED FINANCIAL PERFORMANCE INDICATORS

The following are some of the financial performance indicators of the Corporation:

	2020	2019 As restated
Current Ratio	0.40:1	0.39:1
Acid Test Ratio	0.39:1	0.39:1
Debt-to-Equity Ratio	5.05:1	5.43:1
Asset-to-Equity Ratio	6.05:1	6.43:1
Net Profit Margin	2.46%	6.33%

32. SUPPLEMENTARY INFORMATION REQUIRED UNDER RR 15-2010

In compliance with the requirements set forth by Revenue Regulation No. 15-2010, hereunder are the information on taxes and license fees paid or accrued during the taxable year 2018.

A. DBP Data Center Inc. is a VAT-registered Corporation with VAT output tax declaration of P28.68 million based on the amount reflected in the Sales Account of P239.02 million.

B. The amount of VAT input taxes claimed are broken down as follows:

Current year's purchases:

Goods other than for resale or manufacture	51,204
Services lodged under other accounts	18,034,058
	<u>18,085,262</u>

C. Other Taxes & Licenses

Local

Mayor's/Business Permit	1,840,536
Community Tax Certificate	10,500
Miscellaneous	6,059
	<u>1,857,095</u>

D. The amount of withholding taxes paid/accrued for the year amounted to:

Tax on compensation and benefits	3,253,443
Creditable withholding taxes (at source)	7,268,832
Final withholding taxes (VAT)	7,474,342
	<u>17,996,617</u>

The above taxes were filed on or before the 10th day of the month following the applicable month.

The Corporation has no Rate Against Tax Evaders (RATE) case under preliminary investigation of the Department of Justice.

33. HIGHLIGHTS OF OPERATIONS

DCI has been continuously supporting DBP's Information Technology infrastructure for the past 38 years. In 2020, DCI continued to focus primarily on assisting the DBP'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 2020:

a. DBP Opportunities

DBP IT Staffing - Among DCI's core competencies is identifying the right people suitable for augmenting the IT staffing needs of DBP. As of December 31, 2020, DCI has a total of 18 strong workforce working closely with the DBP's IT requirements.

DBP IT Services - The engagement covers the conduct of a "Compromise Assessment" of the DBP IT network and infrastructure.

b. Non-DBP Opportunities

The Corporation 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 (five-year contract) where DCI provides Hospital Information System for the Local Government Unit (LGU) hospitals.
2. Jose B. Lingad Memorial Regional Hospital – This is a Department of Health (DOH) hospital where we offered the Hospital Information System (HIS) Business Process Outsourcing (BPO) project with a contract of five years. Live-Production started on 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.
3. 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).
4. Dr. Jose N. Rodriguez Memorial Hospital – This is a DOH hospital where we offered the HIS BPO project with a contract of seven years. Contract was signed in February 2018. Implementing changes to hospital processes and

workflows and monitoring End-User compliance to ensure smooth operations and correctness of data gathered by the system.

5. James L. Gordon Memorial Hospital – This is an LGU hospital where we offered the HIS BPO project with a contract of five 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.
6. Philippine International Trading Corporation – This is a consulting service for the design and development of Trading Management Information System (TMIS) – Business Process Automation. Contract was signed May 2018.
7. Food and Drug Administration – This is a cloud migration project.
8. Eastern Visayas Regional Medical Center – This is a DOH hospital where we offered the HIS BPO project with a contract of seven years. Contract was signed in May 2018. Implementing changes to hospital processes and workflows and monitoring end-user compliance to ensure smooth operations and correctness of data gathered by the system. Inflow of income comes in middle of 2019.
9. Tondo Medical Center – This is a DOH hospital where we offered the HIS BPO project with a contract of seven years. Contract was signed in April 2019. Implementing changes to hospital processes and workflows and monitoring end-user compliance to ensure smooth operations and correctness of data gathered by the system. Live production starts in September 2019.
10. Provincial Government of Sorsogon (Dr. Fernando S. Duran Sr. Memorial Hospital) - This is a DOH hospital where we offered the HIS BPO project with a contract of six years. Contract was signed in September 2019. Implementing changes to hospital processes and workflows and monitoring end-user compliance to ensure smooth operations and correctness of data gathered by the system.
11. Department of Energy – This is an application development project. Development of web-based application and online Database System to achieve the online submissions intended for Philippine Energy Standards and Labeling Program (PESLP), Government Energy Management Program (GEMP), Minimum Energy Performance for the Commercial, Industrial and Transport Sectors (MEP – CIT). MOA was signed January 2019.
12. Governance Commission for GOCCs - This is an on-going engagement that entails supply, delivery, installation, configuration, testing and implementation of Enterprise Planning Solution.
13. Philippine Science High School - This is an on-going engagement that entails supply, delivery, installation, configuration, testing and implementation of New Freshmen Admission Processing System (NFAPS) and Student Information System (SIS).

34. PRIOR PERIOD ADJUSTMENTS

DCI has identified significant prior period adjustments that require re-presentation of certain balances in the statements of financial position, statements of comprehensive income, and statements of changes in equity of CY 2019 and CY 2018. Accordingly, these significant prior period errors have been corrected in the financial statements in accordance with PAS 8, Correction of Prior Period Error.

The impact of these changes has required the restatement of the following financial line items as at December 31, 2019:

Account Title	As Previously Reported	Adjustment	As Adjusted
Contract Asset	0	349,565,611	349,565,611
Retained Earnings	16,233,149	41,629,105	57,862,254
Deferred Output VAT	0	37,453,458	37,453,458
Service and Business Income	247,188,418	127,965,627	375,154,045
Other Financial Liabilities	2,961,659	249,192,599	252,154,258
Service Fees	189,091,934	102,784,439	291,876,373

Changes on the balance of Retained Earnings as at January 1, 2019 are as follows:

Particulars	Amount
Recognition of done performance obligation to customers (1/1/2019)	184,146,525
Share of business partner in the performance obligation (1/1/2019)	(146,121,160)
Recognition of Deferred Tax Liability	(11,407,610)
Cancellation of 2016 travel billings	(2,615,483)
Total changes in Retained Earnings, January 1, 2019	24,002,272

35. 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.ss