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)

For the Years ended December 31, 2022 and 2021

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 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.

DCI's Chairman of the Board is Mr. Faustino D. Ignacio and the President and Chief Executive Officer is Atty. Kristjan Vicente T. Gargantiel. As of December 31, 2022, DCI had a total manpower of 57 including 25 contractual personnel.

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

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, 2022 to enable us to express an opinion on the financial statements for the years ended December 31, 2022 and 2021 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

	2022	2021 As restated	Increase
Assets	433,553,350	418,293,488	15,259,862
Liabilities	358,999,907	349,449,728	9,550,179
Equity	74,553,443	68,843,760	5,709,683

II. Results of Operations

	2022	2021 As restated	Increase
Income	219,984,939	152,469,592	67,515,347
Expenses	211,932,779	153,454,276	58,478,503
Net Income/(Loss)	8,052,160	(984,684)	9,036,844

III. Budget and Actual Expenditures

	Budget		Utilization	
	2022	2021	2022	2021 As restated
Personnel Services	53,077,865	51,379,619	39,112,824	38,042,949
Maintenance and Other Operating Expenses	185,677,801	263,856,016	168,458,888	116,794,337
Capital Expenditures	270,000	735,821	65,170	0
Total	**239,025,666**	**315,971,456**	**207,636,882**	**154,837,286**

AUDITOR'S OPINION

The Auditor expressed a qualified opinion on the fairness of presentation of the financial statements as at December 31, 2022 and 2021 because the recognized Pension Benefit Payable for 2022 and 2021 of P16.309 million and P14.921 million, respectively, representing DCI's retirement benefit obligations to its qualified employees were not measured at amounts derived from actuarial assumptions, contrary to Philippine Accounting Standard (PAS) 19 – Employee Benefits.

Also, the disclosure requirements of PAS 19 – Employee Benefits were not adequately discussed in Note 3.15 and Note 19 to the 2022 financial statements, hence, the information, among others, the characteristics and associated risks on the DCI's Retirement Gratuity Plan, method, and assumptions used, were not presented. The disclosure of these information in the financial statements are required in full compliance with PFRSs.

SIGNIFICANT AUDIT OBSERVATION AND RECOMMENDATIONS

For the audit observation which caused the rendition of a qualified opinion, we recommended that Management a.) Require the Actuary to expedite the submission of the actuarial report; b.) Determine the defined benefit obligations and pension expense in accordance with PAS 19; c.) Make the necessary adjustments to faithfully present the balances of the Pension Benefit Payable and other affected accounts in the financial statements; and d.) Provide adequate disclosures relative to DCI's retirement plan in the Notes to Financial Statements.

SUMMARY OF AUDIT DISALLOWANCES

As at December 31, 2022, the audit disallowances amounted to P12.614 million. There were no audit suspensions and charges at year-end.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the eight audit recommendations embodied in the prior years' AARs, three were fully implemented and five were not implemented, two of which were reiterated in Part II of this Report, and three were reported in Part III of this Report.

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PART I

AUDITED FINANCIAL STATEMENTS

REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Corporate Government Sector
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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, 2022 and 2021, 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 possible 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, 2022 and 2021, 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

As at December 31, 2022 and 2021, DCI recognized Pension Benefit Payable amounting to P16.309 million and P14.921 million, respectively, representing its retirement benefit obligations to qualified employees. The Pension Benefit Payable for the years then ended, were measured at amounts equivalent to 1/12 of the monthly salary of the qualified employees and the value of the trust fund with the DBP Trust Banking Group, instead of, at amounts derived from actuarial assumptions in accordance with Philippine Accounting Standard (PAS) 19 – Employee Benefits. Had an actuarial study conducted, necessary adjustments would have been determined in respect of the recorded Pension Benefit Payable as at reporting dates.

As such, we were not able to obtain sufficient evidence to establish the Pension Benefit Payable that should have been recognized as at December 31, 2022 and 2021, nor were we able to satisfy ourselves by other audit procedures performed.

In addition, the disclosure requirements of PAS 19 – Employee Benefits were not adequately discussed in Note 3.15 and Note 19 to the 2022 financial statements, hence, the information, among others, the characteristics and associated risks on the DCI's Retirement Gratuity Plan, method, and assumptions used, were not presented. The disclosure of these information in the financial statements are required in full compliance with PFRSs.

We conducted our audits 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 Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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 DCI'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 DCI'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 DCI 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 required under the Revised Securities Regulation Code Rule 68 in Note 30 and the Revenue Regulations 15-2010 in Note 31 to the 2022 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

NIDA A. SINGSON
OIC - Supervising Auditor

April 03, 2023

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, 2022 and December 31, 2021*, 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) 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.

FAUSTINO D. IGNACIO
Chairperson of the Board

KRISTJAN VICENTE T. GARGANTIEL
President & Chief Executive Officer

GINA A. GONZALES
Operations Department Head

Signed this 3rd day of April 2023.

DBP DATA CENTER, INC.
(A wholly-owned subsidiary of the Development Bank of the Philippines)
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021
(In Philippine Peso)

	Note	2022	2021 As restated
ASSETS			
Current assets			
Cash and cash equivalents	6	20,095,000	29,718,386
Receivables - net	7	73,717,719	55,335,268
Prepayments	8	2,638,028	2,488,487
Inventory	9	10,992	52,703
Contract asset	12	99,190,581	62,624,701
Other assets	10	34,440,015	26,938,847
		230,092,335	**177,158,392**
Non-current assets			
Property and equipment - net	11	760,884	866,593
Contract asset	12	202,490,530	240,147,722
Intangible assets - net	13	209,601	120,781
		203,461,015	**241,135,096**
TOTAL ASSETS		**433,553,350**	**418,293,488**
LIABILITIES AND EQUITY			
Current liabilites			
Inter-agency payables	14	36,429,210	39,595,350
Payables	15	32,971,615	28,447,121
Trust liability	16	4,543,554	4,543,554
Leave benefits payable	17	2,871,962	4,133,477
Deferred tax liability	27	18,537,727	15,588,386
Other financial liabilities	18	70,850,415	50,289,535
		166,204,483	**142,597,423**
Non-current liabilities			
Pension benefit payable	19	16,309,135	14,920,709
Other financial liabilities	18	176,486,289	191,931,596
		192,795,424	**206,852,305**
		358,999,907	**349,449,728**
Equity			
Share capital			
Authorized - 500,000 common shares, P100 par value			
Issued and outstanding 232,800 common shares	20	23,280,000	23,280,000
Retained earnings	21	51,273,443	45,563,760
		74,553,443	**68,843,760**
TOTAL LIABILITIES AND EQUITY		**433,553,350**	**418,293,488**

The Notes on pages 9 to 41 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, 2022 and 2021
(In Philippine Peso)

	Note	2022	2021 As restated
INCOME			
Service and business income	22	219,975,625	152,452,294
Other business income	23	334	840
		219,975,959	**152,453,134**
EXPENSES			
Personnel services	24	(39,112,824)	(38,042,949)
Maintenance and other operating expenses	25	(168,458,888)	(116,794,337)
Non-cash expenses	26	(1,292,753)	(267,661)
		(208,864,465)	**(155,104,947)**
INCOME (LOSS) BEFORE INTEREST AND TAXES		**11,111,494**	**(2,651,813)**
Interest income	6	8,980	16,458
INCOME (LOSS) BEFORE TAXES		**11,120,474**	**(2,635,355)**
Income tax benefit (expense)	27	(3,068,314)	1,650,671
NET INCOME (LOSS) FOR THE PERIOD		**8,052,160**	**(984,684)**
Other comprehensive income		0	0
TOTAL COMPREHENSIVE INCOME (LOSS)		**8,052,160**	**(984,684)**

The Notes on pages 9 to 41 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, 2022 and 2021
(In Philippine Peso)

	Share Capital (Note 20) Common Share	Amount	Retained Earnings (Note 21)	Total
Balance as of January 1, 2021 before restatement	**232,800**	**23,280,000**	**53,590,573**	**76,870,573**
Adjustments			(8,542,129)	(8,542,129)
Balance as of January 1, 2021, as restated	**232,800**	**23,280,000**	**45,048,444**	**68,328,444**
Reversal of dividend declarations			1,500,000	1,500,000
Net loss for CY 2021, as restated			(984,684)	(984,684)
Balance as of December 31, 2021, as restated	**232,800**	**23,280,000**	**45,563,760**	**68,843,760**
Declaration of cash dividends			(2,342,477)	(2,342,477)
Net Income for CY 2022			8,052,160	8,052,160
Balance as of December 31, 2022	**232,800**	**23,280,000**	**51,273,443**	**74,553,443**

The Notes on pages 9 to 41 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, 2022 and 2021
(In Philippine Peso)

	Notes	2022	2021 As restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		214,115,931	222,483,386
Interest income received		8,980	16,458
Other income received		334	840
Cash payments to suppliers		(160,403,718)	(160,150,588)
Cash paid for operating expenses		(44,147,712)	(41,214,948)
Payment to BIR		(13,341,768)	(26,483,404)
Payment to SSS, PHIC and HDMF		(3,177,388)	(3,013,940)
Cash paid for other assets		(83,654)	0
Net cash used in operating activities		**(7,028,995)**	**(8,362,196)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of computer software	13	(192,056)	0
Purchase of computer equipment	11	(65,170)	0
Proceeds from disposal of computer equipment		5,312	0
Net cash used in investing activities		**(251,914)**	**0**
CASH FLOWS FROM FINANCING ACTIVITY			
Payment of cash dividend	21	(2,342,477)	0
Net cash used in financing activity		**(2,342,477)**	**0**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(9,623,386)**	**(8,362,196)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**29,718,386**	**38,080,582**
CASH AND CASH EQUIVALENTS, END OF YEAR	6	**20,095,000**	**29,718,386**

The Notes on pages 9 to 41 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, 2022 and 2021
(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, 2022, DCI had a total manpower of 57 including 25 contractual personnel.

The DCI Board approved the issuance of DCI's financial statements for the year ended December 31, 2022 on April 03, 2023.

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 polices are consistently applied unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 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 5 to the financial statements.

3.2 Changes in accounting policies and disclosures

a. New standards and amendments issued and effective for annual periods beginning on or after January 1, 2022.

- **Amendments to PFRS 3, Business Combination – Reference to the Conceptual Framework.** The amendments update an outdated reference to the Conceptual Framework in PFRS 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 recognize contingent assets acquired in a business combination.

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

- **Amendments to PAS 16, Property, Plant and Equipment – Proceeds before Intended Use.** 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 recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

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

- **Amendments to PAS 37, Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts - Cost of Fulfilling a Contract.** 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 these amendments had no material impact on the DCI's financial statements.

- **Annual Improvements to PFRS Standards 2018–2020.**

  - **PFRS 1, First-time Adoption of Philippine 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 derecognize 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 of PFRS 13.

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

b. **New standards effective after the reporting period ended December 31, 2022.**

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

- **PFRS 17, Insurance Contracts.** The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. 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 new standard will not have an impact on the disclosures and amounts recognized on the DCI's financial statements.

- **Amendments to PFRS 17, Insurance Contracts – Amendments to PFRS 17 and Extension of the Temporary Exemption from Applying PFRS 9 (Amendments to PFRS 4).** The amendment includes:
  - Deferral of the date of initial application of PFRS 17 by two years to annual periods beginning on or after January 1, 2023 and change 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.
  - Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk.
  - Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognized in a business acquired in a business combination.
  - Clarification of the application of PFRS 17 in interim financial statements allowing an accounting policy choice as a reporting entity level.
  - Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements.
  - Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives.
  - Amendments to require an entity that at initial recognition recognizes losses on onerous insurance contract issued to also recognize a gain on reinsurance contracts held.
  - Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts.
  - Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach.
  - Several small amendments regarding minor application issues.

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

- **Amendments to PFRS 17 Insurance Contracts – Initial Application of PFRS 17 and PFRS 9 – Comparative Information.** The amendment provides for transition requirements of PFRS 17 for entities that first apply PFRS 17 and PFRS 9 at the same time. The amendment regards financial assets for which comparative information is presented on initial application of PFRS 17 and PFRS 9, but where this information has not been restated for PFRS 9. Under the amendment, an entity is permitted to present comparative information about a financial asset as if the classification and measurement requirement of PFRS 9 has been applied to that financial asset before. The option is available on an instrument-by-instrument basis. In applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements of PFRS 9. There are no changes to the transition requirements in PFRS 9.

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

- **Amendments to PAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction.** The amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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

- **Amendments to PAS 1, Presentation of Financial Statements – Disclosure of Accounting Policies.** The changes amend PAS in the following ways:
  - An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
  - several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
  - the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;
  - the amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
  - the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

  These amendments are effective for annual periods beginning on or after January 1, 2023 and are applied prospectively. Earlier application is permitted.

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

- **Amendments to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates.** The changes in the PAS 8 focus entirely on accounting estimates and clarify the following:
  - The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
  - Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
  - The Board clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods.

These amendments are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

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

- **Amendments to PAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current.** 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.

  These amendments are effective for annual reporting periods beginning on or after January 1, 2024 and are to be applied retrospectively. Earlier application is permitted.

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

- **Amendments to PAS 1, Presentation of Financial Statements – Non-current Liabilities with Covenants.** The amendment modifies the requirements introduced by Classification of Liabilities as Current or Non-current on how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances: Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

  These amendments are effective for annual periods beginning on or after January 1, 2024. The amendments are applied retrospectively in accordance with PAS 8 and earlier application is permitted.

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

3.3 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 in accordance with their contractual agreements and the business model for managing the instruments, as described below.

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; and

- 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 6 and 7 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) the Corporation 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 expires.

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.

3.4 Property and Equipment

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

The cost of an asset comprises its 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 P50,000.00 and semi-expendable items are recorded in conformity with COA Circular No. 2022-004 dated May 31, 2022.

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 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.

3.5 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 are consumed in operations or as they expire with the passage of time.

3.6 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.

3.7 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 asset are assessed for impairment when there is indication that the intangible assets may be impaired.

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

Computer software	1-3 years

3.8 Financial liabilities

Financial liabilities which comprise 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 Corporation.

3.9 Offsetting financial assets and financial liabilities

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.

3.10 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.

3.11 Revenue recognition

The Corporation recognises 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 recognised 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 (HIS-BPO). 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 involve 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 good 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 control of the goods and services (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.

3.12 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 as expense over the lease term. Contingent rents are recognized as revenue in the period they are earned.

The Corporation is a lessee under the operating lease.

3.13 Borrowing Cost

Borrowing costs 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 period in which these costs are incurred using the effective interest method.

3.14 Income Taxes

Current tax

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 income tax expense in statements of comprehensive income.

Deferred tax

Deferred tax is accounted for using liability method, on temporary difference at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the taxable temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that is probable that sufficient taxable profit will be available to allow or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the DCI expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the DCI has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

3.15 Employee benefits

Retirement benefits

The Corporation provides retirement benefits to qualified employees based on the Retirement Gratuity Plan to recognize the faithful and satisfactory service of DCI employees and to provide timely financial assistance upon their separation from the service. Those who reach the age of retirement but are not qualified to the Retirement Gratuity Plan are granted the retirement benefit in accordance with the provisions of The Labor Code of the Philippines. Accrued amount of retirement pay is presented under Pension Benefit Payable account in the statement of financial position.

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.

3.16 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. The Corporation applied the following significant judgments 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 concludes 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 does 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 optimal 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 years 2022 and 2021:

	2022					
	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	20,085,000	0	0	0	0	20,085,000
Receivables	73,717,719	0	0	0	0	73,717,719
Prepayments	2,638,028	0	0	0	0	2,638,028
Property and equipment	0	0	0	760,884	0	760,884
Contract Asset	0	0	99,190,581	202,490,530	0	301,681,111
Intangible assets	0	0	0	209,601	0	209,601
Other assets	34,440,015	0	0	0	0	34,440,015
Inventory	10,992	0	0	0	0	10,992
	130,901,754	**0**	**99,190,581**	**203,461,015**	**0**	**433,553,350**
Liabilities:						
Inter-agency payables	36,429,210	0	0	0	0	36,429,210
Payables	32,971,615	0	0	0	0	32,971,615
Trust liability	4,543,554	0	0	0	0	4,543,554
Leave benefits payable	0	0	0	2,871,962	0	2,871,962
Deferred tax liability	0	0	0	18,537,727	0	18,537,727
Other financial liabilities	0	0	70,850,415	176,486,289	0	247,336,704
Pension benefit payable	0	0	0	16,309,135	0	16,309,135
	73,944,379	**0**	**70,850,415**	**214,205,113**	**0**	**358,999,907**
Asset-liability gap	**56,957,375**	**0**	**28,340,166**	**(10,744,098)**	**0**	**74,553,443**

	2021 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	29,708,386	0	0	0	0	29,708,386
Receivables	55,335,268	0	0	0	0	55,335,268
Prepayments	2,488,487	0	0	0	0	2,488,487
Property and equipment	0	0	0	866,593	0	866,593
Contract Asset	0	0	62,624,701	240,147,722	0	302,772,423
Intangible assets	0	0	0	120,781	0	120,781
Other assets	26,938,847	0	0	0	0	26,938,847
Inventory	52,703	0	0	0	0	52,703
	114,533,691	**0**	**62,624,701**	**241,135,096**	**0**	**418,293,488**
Liabilities:						
Inter-agency payables	39,595,350	0	0	0	0	39,595,350
Payables	28,447,121	0	0	0	0	28,447,121
Trust liability	4,543,554	0	0	0	0	4,543,554
Leave benefits payable	0	0	4,133,477	0	0	4,133,477
Deferred tax liability	0	0	15,588,386	0	0	15,588,386
Other financial liabilities	0	0	50,289,535	191,931,596	0	242,221,131
Pension benefit payable	0	0	0	14,920,709	0	14,920,709
	72,586,025	**0**	**70,011,398**	**206,852,305**	**0**	**349,449,728**
Asset-liability gap	**41,947,666**	**0**	**(7,386,697)**	**34,282,791**	**0**	**68,843,760**

Market risk

During 2022, 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 17 personnel assigned at DBP as of December 31, 2022 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 system's 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:

	2022	2021
Cash in bank – local currency (SA/CA)	20,085,000	29,708,386
Petty cash fund	10,000	10,000
	20,095,000	**29,718,386**

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.

Interest income earned from bank deposits amounted to P8,980 in 2022 and P16,458 in 2021, net of final withholding tax.

7. RECEIVABLES - NET

This account consists of the following:

	2022	2021
Trade	73,718,441	53,732,123
Non-trade	1,922,250	2,502,167
	75,640,691	56,234,290
Allowance for credit losses	(1,922,972)	(899,022)
	73,717,719	**55,335,268**

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:

	2022	2021
DBP	3,804,741	6,264,680
Non-DBP	69,913,700	47,467,443
	73,718,441	**53,732,123**

8. PREPAYMENTS

This account consists of the following:

	2022	2021
Prepaid insurance	1,310,693	1,311,108
Prepaid rent	699,114	688,400
Taxes & Licenses	2,573	2,686
Other prepayments	625,648	486,293
	2,638,028	**2,488,487**

Prepaid insurance includes the amount paid for the life insurance coverage and health maintenance insurance coverage of all regular officers and employees. It also includes payment for insurance of corporate vehicles.

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:

	2022	2021
Creditable income tax	25,939,589	21,982,821
Input tax	7,702,336	4,157,937
Rental deposit	688,400	688,399
Miscellaneous asset	104,761	104,761
Refundable deposit	4,929	4,929
	34,440,015	**26,938,847**

Creditable income tax pertains to prepaid taxes which DCI can apply to its future income tax liability.

Input tax pertains to the total accumulated input value-added taxes (VAT) from its purchases which can be applied to its future VAT liabilities.

11. PROPERTY AND EQUIPMENT - NET

This account consists of the following:

2022	Computer Equipment	Office Machine and Equipment	Furniture and Fixtures	Transportation Equipment	Total
Cost					
Beginning Balance, as restated	3,556,930	270,279	0	1,807,946	5,635,155
Additions	65,170	0	0	0	65,170
Disposals	(53,125)	0	0	0	(53,125)
Adjustments	0	0	0	0	0
Ending Balance	**3,568,975**	**270,279**	**0**	**1,807,946**	**5,647,200**
Accumulated depreciation					
Beginning Balance	3,190,775	243,252	0	1,334,535	4,768,562
Depreciation	19,260	0	0	146,307	165,567
Disposals	(47,813)	0	0	0	(47,813)
Adjustments	0	0	0	0	0
Ending Balance	**3,162,222**	**243,252**	**0**	**1,480,842**	**4,886,316**
Net Book Value	**406,753**	**27,027**	**0**	**327,104**	**760,884**

2021 As restated	Computer Equipment	Office Machine and Equipment	Furniture and Fixtures	Transportation Equipment	Total
Cost					
Beginning Balance	5,390,749	675,672	3,985,475	1,807,946	11,859,842
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Adjustments	(1,833,819)	(405,393)	(3,985,475)	0	(6,224,687)
Ending Balance	**3,556,930**	**270,279**	**0**	**1,807,946**	**5,635,155**
Accumulated depreciation					
Beginning Balance	4,404,608	562,397	3,083,475	1,188,228	9,238,708
Depreciation	54,067	0	0	146,307	200,374
Disposals	0	0	0	0	0
Adjustments	(1,267,900)	(319,145)	(3,083,475)	0	(4,670,520)
Ending Balance	**3,190,775**	**243,252**	**0**	**1,334,535**	**4,768,562**
Net Book Value	**366,155**	**27,027**	**0**	**473,411**	**866,593**

12. CONTRACT ASSET

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

	2022	2021
Current	99,190,581	62,624,701
Non-current	202,490,530	240,147,722
	301,681,111	**302,772,423**

DCI's HIS-BPO project is an engagement between DCI and seven hospitals, namely: Jose B. Lingad Memorial Regional Hospital, Dr. Jose N. Rodriguez Memorial Hospital, James L. Gordon Memorial Hospital, Eastern Visayas Regional Medical Center, Tondo Medical Center, Dr. Fernando S. Duran Sr. Memorial Hospital and Ilocos Training and Regional Medical Center.

13. INTANGIBLE ASSETS - NET

The details of this account are as follows:

	2022	2021
Computer software	458,839	266,782
Less: Accumulated amortization	249,238	146,001
	209,601	**120,781**

Intangibles are software costs accounted for as follows:

	2022	2021
Balance at beginning of year	120,781	129,224
Additions	192,056	0
Adjustment	0	58,844
Amortization	(103,236)	(67,287)
Balance at end of year	**209,601**	**120,781**

14. INTER-AGENCY PAYABLES

This account pertains to various liabilities to government agencies, such as the Bureau of Internal Revenue (BIR) for withholding taxes, income taxes, and value added taxes, among others; Social Security System (SSS) for contributions and loan amortisations; Philippine Health Insurance Corporation (Philhealth) for contributions; and Home Development Mutual Fund (HDMF) also known as Pag-IBIG for contributions and loan amortisations.

The details of this account are as follows:

	2022	2021
Deferred output tax	33,939,252	38,196,916
Due to BIR	2,267,102	932,001
Due to SSS	95,532	358,375
Due to PHIC	74,228	53,692
Due to HDMF	53,096	54,366
	36,429,210	**39,595,350**

15. PAYABLES

This account includes the short-term liabilities to service providers/ business partners, suppliers and due to employees. Details as follows:

	2022	2021
Accounts payable	24,445,156	8,743,754
Accrued expense	8,099,529	18,214,188
Due to officers and employees	426,930	1,489,179
	32,971,615	**28,447,121**

16. TRUST LIABILITY

This account pertains to DCI's liability to Joint Venture (JV) Partners on cash security bond received upon signing of the JV Agreement.

17. 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.

18. OTHER FINANCIAL LIABILITIES

This account includes the Corporation's accrual of liabilities pertaining to its JV Partners.

	2022	2021
Current	70,850,415	50,289,535
Non-current	176,486,289	191,931,596
	247,336,704	**242,221,131**

19. PENSION BENEFIT PAYABLE

The Corporation provides corresponding liability on the retirement of active regular employees based on the guidelines of the Trust Fund.

The details of this account are as follows:

	2022	2021 (As restated)
Pension benefit payable	18,817,161	18,259,842
Retirement fund (DBP TBG)	(2,508,026)	(3,339,133)
	16,309,135	**14,920,709**

On June 1, 1998, a Memorandum of Agreement was entered into by and between DCI as the Trustor and DBP TBG as 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 P2.508 million and P3.339 million as of December 31, 2022 and 2021, respectively.

The Pension Benefit 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.

20. 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, 2022 amounted to P23.280 million or 232,800 shares.

21. RETAINED EARNINGS

Adjustments

DCI has made adjustments for the CY 2021 beginning balances of taxes related accounts to reconcile and correct recognized amounts in the Income Tax Returns and accounting for Value-Added Tax transactions, as well as compliance with COA Circular 2022-004 on the increase in capitalization threshold. Details are as follows:

Particulars	Amount
Recorded in 2021	
Creditable income tax	4,830,462
Due to BIR	2,157,500
	6,987,962
Recorded in 2022	
Effect of increase in property capitalization threshold to P50,000	1,554,167
	1,554,167
	8,542,129

Moreover, during the year, 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 prior years.

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, 2021:

	As Previously Reported	Effects of Restatement	As Restated
Changes in the Statement of Financial Position			
Assets			
Investments	3,339,133	(3,339,133)	0
Computer equipment	774,406	(408,251)	366,155
Office machine and equipment	67,567	(40,540)	27,027
Furniture and fixtures	784,670	(784,670)	0
		(4,572,594)	
Liabilities			
Pension benefit payable	18,259,842	(3,339,133)	14,920,709
		(3,339,133)	
Equity			
Retained earnings	46,797,221	(1,233,461)	45,563,760
		(1,233,461)	
Changes in the Statement of Comprehensive Income			
Depreciation	536,938	(336,564)	200,374
Semi-expendable expenses	0	15,858	15,858
		(320,706)	

Dividend Declaration

DCI declared cash dividend amounting to P2.34 million per Board Resolution No. 019 dated March 29, 2022 for DY 2020 Net Income After Tax of P4.68 million, for the National Government thru the Bureau of Treasury.

In 2021, the outstanding dividends payable amounting to P1.5 million as of December 31, 2020 pertaining to dividends declared for dividend year 2015 was approved for reversal by the Board of Directors back to retained earnings.

22. 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:

	2022	2021
DBP	20,117,837	19,709,154
Non-DBP	199,857,788	132,743,140
	219,975,625	**152,452,294**

23. OTHER BUSINESS INCOME

Other Business Income of DCI pertains to cost of bid documents used during the Joint Venture Selection Process and collection fees from personal insurance of employees.

24. PERSONNEL SERVICES

	2022	2021
Salaries and Wages	24,561,734	24,589,187
Other Compensation	8,379,247	8,672,512
Other Personnel Benefits	4,433,097	3,117,698
Personnel Benefit Contribution	1,738,746	1,663,552
	39,112,824	**38,042,949**

Details of Other Compensation are as follows:

	2022	2021
Other bonuses and allowances	3,411,341	2,578,601
Year-end bonus	2,090,375	2,075,928
Other personnel benefits	1,122,555	1,090,801
Overtime and night pay	810,496	1,062,781
Directors and committee members' fees	546,400	718,000
Cash gift	260,500	275,000
Clothing/Uniform allowance	96,105	294,351
Productivity incentive allowance	36,000	32,000
Transportation allowance	5,475	7,050
Hazard Pay	0	538,000
	8,379,247	**8,672,512**

Details of Other Personnel Benefits are as follows:

	2022	2021
Pension benefit	2,381,361	1,181,173
Terminal leave benefits	2,051,736	1,936,525
	4,433,097	**3,117,698**

Details of Personnel Benefit Contribution are as follows:

	2022	2021
SSS contribution	1,218,645	1,280,542
PHIC contributions	435,741	294,780
HDMF contributions	67,400	69,700
Employees compensation insurance premiums	16,960	18,530
	1,738,746	**1,663,552**

25. MAINTENANCE AND OTHER OPERATING EXPENSES

	2022	2021 As restated
Professional services	156,817,237	102,721,453
Taxes, insurance, premiums and other fees	1,859,435	1,709,568
Finance expense	1,161,762	5,144,789
Communication expenses	753,730	801,665
Supplies and material expenses	538,047	960,156
Travelling expenses	500,335	47,516
Utility expenses	84,507	0
Training and scholarship expenses	81,383	0
Repairs and maintenance	72,557	44,836
Semi-expendable expenses	0	15,858
Other maintenance and operating expenses	6,589,895	5,348,496
	168,458,888	**116,794,337**

Breakdown of professional services are as follows:

	2022	2021
Other Professional Services	155,906,327	102,433,182
Legal Services	460,910	288,271
Audit Fees	450,000	0
	156,817,237	**102,721,453**

Details of other maintenance and operating expenses are as follows:

	2022	2021
Rent/Lease expenses	4,415,945	4,428,283
Representation expense	983,921	228,573
Advertising, promotional and marketing expenses	934,238	522,008
Subscription expense	144,619	0
Survey expense	62,500	44,643
Extraordinary and miscellaneous expenses	10,018	27,384
Other maintenance and operating expenses	38,654	97,605
	6,589,895	**5,348,496**

26. NON-CASH EXPENSES

	2022	2021 As restated
Impairment loss (Note 7)	1,023,950	0
Depreciation (Note 11)	165,567	200,374
Amortization (Note 13)	103,236	67,287
	1,292,753	**267,661**

27. INCOME TAX EXPENSE/(BENEFIT)

The income tax expense/(benefit) consists of:

	2022	2021
Current	0	0
Deferred	3,068,314	(2,491,386)
Prior tax expense assessed in current year	0	840,715
	3,068,314	**(1,650,671)**

Republic Act (RA) No. 11534 provides that an income tax of 25 per cent effective July 1, 2020 shall be imposed upon the taxable income derived during each taxable year from all sources within and without the Philippines by every corporation. Provided that corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million excluding land on which the particular business entity's office, plant and equipment are situated during the taxable year for which the tax is imposed, shall be taxed at 20 per cent.

Computation of current income tax expense for 2022 and 2021 are as follows:

	2022	2021
Financial income (loss)	11,120,474	(2,635,355)
Add (Deduct): Reconciling items		
Taxable (Non-taxable) business income	(16,870,541)	(14,503,837)
Accrual of expenses	5,115,573	(893,588)
Impairment loss	1,922,972	0
Fines, penalties and charges	1,161,762	5,144,789
Adjustments	0	(320,706)
Interest income subject to final tax	(8,980)	(16,458)
Application of NOLCO	(2,441,260)	0
Taxable income (NOLCO)	0	(13,225,155)
Tax rate	25%	25%
	0	**0**

Computation of deferred income tax expense (benefit) for 2022 and 2021 are as follows:

	2022	2021
Accrual business income	4,217,635	3,625,960
Accrual of expenses	(1,278,893)	223,397
Impairment loss	(480,743)	0
NOLCO	610,315	(3,306,289)
Effect of change in tax rate	0	(3,034,454)
	3,068,314	**(2,491,386)**

Adjustment in the deferred tax asset due to the change in income tax rate as part of the implementation of the CREATE Law is computed as follows:

	2021
Contract asset	303,803,793
Service fees	(243,114,719)
Total temporary difference	60,689,074
Reduction of tax rate	5%
	3,034,454

The net operating loss of the business or enterprise for any taxable year immediately preceding the current taxable year, which had not been previously offset as deduction from gross income shall be carried over as a deduction from the gross income for the next three consecutive taxable years immediately following the year of such loss.

Details of Net Operating Loss Carry-Over are as follows:

Year Incurred	Amount	Applied Previous Year/s	Applied Current Year	Expired	Unapplied Amount
2021	13,225,155	0	2,441,260	0	10,783,895
Total	**13,225,155**	**0**	**2,441,260**	**0**	**10,783,895**

Pursuant to Section 4(bbbb) of Bayanihan II and as implemented under RR No. 25-2020, NOLCO for taxable years 2020 and 2021 can be carried over as deduction from gross income for the next five consecutive taxable years following the year of such loss.

The Corporation is also subject to Minimum Corporate Income Tax (MCIT) which is two per cent of gross income. Any excess MCIT over NIT shall be carried forward and credited against the NIT for the next three immediately succeeding taxable years. As provided in RA No. 11534, effective July 1, 2020 until June 30, 2023, the MCIT rate shall be one per cent.

Details of MCIT are as follows:

Year Incurred	Amount	Applied Previous Year/s	Applied Current Year	Expired/ Adjustment	Unapplied Amount
2022	245,923	0	0	0	245,923
2021	126,950	0	0	126,950	0
Total	**126,950**	**0**	**0**	**126,950**	**245,923**

Details of deferred taxes are as follows:

	2022	2021
Accrual of expenses	61,834,176	60,555,283
NOLCO	2,695,974	3,306,289
MCIT	245,923	126,950
Impairment loss	480,743	0
Accrual of business income	(83,794,543)	(79,576,908)
Deferred Tax Liability	**(18,537,727)**	**(15,588,386)**

Deficiency Taxes

On July 23, 2021, DCI paid to Bureau of Internal Revenue deficiency basic taxes on income for taxable year 2017 amounting to P840,715.

28. EARNINGS/(LOSS) PER SHARE

The basic earnings/(loss) 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/(loss) per share was computed as follows:

	2022	2021 (As restated)
Net earnings/(loss)	8,052,160	(984,684)
Divided by the number of outstanding common shares (Note 20)	232,800	232,800
Earnings/(Loss) per share	**34.59**	**(4.23)**

29. 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 party. DCI maintains current account deposits, short-term placements and long-term investment (Retirement Fund) at DBP Head Office, Makati City.

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

Particulars	2022	2021
Receivables – professional service agreement	3,804,741	6,264,680
Cash in bank – current account	19,819,665	21,296,889
Retirement fund (DBP TBG)	2,508,026	3,339,133
	26,132,432	**30,900,702**

30. SELECTED FINANCIAL PERFORMANCE INDICATORS

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

	2022	2021 As restated
Current Ratio	1.38:1	1.24:1
Acid Test Ratio	1.38:1	1.24:1
Debt-to-Equity Ratio	4.82	5.08
Asset-to-Equity Ratio	5.82	6.08
Net Profit Margin	3.66%	(0.65%)

31. 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 2022.

a. Amount of VAT output tax	24,454,450
Account title	Service and Business Income
Amount of VAT output tax base	203,787,082
b. Amount of VAT input tax	
1. Beginning of the year	
i. VAT input tax	4,157,937
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	140,665
iii. Capital goods subject to amortization	0
iv. Capital goods not subject to amortization	0
v. Services lodged under cost of goods	0
vi. Services lodged under other accounts	18,184,736
3. Claims for tax credit/refund and other adjustments; and	10,189,354
4. Balance at the end of the year	
i. VAT input tax	8,218,242
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. Documentary Stamp Tax (DST) on loan instruments, shares of stock and other transactions subject thereto: Not Applicable

f. All other taxes, local and national, including license and permit fees lodged under the Taxes, duties and licenses account both under the Maintenance and other operating expenses;

i.	Business permit	1,261,521
ii.	Deficiency taxes	454,510
iii.	Insurance	106,309
iv.	Fringe benefit tax	19,477
v.	Community tax certificate	10,500
vi.	Vehicle registration fee	4,878
vii.	Annual registration fee	500
viii.	Miscellaneous	1,740
Total		**1,859,435**

g. The amount of withholding taxes categorized into

i.	Tax on compensation and benefits	3,773,203
ii.	Creditable withholding tax/es	3,285,118
iii.	Final withholding tax/es	7,598,319

h. Amount/s of deficiency tax assessments, whether protested or not: 1,615,272
Period covered: 2018

32. HIGHLIGHTS OF OPERATIONS

DCI has been continuously supporting DBP's Information Technology infrastructure for the past 40 years. In 2022, 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 Agreement.

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 2022:

a. DBP Opportunities

1. 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, 2022, DCI has a total of 17 strong workforce working closely with the Bank's IT requirements.

2. BIR Debit/Credit Card Online Payment System – This is a project in DBP where DCI was engaged for the provision of an Online Payment System and

Payment Gateway to give BIR's clients and locators a payment option using an On-line platform.

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 a Local Government Unit (LGU) hospital where DCI provided Hospital Information System (HIS).

2. Jose B. Lingad Memorial Regional Hospital – This is a Department of Health (DOH) hospital where DCI offered the HIS- Business Process Outsourcing (BPO) project and eClaims 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. Dr. Jose N. Rodriguez Memorial Hospital – This is a DOH hospital where DCI 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. This is an ongoing project.

4. James L. Gordon Memorial Hospital – This is a LGU hospital where DCI 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. Contract was signed in August 2018. This is an ongoing project.

5. Eastern Visayas Regional Medical Center – This is a DOH hospital where DCI 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 started in middle of 2019. This is an ongoing project.

6. Tondo Medical Center – This is a DOH hospital where DCI 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 started in September 2019. This is an ongoing project.

7. Provincial Government of Sorsogon (Dr. Fernando S. Duran Sr. Memorial Hospital) - This is a LGU hospital where DCI 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. This is an ongoing project.

8. Ilocos Training & Regional Medical Center - This is a DOH Hospital where DCI offered the following:

    a. eClaims Service. Contract was signed in January 2021 with a period of two years. This is an ongoing project; and

    b. HIS-BPO project. Contract was signed in September 2021 with a period of five years. This is an ongoing project.

9. Provincial Government of Antique (Angel Salazar Memorial General Hospital) – This is a LGU hospital where DCI offered the HIS-BPO project with a contract of six years. Contract was signed in November 2022.

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

11. Department of Energy (DOE) – Various application development projects as follows:

    a. 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), and Minimum Energy Performance for the Commercial, Industrial and Transport Sectors. Memorandum of Agreement was signed in January 2019;

    b. Web-based Employees Compensation Payroll System and Integration withPersonnel Management Information System (ECPS-PMIS). This is a development project that aims to deliver an integrated, robust, and flexible information system, optimized specifically to address the strategic requirements of the DOE Human Resource Sub-sector towards becoming a center of excellence in human capital management;

    c. Web-based Energy Data Center Management System (EDCMS). This is a development project that aims to upgrade the existing DOE's Energy Data Center of the Philippines resources data and information system via development of a web-based system using the System Requirements Specifications and other documents at hand as a result of the elicitation workshops/activities conducted;

    d. Expansion and Enhancement of the Web-based National Energy Efficiency and Conservation Database System (NEECDS). This project aims to develop the enhancement of Web-based application and Online database system to achieve the online processes and submission intended for PESLP, GEMP and Energy Database System for the Commercial, Industrial and Transport Sectors programs; and

    e. Custom Video Conferencing Management System. This project aims to integrate DOE's communication Chat Channel via an Application Program Interface to the current NEECDS.

12. Governance Commission for GOCCs (GCG) - This is an engagement that entails supply, delivery, installation, configuration, testing and implementation of Enterprise Resource Planning Solution. The Enterprise Resource Planning Solution Software Phase - 1 aims to deliver an integrated, robust, and flexible information system, optimized specifically to address the strategic requirements of the GCG's Administrative and Finance Office towards becoming a center of excellence both in human capital management and property management.

13. Philippine Science High School (PSHS) - This is an engagement that entails the following:

    a. Supply, delivery, installation, configuration, testing and implementation of New Freshmen Admission Processing System (NFAPS) and Student Information System; and

    b. Web hosting Service for the KnowledgeHub (KHub) and NFAPS. This project will ensure the continuity of the KHub and NFAPS, and to accommodate the teaching and learning needs of the PSHS community.

14. Bangko Sentral ng Pilipinas - This is an engagement that entails supply, delivery, installation, configuration, testing and implementation of Human Resource Information System.

15. Securities and Exchange Commission (SEC) - Web-based Integrated Human Resource Information System (iHRIS). This project aims to deliver an integrated, robust, and flexible information system,optimized specifically to address the strategic requirements of the SEC Human Resource Sub-sector towards becoming a center of excellence in human capital management. The project was signed in September 2021.

16. Land Bank of the Philippines - Delivery, Installation and Maintenance of iHRIS. This project aims to deliver an integrated, robust and flexible information system, optimized specifically to address the strategic requirements of the Land Bank Human Resource Management Programs. The contract was signed in December 2021.

33. 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.

PART II

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL ISSUE

1. The recognition and measurement of the Pension Benefit Payable and Pension Benefit Expense accounts amounting to P16.309 million and P2.381 million, respectively, as at December 31, 2022 were not based on actuarial assumptions, contrary to paragraph 57 of PAS 19, hence, the faithful representation of the account balances in the financial statements (FS) were not established. Further, the disclosure on defined benefit plan were not adequately provided in the DCI's 2022 Notes to FS, contrary to the requirements of paragraphs 57 and 135 of PAS 19.

1.1 Pertinent provisions of Philippine Accounting Standards (PAS) 19, Employee Benefits, provide:

> *8 Defined benefit plans are post-employment benefit plans other than defined contribution plans.*
>
> *Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.*
>
> *57 Accounting by an entity for defined benefit plans involves the following steps:*
>
> *(a) determining the deficit or surplus. This involves:*
>
> *(i)* ***Using an actuarial technique, the projected unit credit method, to make a reliable estimate of the ultimate cost to the entity of the benefit that employees have earned in return for their service in the current and prior periods.*** *This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates (actuarial assumptions) about demographic variables (such as employee turnover and mortality) and financial variables (such as future increases in salaries and medical costs) that will affect the cost of the benefit.*
>
> *(ii)* ***discounting that benefit in order to determine the present value of the defined benefit obligation and the current service cost.***
>
> *(iii)* ***deducting the fair value of any plan assets from the present value of the defined benefit obligation.***

(b) *determining the amount of the net defined benefit liability (asset) as the amount of the deficit or surplus determined in (a), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.*

(c) *determining amounts to be recognized in profit and loss:*

(i) *current service cost.*
(ii) *any past service cost and gain or loss on settlement.*
(iii) *net interest on the net defined benefit liability (asset).*

(d) *determining the remeasurements of the net defined benefit liability (asset), to be recognized in other comprehensive income, comprising:*

(i) *actuarial gains and losses;*
(ii) *return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and*
(iii) *any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).*

135 An entity shall disclose information that:

(a) *explains the characteristics of its defined benefit plans and risks associated with them;*

(b) *identifies and explains the amounts in its financial statements arising from its defined benefit plans; and*

(c) *describes how its defined benefit plans may affect the amount, timing and uncertainty of the entity's future cash flows.*

(Emphasis supplied)

1.2 On the other hand, Note 2.1 to the DCI's Financial Statements for CY 2022 states:

2.1 Statement of Compliance

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

1.3 As at December 31, 2022, the DCI's Retirement Gratuity Plan accounts balances are as follows:

Account Title	Amount
Pension Benefit Payable	16,309,135.23
Pension Benefit Expense	2,381,361.12

1.4 The Pension Benefit Payable account represents the accumulated retirement benefit costs charged against the income of the company over the expected remaining working lives of the participating employees. Whereas, the Pension Expense account represents allocated and accrued pension cost of employees based on the years of service in line with the adoption of the trust fund.

1.5 In June 1998, a Retirement Gratuity Plan was established by DCI for its qualified employees. Accordingly, a Trust Fund is maintained with the DBP Trust Banking Group as trustee. Article V, Sections 2 and 3 of the Employees' Retirement Plan state the nature and type of the retirement benefits that a retiring employee shall receive, to wit:

Section 2. Normal Retirement Benefit

The normal retirement benefit shall be equivalent of one (1) month's pay per year of service. Xxx

Section 3. Early Retirement Benefit

***Upon the attainment of at least age thirty-two, and five (5) years of service** for the Participant hired before July 1, 1994, a Participant may retire and shall be entitled to the following applicable benefits:*

Years of Service	***Benefit Formulas***
5-9	*½ month's pay for every year of service*
10 or more	*1 month's pay for every year of service*

***Upon the attainment of at least age thirty-two, and ten (10) years of service** for the Participant hired after July 1, 1994.*

Years of Service	***Benefit Formulas***
10	*50% of one (1) mo.'s pay / yr. of service*
11	*55% of one (1) mo.'s pay / yr. of service*
12	*60% of one (1) mo.'s pay / yr. of service*
13	*65% of one (1) mo.'s pay / yr. of service*
14	*70% of one (1) mo.'s pay / yr. of service*
15	*75% of one (1) mo.'s pay / yr. of service*
16	*80% of one (1) mo.'s pay / yr. of service*
17	*85% of one (1) mo.'s pay / yr. of service*
18	*90% of one (1) mo.'s pay / yr. of service*
19	*95% of one (1) mo.'s pay / yr. of service*
20 or more	*100% of one (1) mo.'s pay / yr. of service*

Furthermore, Article VI, Section 4 of the Plan states that:

The Company shall have no right, title or interest in the contributions made by it to the Trustee and no part of the Fund shall accrue to the Company except after satisfaction of all liabilities of the Plan.

1.6 DCI maintains a defined benefit plan based on the nature and structure of the Retirement Gratuity Plan and the definition of defined benefit plan in paragraph 8 of PAS 19.

1.7 For CY 2022, DCI had recognized a debit to Pension Benefit Expense and corresponding credit to Pension Benefit Payable totaling to P2,381,361.12.

1.8 Verification of records disclosed that, at end of each month, Pension Benefit Expense is debited and credited to Pension Benefit Payable for the accrual of pension representing 1/12 of the monthly salary of all qualified employees. At the end of the year, the gratuity pay payable to each employee is recalculated based on the provisions of the Retirement Gratuity Plan and corresponding adjustment is made to the Pension Benefit Expense and Pension Benefit Payable.

1.9 As at December 31, 2022, the calculated Pension Benefit Payable amounted to P18,817,161.25, while the value of the retirement fund maintained with the trustee, the DBP Trust Banking Group, as at December 31, 2022 amounting to P2,508,026.02, thus a net Pension Benefit Payable of P16,309,135.23 as reported in the financial statements.

1.10 However, the recognition and measurement of the obligation and expense of the retirement plan are not in accordance with paragraph 57 of PAS 19 which requires the use of an actuarial technique for a reliable estimate of the ultimate cost of the benefit that employees have earned and discounting of employees benefits to present value.

1.11 On September 29, 2022, DCI engaged the services of an actuarial company to conduct an actuarial study on the Retirement Gratuity Plan. Inquiry with management disclosed that the actuarial company is still validating information on the documents submitted by DCI hence, no Actuarial Valuation Report has been received.

1.12 Review of the Purchase Order on the engagement of the actuarial company disclosed that only the amount and terms of payment was specified and without the timeline of the submission of the actuarial report. However, the proposal dated September 26, 2022 for actuarial study offered by the actuarial company duly conformed by management provides that the Actuarial Valuation Report shall be submitted within 15 working days upon receipt of the complete requirements. It was also noted that the actuarial study contracted covered the periods ending January 1, 2020, December 31, 2020, and December 31, 2021, but did not include the current period ending December 31, 2022.

1.13 Furthermore, the review of the Notes accompanying the FS revealed disclosures required under paragraph 135 of PAS 19 as detailed in Annex A were not sufficiently provided. The disclosures are necessary to enable users of the financial statements to understand the Retirement Gratuity Plan of DCI, the risks involved and the nature, timing and extent of cash flows associated with the plan.

1.14 The absence of actuarial assumptions as reliable measurement of the obligation of DCI on the retirement benefits of qualified employees to recognize the Pension Benefit Payable and Pension Benefit expense accounts is contrary to paragraph 57 of PAS 19, hence the faithful representations of the Pension Benefit Payable and Pension Benefit Expense accounts amounting to P16,309,135.23 and P2,381,361.12, respectively, as at December 31, 2022 were not established.

1.15 Further, incomplete disclosures on DCI's pension benefit plan in the Notes to FS is contrary to Management's representations in Note 2.1 to the FS in full compliance with PFRSs/PASs.

1.16 This is a reiteration of prior year audit finding.

1.17 **We recommended that Management:**

a. **Require the Actuary to expedite the submission of the actuarial report;**

b. **Determine the defined benefit obligations and pension expense in accordance with PAS 19;**

c. **Make the necessary adjustments to faithfully present the balances of the Pension Benefit Payable and other affected accounts in the financial statements; and**

d. **Provide adequate disclosures relative to DCI's retirement plan in the Notes to FS.**

1.18 Management informed that the defined benefit obligations and pension expense in accordance with PAS 19 will be determined once the actuarial study is completed. Accordingly, the necessary adjustments and required disclosures will be provided.

B. NON-FINANCIAL ISSUES

Gender and Development (GAD)

2. For CY 2022, the GAD activities of DCI were as follows:

a. DCI has prepared its GAD Agenda consisting of DCI's GAD Strategic Framework and GAD Strategic Plan for Year 2022 to 2027, however it was not submitted to the Philippine Commission on Women (PCW).

b. Implementation of DCI's GAD Agenda and Plans in coordination with the PCW is ongoing. PCW had been provided DCI with an account for the online submission of the GAD Plans and Budget (GPB) and Accomplishment Report.

c. DCI has not prepared the GPB for CY 2022. Nevertheless, it has submitted the GPB for CY 2023 to PCW but needs to be revised per PCW consultation. The following GAD related activities were undertaken in CY 2022:

c.1 Participation in the Women's Month celebration where all employees were encouraged to wear something purple every Tuesday of the month of March as an expression of support to women's empowerment and gender equality; and c.2 Hosting a free lunch on March 15, 2022 in line with the celebration of Women's Month to honor all female employees and conduct an orientation on laws that are exclusive to women and employee benefits for women.

Compliance with Tax Laws

3. **Delayed filing and submission of Fringe Benefits Tax Return for third quarter of 2022 and Monthly/Quarterly Alphalists of Payees for CY 2022 to the Bureau of Internal Revenue (BIR) is contrary to Revenue Regulation (RR) Nos. 11-2018 and 2-2006, and resulted to payment of penalties amounting to P2,138.21 and exposes DCI to further penalties.**

3.1 Section 5 of BIR RR No. 11-2018 provides for the amended guidelines on filing of returns and payments of taxes withheld at source as follows:

> *Section 5. Section 2.58 of RR No. 2-98, as amended, is hereby further amended to read as follows:*
>
> > *Section 2.58. Returns and Payment of Taxes Withheld at Source.*
> >
> > *(A) Manner, Venue and Time of Filing of Withholding Tax Returns and Payment of Taxes Withheld at Source. Xxx. The filing of the withholding tax returns (BIR Form No. 1601EQ for creditable withholding tax and Form Nos. 1602 for final tax on interest on bank deposits, 1603 for final tax withheld on fringe benefits, and 1601FQ for all other final withholding taxes) and payment of the taxes withheld at source shall be made not later than the last day of the month following the close of the quarter during which the withholding was made.*
> >
> > *For this purpose, the quarter shall follow the calendar quarter, e.g., for taxes withheld during the quarter ending March 31, the same shall be remitted by the withholding agent on or before April 30. The return filed shall be accompanied by the Quarterly Alphabetical List of Payees (QAP), reflecting the name of income payees, Taxpayer Identification Number (TIN), the amount of income paid segregated per month with total for the quarter (all income payments prescribed as subject to withholding tax under these regulations, whether actually subjected to withholding tax or not subjected due to exemption), and the total amount of taxes withheld, if any.*

3.2 On the other hand, Sections 3.B and 5 of BIR RR No. 2-2006 prescribe guidelines on mandatory attachments to tax returns:

> *Section 3. Returns and Payment of Taxes Withheld at Source. –*
>
> *B. Section 4.114 (B) of Revenue Regulations No. 2-98, as amended, is hereby further amended to read as follows:*
>
> > *Section 4.114 Withholding of Value Added Tax*

(A) X x x

(B) X x x

(C) Returns and payment of taxes withheld. – The withholding agents shall accomplish the Monthly Remittance Return of Value Added tax and Other Percentage Taxes Withheld (BIR Form No. 1600) in triplicate copies with Monthly Alphalist of Payees (MAP), x x x.

Section 5. PENALTY PROVISION. – In accordance with the provisions of the NIRC of 1997, a person who fails to file, keep or supply a statement, list, or information required herein on the date prescribed therefor shall pay, upon notice and demand by the CIR, an administrative penalty of One thousand Pesos (P1,000) for each such failure xxx.

3.3 For the audit of DCI's compliance with tax laws, rules and regulations for CY 2022, Management provided filed BIR forms for quarterly income tax, withholding taxes (final, expanded, compensation), value-added tax and payment returns together with their attachments and eSubmission validation reports as well as payment details of each return.

3.4 Review of the Quarterly Fringe Benefits Tax Returns for taxable year 2022 filed with the BIR disclosed the late filing of BIR Form 1603Q or the Quarterly Fringe Benefit Tax Return for third quarter of CY 2022 which resulted to imposition of penalties amounting to P2,138.21. Details are as follows:

Tax Type	Return Period	Date Filed	Due Date
1603Q	3rd Quarter	November 7, 2022	October 31, 2022

3.5 Furthermore, review of the tax returns and related attachments disclosed that the Monthly Alphalist of Payees (MAP) and Quarterly Alphalist of Payees (QAP) for BIR Form 1600 and BIR Form 1601EQ, respectively, were submitted to the BIR separately from the related tax returns beyond the prescribed date, as shown below:

For MAP submission:

Tax Type	Return Period	Date of eSubmission of MAP by DCI	Deadline of filing
1600	February	03/09/2022	03/08/2022
1600	March	05/01/2022	04/08/2022
1600	April	05/11/2022	05/06/2022
1600	May	06/10/2022	06/07/2022
1600	June	07/13/2022	07/08/2022
1600	July	08/05/2022	08/03/2022
1600	August	09/09/2022	09/06/2022
1600	September	10/10/2022	10/06/2022
1600	October	11/11/2022	11/08/2022
1600	November	12/14/2022	12/07/2022
1600	December	01/20/2023	01/09/2023

For QAP submission:

Tax Type	Return Period	Date of eSubmission of QAP by DCI	Deadline of filing
1601EQ	1st Quarter	04/30/2022	04/22/2022
1601EQ	2nd Quarter	07/29/2022	07/19/2022
1601EQ	3rd Quarter	10/28/2022	10/24/2022
1601EQ	4th Quarter	01/20/2023	01/12/2023

3.6 Management explained that the filing of the quarterly tax return on fringe benefits tax for the third quarter was overlooked, thus the late filing. Their understanding on the related guidelines is that the MAP and QAP shall be submitted within the month following the close of the taxable month the withholding was made.

3.7 The DCI's late filing of the Quarterly Fringe Benefit Tax Return for third quarter of CY 2022 and late submission of MAP and QAP to the BIR are contrary to Section 3.B of RR No. 02-2006 and Section 5 of RR No. 11-2018 that resulted to the payment by DCI of penalties amounting to P2,138.21 and exposes DCI to further penalties.

3.8 **We recommended and Management agreed to:**

a. **Require the personnel concerned to file all tax returns and mandatory attachments to the BIR within the prescribed period to avoid incurring further penalties; and**

b. **Hold the person responsible for the penalty paid on late filing of BIR Form 1603Q amounting to P2,138.21 and other penalties that will be imposed by the BIR for the late filing/submission of tax returns and mandatory attachments.**

Dividend Declaration and Remittance to National Government (NG)

4. In compliance with an Audit Observation Memorandum issued by the Audit Team in prior year, DCI had declared and remitted dividends amounting to P2.342 million to the NG for Dividend Year 2020 on April 18, 2022, instead of not later than May 15, 2021 as required under Sections 5.a.i of the Revised Implementing Rules and Regulations of Republic Act (RA) No. 7656. For Dividend Year 2021, DCI incurred Net Taxable Loss, thus, no dividends were declared and remitted.

Social Security System (SSS) Contributions and Remittances

5. DCI remitted to SSS the regular contributions withheld from employees and the corresponding employer contribution in CY 2022 in accordance with RA No. 11199 or the Social Security Act of 2018.

Philhealth and Pag-IBIG Premiums

6. In 2022, DCI complied with Section 18 (b) of the IRR of RA No. 7875 requiring withholding and remittance of Philhealth contributions, and Section 3a of the IRR of RA No. 9679 requiring employers to remit monthly contributions to Pag-IBIG.

STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

7. As at December 31, 2022, the audit disallowances amounted to P12.614 million. There were no balances of suspensions and charges at year-end.

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the eight audit recommendations embodied in prior years' Annual Audit Reports, three were fully implemented and five were not implemented. Two of the five audit recommendations not implemented were reiterated in Part II of this Report, and three are presented below:

Reference	Audit		Status of Implementation
	Observation	Recommendation	
CY 2019 AAR Observation No. 1 Page 51	Unserviceable properties with net carrying amount of P145,322 were not yet disposed of in accordance with Section 79 of Presidential Decree (PD) No. 1445.	Undertake the disposal of unserviceable properties in accordance with Section 79 of PD. 1445.	Not implemented. The Disposal Committee is crafting the mode of disposal to be undertaken in relation to the unserviceable properties in accordance with Section 79 of PD 1445 and Disposal policy of the company, if applicable.
CY 2021 AAR Observation No. 5 Page 52	DCI did not comply with the requirements of the tax code and BIR regulations on the filing of tax return and submission of required attachments to tax returns. Also, there were noted discrepancies between DCI's tax reports filed and financial reports and which could result to payment of penalties once assessed by BIR.	a. Hold the person responsible for the penalty paid on the late filing of third quarter BIR form 1702Q amounting to P25,000; and b. Investigate the cause of late payment resulting to penalties and interest on assessed taxes for CY2017, determine any negligence on the part of the persons responsible for handling the remittance of taxes, and hold those accountable personally liable for penalties and interest paid.	Not Implemented. A draft policy on penalties to be charged to liable officers and employees is being reviewed per instruction of the DCI Board. Management explained that they filed the corresponding taxes in CY 2017 but failed to remit due to insufficient available funds. During that period, DCI had difficulty in the collection of receivables from their clients.

ANNEX

<table>
<tr><th>Required Disclosures</th><th>Disclosures made</th><th>Observation</th></tr>
<tr><td>135 An entity shall disclose information that:</td><td>Note 19. Pension Benefit Payable</td><td></td></tr>
<tr><td>(a) explains the characteristics of its defined plans and risks associated with them;</td><td>The Corporation provides corresponding liability on the retirement of active regular employees based on the guidelines of the Trust Fund.

The details of this account are as follows:

<table><tr><th></th><th>2022</th><th>2021 (As restated)</th></tr><tr><td>Pension benefit payable</td><td>18,817,161</td><td>18,259,842</td></tr><tr><td>Retirement fund (DBP TBG)</td><td>(2,508,026)</td><td>(3,339,133)</td></tr><tr><td></td><td>16,309,135</td><td>14,920,709</td></tr></table></td><td>The disclosures do not sufficiently describe the characteristics of the Retirement Plan such as the nature of the benefits provided under the plan (e.g. final salary defined benefit plan)

Further, there was no discussion on the risks associated with the plan such as interest rate risk or market risk on the securities to which the plan was invested.</td></tr>
<tr><td>(b) identifies and explains the amounts in its financial statements arising from its defined benefit plans; and</td><td>On June 1, 1998, a Memorandum of Agreement was entered into by and between DCI as the Trustor and DBP TBG as 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 P2.508 million and P3.339 million as of December 31, 2022 and 2021, respectively.

The Pension Benefit 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.</td><td>The pension liability disclosed was measured using normal cost instead of the projected unit credit method as required under PAS 19. Consequently, there was no disclosure on the net defined benefit liability and the actuarial assumptions used to determine its present value and the reconciliation from the opening balance to the closing balance of its components such as the fair value of plan assets and the present value of the defined benefit obligation.

Also, there was no disclosure on the composition/concentration of the plan assets and their measurement.</td></tr>
<tr><td>(c) describes how its defined benefit plans may affect the amount, timing and</td><td></td><td>There was no disclosure on the effect of the Retirement Gratuity Plan to the amount,</td></tr>
</table>

uncertainty of the entity's future cash flows.		timing and uncertainty of DCI's future cash flows.