Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City

ANNUAL AUDIT REPORT

on the

DBP DATA CENTER, INC.
(A wholly-owned subsidiary of Development Bank of the Philippines)

For the year ended December 31, 2013

REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Corporate Government Sector
Cluster 1 – Banking and Credit

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of **DBP Data Center, Inc.** (a wholly-owned subsidiary of Development Bank of the Philippines) which comprise the statement of financial position as at December 31, 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **DBP Data Center, Inc.** as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

COMMISSION ON AUDIT

ESTRELLITA C. AMPONIN
Supervising Auditor

April 11, 2014

DCI

June 23, 2014

STATEMENT OF MANAGEMENT RESPONSIBILITY

The Management of DBP Data Center, Inc. is responsible for all information and representations contained in the Statement of Condition as of December 31, 2013 and in the Statement of Income and Retained Earnings for the year ended December 31, 2013. The Financial Statements have been prepared in conformity with the generally accepted accounting principles in the Philippines and reflect the amounts that are based on the best estimates and informed judgment of Management with appropriate consideration to materiality.

The Management of DBP Data Center, Inc. maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The Management likewise discloses to its external auditors any significant deficiency in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data and any material weakness in the external controls; and any fraud that may involve Management of other employees who exercise significant roles in internal controls.

The Management Committee reviews the Financial Statements before such statements are submitted to the Board of Directors and to the stockholders of DBP Data Center, Inc.

Marietta M. Fondevilla
MARIETTA M. FONDEVILLA
Officer-In-Charge

MARCO A. USTARIS
Acting Head, Admin. & Finance

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 - MAKATI
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JUL 30 2014

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DBP DATA CENTER, INC.
(A wholly-owned subsidiary of Development Bank of the Philippines)
STATEMENT OF FINANCIAL POSITION
December 31, 2013
(In Philippine Peso)

	Note	2013	2012
ASSETS			
Current assets			
Cash and cash equivalents	4, 16	23,734,680	21,186,540
Receivables	5, 16	38,076,252	29,802,482
Prepaid expenses	6	506,618	238,989
		62,317,550	51,228,011
Non-current assets			
Property and equipment	7	1,145,282	1,490,976
Investment in trust - retirement fund	2, 8	11,262,001	0
Financial asset held to maturity		0	5,000,000
Other assets	9	687,682	679,716
		13,094,965	7,170,692
TOTAL ASSETS		75,412,515	58,398,703
LIABILITIES AND EQUITY			
Current liabilities			
Other payables	10	4,388,191	3,152,843
Customers' deposit		161,075	161,075
Accrued expenses		6,923,735	3,297,069
Dividend payable		0	5,000,000
		11,473,001	11,610,987
Non-current liabilities			
Vacation/Sick leaves payable		3,059,074	3,188,016
Pension payable	2, 8	11,262,001	0
Past service pension cost payable	2, 8	5,139,515	5,447,987
		19,460,590	8,636,003
		30,933,591	20,246,990
Equity			
Capital Stock			
Authorized - 500,000 shares, P100 par value			
Issued and outstanding - 202,800 shares	11	20,280,000	20,280,000
Retained Earnings	12 & 19	24,198,924	17,871,713
		44,478,924	38,151,713
TOTAL LIABILITIES & EQUITY		75,412,515	58,398,703

The Notes on pages 8 to 21 form part of these financial statements.

DBP DATA CENTER, INC.
(A wholly-owned subsidiary of Development Bank of the Philippines)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2013
(In Philippine Peso)

	Note	2013	2012
REVENUE			
Outsourcing services		71,636,972	60,430,451
Others	13	1,980,238	2,310,287
		73,617,210	62,740,738
EXPENSES			
Salaries, allowances and benefits	14	37,291,622	41,691,877
Service fees		24,293,423	12,964,797
Rent and utilities		850,611	1,161,910
Professional fees		618,883	840,092
Taxes & licenses	17	545,506	453,178
Depreciation and amortization	7, 9	393,010	522,259
Repairs & maintenance		100,523	15,647
Transportation & travel		62,013	141,245
Office supplies		53,120	54,682
Representation		40,748	65,454
Miscellaneous		40,917	123,718
		64,290,376	58,034,859
PROFIT BEFORE INTEREST AND TAXES		9,326,834	4,705,879
Add/(deduct):			
Interest income/(expense)		(201,573)	657,405
PROFIT BEFORE TAXES		9,125,261	5,363,284
Income tax expense		2,798,050	1,411,764
PROFIT/TOTAL COMPREHENSIVE INCOME		**6,327,211**	**3,951,520**

The Notes on pages 8 to 21 form part of these financial statements.

DBP DATA CENTER, INC.
(A wholly-owned subsidiary of Development Bank of the Philippines)
STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2013
(In Philippine Peso)

		Common Stock		Retained	
	Note	No. of shares	Amount	Earnings	Total
Balance January 1, 2012		202,800	20,280,000	18,920,193	39,200,193
Profit/Total comprehensive income for 2012				3,951,520	3,951,520
Cash dividend (2012)				(5,000,000)	(5,000,000)
Balance December 31, 2012		202,800	20,280,000	17,871,713	38,151,713
Profit/Total comprehensive income for 2013				6,327,211	6,327,211
Balance, December 31, 2013		202,800	20,280,000	24,198,924	44,478,924

The Notes on pages 8 to 21 form part of these financial statements.

DBP DATA CENTER, INC.
(A wholly- owned subsidiary of Development Bank of the Philippines)
STATEMENT OF CASH FLOWS
For the year ended December 31, 2013
(In Philippine Peso)

	Note	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		66,369,455	56,785,266
Other income received		484	446
Cash payments to suppliers		(13,024,023)	(12,244,138)
Cash paid for operating expenses		(48,358,614)	(44,234,355)
Interest income received		189,271	665,451
Cash paid for other assets		(2,329,047)	(87,500)
Net cash generated from operating activities		2,847,526	885,170
CASH FLOWS FROM INVESTING ACTIVITIES			
Financial assets held to maturity		4,700,614	0
Net cash provided by investing activities		4,700,614	0
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of cash dividend		(5,000,000)	0
Net cash used in financing activities		(5,000,000)	0
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,548,140	885,170
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		21,186,540	20,301,370
CASH AND CASH EQUIVALENTS, END OF YEAR	4	**23,734,680**	**21,186,540**

The Notes on pages 8 to 21 form part of these financial statements.

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 - MAKATI
Revenue District Office No. 49
North Makati
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DBP DATA CENTER, INC.
(A wholly-owned subsidiary of the Development Bank of the Philippines)
NOTES TO FINANCIAL STATEMENTS
(Amounts in Philippine Peso unless otherwise stated)

1. GENERAL/CORPORATE INFORMATION

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

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

As of December 31, 2013, DCI had a total manpower of 115 including 58 contractual personnel.

The DCI Board approved the issuance of DCI's financial statements for the year ended December 31, 2013 on February 5, 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of financial statements preparation</u>

The accompanying financial statements are prepared on the historical cost basis. The Corporation adopts a more appropriate presentation and classification of expenses in the financial statements to conform with the usual format used by a service company in the IT industry. Further, this new presentation is more relevant to its users.

<u>Statement of compliance</u>

These financial statements have been prepared in accordance with accounting principles generally accepted in the Philippines as set forth in the Philippine Financial Reporting Standards/Philippine Accounting Standards (PFRS/PAS). The preparation of the financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policy.

The Corporation has adopted the following accounting standards, which are relevant to its operations:

PFRS 7 Financial Instruments Disclosures. This PFRS introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity to market risk. It replaced PAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions and those required under PAS 32, Financial Instruments: Disclosure and Presentation. The new disclosures under PFRS are required to be made for all periods presented.

PAS 1 Presentation of Financial Statements, prescribes the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities; allows presentation of assets and liabilities in order of liquidity.

PAS 7 Cash Flow Statements, require the provision of information about the historical changes in cash and cash equivalents of the Corporation by means of presenting the flows of cash from operating, investing and financing activities. Classification by activity provides information that allows users to assess the impact of those activities on the financial position of the company.

PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors prescribes the criteria for selecting and changing accounting policies, changes in accounting estimates and corrections of errors.

PAS 10 Events After the Balance Sheet Date, defines events after balance sheet date known as subsequent events which may be favorable or unfavorable and may either require adjustment or disclosure.

PAS 12 Income Taxes, prescribes the accounting treatment for income taxes whether current or future depending on the probability of occurrence.

PAS 16 Property, Plant and Equipment (PPE), addresses the principal issues in accounting for PPE which are the recognition of the assets, the determination of their carrying amounts and the depreciation charges.

PAS 19 Employee Benefit, provides for the accounting of long-term and other employee benefits. It requires the use of projected unit credit method in determining the retirement benefits of the employees and change in the manner of computing benefit expense relating to past service cost.

PAS 24 Related Party Disclosures, ensures that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

PAS 33 Earnings per share. An entity shall calculate basic earnings per share amounts for profit or loss attributable to ordinary equity holders of the parent entity and, if presented, profit or loss from continuing operations attributable to those equity holders. Basic earnings per share will provide a measure of the interests of each ordinary share of a parent entity in the performance of the entity over the reporting period.

PAS 36 Impairment of Assets. This PAS prescribes the procedures that an entity applies to ensure that its assets are carried at no more than their recoverable amount. An asset is carried at more that its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired and this Standard requires the entity to recognize an impairment loss. The Standard also specifies when an entity should reverse an impairment loss and prescribes disclosures.

PAS 39 Financial Instruments: Recognition and Measurement, establishes the accounting and reporting standards for the recognition and measurement of the Corporation's financial assets and liabilities.

Functional and presentation currency

Items included in the financial statements of the Corporation are measured using the currency of the primary economic environment in which the Corporation operates. The FS are presented in Philippine pesos.

Financial assets

Financial assets include cash and financial instruments. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments are acquired.

Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents consist of cash and other cash items on hand, bank deposits and short-term highly liquid investments readily convertible to cash and which are subject to insignificant risk of changes in value.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Corporation provides goods or services directly to the debtor.

Trade receivables represent actual billings to DBP and other clients for services rendered.

Non-trade receivables represent collectibles from employees and other persons liable to the Corporation for services rendered by DCI not related to the nature of the business of the Corporation.

All financial assets are recognized on their trade date.

Non-financial assets

Property and equipment

Property and equipment are stated at cost and depreciated based on a straight-line method over the estimated useful life of the assets. Amount subject for depreciation is net of 10 per cent residual value. The estimated useful life of the Corporation's property and equipment are as follows:

Computer equipment	5 years
Furniture & fixtures	5 years
Office machine & equipment	5 years
Transportation equipment	7 years
Other property & equipment	5 years

Major repairs and maintenance are capitalized. Minor expenditures for replacement, maintenance and repairs are expenses as incurred.

Intangibles

Intangible assets (included under Other Assets) represent cost of software licenses and system development and maintenance. Intangible assets are measured at cost and amortized based on a straight line method with an expected useful life as follows:

Computer software license	1 - 3 years
System development and maintenance	1 - 3 years

Vacation/sick leave payable

This account controls the accrued leave credits of DCI employees. Leave credits are commuted upon separation of the employees from the service.

Past service pension cost payable

The Retirement Gratuity Plan is designed to recognize the faithful and satisfactory service of DCI employees and to provide timely financial assistance upon their separation from the service. Revaluations are done based on the updated manning complement. The Gratuity Plan was provided by DCI through the setting up of the past service liability and the normal cost. On June 1, 1998, a Memorandum of Agreement was entered into by and between DCI, the Trustor and DBP-Trust Services Department, the Trustee. Under the said agreement, a Trust Fund was created for the primary purpose of paying the benefits of the members of DCI retirement plan. The Trustee shall manage and administer the Trust Fund.

Every month, the Corporation provides a pension expense and the corresponding liability equivalent to 1/12 of the monthly salary of all active regular employees. As of December 31, 2013, the Past Service Pension Cost Payable amounts to P5.139 million. Eventually, the allocated liability is being transferred to DCI Retirement Fund being administered by DBP Trust Services Department. This is currently lodged to Pension

Payable account. As of December 31, 2013, the account has an outstanding value of P11.26 million.

Income and expense

The Corporation adopts the accrual method of accounting for income and expenses. Sales revenue is booked at gross amount. On the other hand, expenses include salaries, allowances and benefits of personnel assigned to projects. Further, service fees include payments to business partners, directly hired contractual and contractuals hired through IT agencies related to every project (considered sub-contractors).

Taxes

Current tax assets/liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at balance sheet date.

3. RISK MANAGEMENT

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

Credit risk

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

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

Liquidity risk

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

As the Company's current 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, the latter closely monitors the payment period stated in the contract.

Below is the asset-liability gap analysis for the year 2013:

	Up to 3 mos.	Over 3-6 mos.	Over 6 mos-1 yr	Over 1-5 yrs	Total
Assets:					
Petty cash fund	10,000				10,000
Due from other banks	23,724,680				23,724,680
Receivables	20,201,306		3,785,547	14,089,399	38,076,252
Prepaid expenses	506,618				506,618
Property plant & equipment				1,145,282	1,145,282
Investment in Trust – Retirement Fund				11,262,001	11,262,001
Other assets				687,681	687,682
	44,442,604		3,785,547	27,184,363	75,412,515
Liabilities:					
Current liabilities	11,473,001				11,473,001
Non-current Liabilities				19,460,589	19,460,589
	11,473,001			19,460,589	30,933,590
Asset-liability gap	32,969,603		3,785,547	7,723,774	44,478,924

Market risk

The Corporation's exposure to market risk would be the amendment of Government Procurement Policy Board (GPPB) Resolution No. 03-2007 amending section 53(e) of IRR-A of RA 9184 to include infrastructure projects and consulting services. This section states that negotiated procurement shall be allowed in the procurement of consulting services and goods from another agency of the Government, such as the Procurement Service-Department of Budget and Management, the Office tasked with a centralized procurement of commonly used goods for the government in accordance with the Letters of Instruction No. 755 and Executive Order No. 359, series of 1989. For purposes of this paragraph, the term agency shall exclude GOCC incorporated under Batas Pambansa Blg. 68, otherwise known as the Corporation Code of the Philippines. RA 9184 is a law enacted to govern government dealings with private sector contractors and if such is the scope of the law, it should not cover government dealings with other government agencies such as DCI. With the issuance of GPPB Resolution No. 12-2013, which reverse GPPB resolution no. 03-2007, DCI's position in the Information Technology market industry dealing with government agencies and instrumentalities, is once again brought into an active status.

During the current year (2013), DCI continued to focus primarily on assisting the Bank's initiatives on various bank products by providing the workforce for the development and maintenance of the Bank's systems and applications. Further, DCI also started to seek opportunities to increase revenues by expanding its customer base to include government agencies and instrumentalities.

Operational risk

Operational risk is the risk of loss arising from the systems failure, human error, omission, inefficiency, unauthorized activities, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or lead to financial loss. The Corporation cannot expect to eliminate all operational risks, but though 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.

4. CASH AND CASH EQUIVALENTS

Included in this account are the following:

	2013	2012
Cash in banks	14,776,170	10,355,569
Petty cash fund	10,000	10,000
Investments/placements	8,948,510	10,820,971
	23,734,680	**21,186,540**

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 (3) months or less from date of acquisition.

5. RECEIVABLES

This account consists of the following:

	2013	2012
Trade	21,567,910	11,650,345
Non-trade	17,950,051	19,593,846
	39,517,961	31,244,191
Allowance for bad debts	(1,441,709)	(1,441,709)
	38,076,252	**29,802,482**

Non-trade receivables include overpayment of VAT per Revenue Regulation No. 4-2007 amounting to P13,133,233 per letter dated March 18, 2009, wherein DCI requested the issuance of a Tax Credit Certificate. To-date, the review of BIR is still on-going in line with the assessment.

6. PREPAID EXPENSES

This account consists of the following:

	2013	2012
Insurance	88,352	165,844
Unused supplies	52,498	53,792
Taxes & Licenses	681	681
Others	365,087	18,672
	506,618	**238,989**

7. PROPERTY AND EQUIPMENT

This account consists of the following:

	Computer Equipment	Office Machine and Equipment	Other Property & Equipment	Furniture and Fixtures	Transportation Equipment	Total
Cost						
January 1, 2013	3,756,785	313,918	1,097,123	2,879,803	743,000	8,790,629
Additions	19,198					19,198
Adjustment (Disposal/reclassification)	(53,125)					(53,125)
Cost						
December 31, 2013	3,722,858	313,918	1,097,123	2,879,803	743,000	8,756,702
Accumulated depreciation						
January 1, 2013	3,109,507	274,812	456,812	2,789,822	668,700	7,299,653
Depreciation/Amort.	116,582	2,571	228,406			347,559
Adjustment (Overdepreciation/reclassification)	(35,792)					(35,792)
Accumulated depreciation						
December 31, 2013	3,190,297	277,383	685,218	2,789,822	668,700	7,611,420
Net Book Value						
December 31, 2013	532,561	36,535	411,905	89,981	74,300	1,145,282
Net Book Value						
December 31, 2012	647,278	39,106	640,311	89,981	74,300	1,490,976

8. INVESTMENT IN TRUST – RETIREMENT FUND

This pertains to DCI placement of retirement fund to DBP Trust Services Department for the payment of retirement benefits of qualified employees. The Corporation monthly provides pension expense equivalent to 1/12 of the monthly salary of all active regular employees. Eventually, the allocated liability is transferred to DCI Retirement Fund administered by DBP Trust Services Department. As of December 31, 2013, the fund has an outstanding value of P11.26 million.

9. OTHER ASSETS

The details of this account are as follows:

	2013	2012
Intangibles (computer software)	3,879,166	3,819,443
Rental deposit	207,827	207,827
Miscellaneous asset	37,220	37,220
Refundable deposit	16,536	16,536
	4,140,749	4,081,026
Less: Accumulated amortization (intangibles)	3,453,067	3,401,310
	687,682	**679,716**

Intangibles are software costs accounted for as follows:

	2013	2012
Balance at beginning of year	418,133	459,496
Additions	59,723	87,500
Amortization	(51,758)	(128,862)
Balance at end of year	**426,098**	**418,134**

10. OTHER PAYABLES

This account includes the Corporation's various short-term liabilities to suppliers, business partners and government agencies, such as Bureau of Internal Revenue (withholding taxes, income taxes, value added taxes), SSS (contributions and loans), Home Development Mutual Fund (contributions and loans) and others.

The details of this account are as follows:

	2013	2012
Bureau of Internal Revenue	3,116,167	1,837,521
Employee benefit fund	382,186	382,186
Government remittances	192,256	188,450
Suppliers/creditors	374,858	379,296
Others	322,724	365,390
	4,388,191	**3,152,843**

11. CAPITAL STOCK

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 issued and outstanding as of December 31, 2013 amounts to P20.280 million or 202,800 shares.

12. RETAINED EARNINGS

IN 2009, an additional capital stock amounting to P15 million was subscribed in favor of Development Bank of the Philippines, increasing the subscribed capital stock from P5.280 million to P20.280 million. The remaining stock dividend was issued in 2009 due to the release of the certificate of increase in DCI capitalization. On April 13, 2009, DCI's application for increase in capitalization was approved and the corresponding certificate was released accordingly.

13. INCOME - OTHERS

This includes excess input VAT of P1.980 million and P2.310 million for the years 2013 and 2012, respectively, considered as tax credit. Under BIR Revenue Regulation No. 4-2007 issued on March 20, 2007, the government or any of its political subdivisions, instrumentalities or agencies including government-owned or controlled corporations (GOCC) shall before making payment on account of each purchase of goods and/or services taxed at 12 per cent VAT pursuant to Sections 106 and 108 of the Tax Code, deduct and withhold a final VAT due at the rate of five per cent of the gross payment thereof. The five per cent final VAT withholding rate shall represent the net VAT payable of the seller. The remaining seven per cent effectively accounts for the standard input VAT for sales of goods or services to government or any of its political subdivisions, instrumentalities or agencies including GOCCs in lieu of the actual input VAT directly attributable or ratably apportioned to such sales. Should actual input VAT attributable to sale to government exceeds seven per cent of gross payments, the excess may form part of the seller's expense or cost. On the other hand, if actual input VAT attributable to sale to government is less than seven per cent of gross payment, the difference must be closed to expense or cost.

DCI is a GOCC and all its clients are government agencies and instrumentalities such as Development Bank of the Philippines (DBP). All collections from DBP was subjected to a five per cent final withholding tax leaving the seven per cent remaining VAT as Excess Input VAT after deducting the Corporation's Input Tax from purchases of goods and services.

14. SALARIES, ALLOWANCES AND BENEFITS EXPENSES

	2013	2012
Salaries and wages	22,259,046	23,705,522
13th month pay	1,845,120	1,984,968
Employer's rice contribution	1,825,200	2,087,100
Vacation/sick leave	1,693,054	1,964,206
Pension expense	1,691,528	1,809,448
Grocery allowance	1,665,417	1,870,000
Overtime pay	1,606,354	1,388,027
Performance-Based Incentive (GCG MC 2012-11 Re-issued)	1,300,000	800,000
Hospitalization benefits and group insurance	998,911	942,306
Employer's SSS, Philhealth and EC contributions	937,552	1,053,771

Other personnel benefits	300,511	459,814
Gift certificate	285,500	2,427,784
Productivity Enhancement Incentive (GCG MC 2012-11 Re-issued)	279,500	310,000
Clothing allowance	165,411	182,700
Anniversary bonus	162,000	310,000
Loyalty cash	93,500	87,000
Employer's Pag-ibig contribution	68,600	75,200
Optical and dental benefits	56,590	64,317
Transportation/meal allowance	34,500	33,149
Local training	23,328	136,565
	37,291,622	**41,691,877**

15. 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:

	2013	2012
Net earnings	6,327,211	3,951,520
Divided by the number of outstanding common shares	202,800	202,800
Earnings/loss per share	**31.20**	**19.48**

16. RELATED PARTY TRANSACTIONS

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 P71.64 million.

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

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

Particulars	2013	2012
Receivables – Professional Service Agreement	21,567,910	11,650,345
Cash in Bank – Current Account	12,038,933	9,165,842
Short-term investment	8,948,510	10,820,971

Investment in Trust – Retirement Fund	11,262,001	0
Investment - HTM	0	5,000,000

17. COMPLIANCE WITH TAX LAWS

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 2013.

A. DBP Data Center Inc. is a VAT-registered corporation with VAT output tax declaration of P8.596 million based on the amount reflected in the Sales Account of P71.637 million.

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

Particulars	**Amount**
Current year's purchases:	
Goods other than for resale or manufacture	119,762
Services lodged under other accounts	2,345,285
	2,465,047

C. Other taxes & licenses

Local:	
Mayor's/Business Permit	535,006
Community Tax Certificate	10,500
	545,506
National:	
BIR Annual Registration	500

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

Tax on compensation and benefits	5,842,615
Creditable withholding tax/es	813,902
Final withholding tax/es (VAT)	1,021,867
	7,678,384

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

The Corporation has no RATE case under preliminary investigation of the Department of Justice.

18. HIGHLIGHTS OF OPERATION

DBP Data Center, Inc. has been continuously supporting the DBP's Information Technology infrastructure for the past 31 years. In 2013, DCI continued to focus primarily on assisting the Bank's initiatives on various bank products by providing the workforce for the development and maintenance of the Bank's systems and applications. Further, DCI also started to seek opportunities to increase revenues by expanding its customer base to include government agencies and instrumentalities. This was made possible by the GPPB Resolution 12-2013, No. 3 amending Section 4(c) of the Implementing Guidelines on Agency-to-Agency Agreements (Guidelines) and deleting the second paragraph that excludes non-chartered GOCCs as Servicing Agencies.

Aligned with DCI's strategic plan for 2014-2016, 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 in 2013.

a. 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, 2013, DCI has a total of 102 strong work force working closely with the Bank's IT requirements.

b. Non - DBP Opportunities

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

1. Maritime Industry Authority (MARINA) – DCI offers an outsourcing solution covering all the workflows, IT tools and manpower resources to answer requirements of ILO 185.

2. Philippine Ports Authority (PPA) – provision of assistance to expedite upgrade of their current system

3. National Kidney and Transplant Institute (NKTI) – enterprise-level Hospital Information System with interoperable administrative, clinical and research functionalities geared towards a government standards-compliant and technology adapting ecosystem of health information exchange.

4. LGUs – Comprehensive LGU System in collaboration with DBP's Branch Banking Sector.

19. EVENTS AFTER THE REPORTING PERIOD

The DCI Board of Directors, upon motion made and duly seconded, approved the declaration and payment of cash dividend in the amount of P5 million in favor of the DBP, per DCI Board Resolution No. 006 dated March 14, 2014.

20. APPROVAL FOR THE RELEASE OF THE FINANCIAL STATEMENTS

A certification was issued on January 29, 2014 by the Development Bank of the Philippines as the sole owner of the DBP Data Center, Inc. (DCI) that it has no objection to the release to the Commission of Audit (COA) of the DCI Financial Statements as of December 31, 2013.