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, 2021 and 2020

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.

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

As of December 31, 2021, DCI had a total manpower of 61 including 28 contractual personnel.

AUDIT METHODOLOGY AND SCOPE OF AUDIT

The audit covered the examination, on a test basis, of transactions and accounts for the period January 1 to December 31, 2021 to enable us to express an opinion on the financial statements for the years ended December 31, 2021 and 2020 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

	2021	2020 As restated	Decrease
Assets	422,866,082	496,670,125	(73,804,043)
Liabilities	352,788,861	419,799,552	(67,010,691)
Equity	70,077,221	76,870,573	(6,793,352)

II. Results of Operations

	2021	2020	Decrease
Income	152,469,592	188,356,366	(35,886,774)
Expenses	153,774,982	183,717,535	(29,942,553)
Net Income/(Loss)	(1,305,390)	4,638,831	(5,944,220)

III. Budget and Actual Expenditures

	Budget		Utilization	
	2021	2020	2021	2020
Personnel Services	51,379,619	47,637,050	37,324,949	37,130,253
Maintenance and Other Operating Expenses	263,856,016	296,734,309	117,496,479	143,769,782
Capital Expenditures	735,821	770,880	15,858	243,941
Total	**315,971,456**	**345,142,239**	**154,837,286**	**181,143,976**

AUDITOR'S OPINION

The Auditor expressed a qualified opinion on the fairness of presentation of the financial statements as at December 31, 2021 and 2020 because the DCI defined benefit obligations recognized under the Pension Benefits Payable for 2021 and 2020 of P18.260 million and P18.533 million, respectively, were not measured at discounted value, using actuarial assumptions, contrary to Philippine Accounting Standard (PAS) 19 – Employee Benefits.

SIGNIFICANT AUDIT OBSERVATION AND RECOMMENDATION

For the audit observation which caused the rendition of a modified opinion, we recommended that management measure its defined benefit obligations at discounted value, using actuarial assumptions in accordance with PAS 19 – Employee Benefits.

SUMMARY OF AUDIT DISALLOWANCES

As at December 31, 2021, 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 seven audit recommendations embodied in the prior years' AARs, two were fully implemented and five were not implemented, four of which were reiterated in Part II of this Report, and one was 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
Cluster I – Banking and Credit

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of Financial Statements

Qualified Opinion

We have audited the financial statements of the DBP Data Center, Inc. (DCI), which comprise the statements of financial position as at December 31, 2021 and 2020, 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, 2021 and 2020, 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

DCI established a Retirement Gratuity Plan for which Pension Benefit Payable as at December 31, 2021 and 2020 amounting to P18.260 million and P18.533 million, respectively, were recognized. The Pension Benefit Payable for the years then ended, were measured at amounts equivalent to the value of the trust fund with the DBP Trust Banking Group and 1/12 of the monthly salary of regular employees, and not in accordance with Philippine Accounting Standard (PAS) 19 – Employee Benefits. PAS 19 requires the use of an actuarial technique to determine the present value of the obligations. Without an actuarial study, the effects on the financial statements are not reasonably determinable as of reporting dates.

As such we were unable to obtain sufficient evidence to determine the Pension Benefit Payable that should have been recognized as at December 31, 2021 and 2020, nor were we able to satisfy ourselves by other audit procedures.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the DCI in accordance with the 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 32 and Revenue Regulations 15-2010 in Note 33 to the 2021 financial statements are 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

MARIE FRANCES HAZEL S. ACEBEDO
OIC – Supervising Auditor

April 6, 2022

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, 2021 and December 31, 2020*, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

LUIS C. BONGUYAN
Chairman of the Board

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

GINA A. GONZALES
Operations Department Head

Signed this 1st day of April 2022.

DBP DATA CENTER, INC.
(A wholly-owned subsidiary of the Development Bank of the Philippines)
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020
(In Philippine Peso)

	Note	2021	2020 As restated
ASSETS			
Current assets			
Cash and cash equivalents	6	29,718,386	38,080,582
Receivables – net	7	55,335,268	84,567,724
Prepayments	8	2,488,487	2,618,529
Inventory	9	52,703	98,448
Contract asset	12	62,624,701	97,367,968
Other assets	10	26,938,847	23,500,709
		177,158,392	**246,233,960**
Non-current assets			
Property and equipment – net	11	2,100,054	2,621,134
Contract asset	12	240,147,722	242,892,281
Investments	13	3,339,133	4,793,526
Intangible assets – net	14	120,781	129,224
		245,707,690	**250,436,165**
TOTAL ASSETS		**422,866,082**	**496,670,125**
LIABILITIES AND EQUITY			
Current liabilities			
Inter-agency payables	15	39,595,350	40,166,641
Payables	16	28,447,121	60,647,155
Dividend payable	17	0	1,500,000
Trust liability	18	4,543,554	4,543,554
Leave benefits payable	19	4,133,477	3,913,933
Deferred tax liability	29	15,588,386	18,206,722
Other financial liabilities	20	50,289,535	77,894,374
		142,597,423	**206,872,379**
Non-current liabilities			
Pension benefit payable	21	18,259,842	18,533,062
Other financial liabilities	20	191,931,596	194,394,111
		210,191,438	**212,927,173**
		352,788,861	**419,799,552**
Equity			
Share capital			
Authorized - 500,000 common shares, P100 par value			
Issued and outstanding 232,800 common shares	22	23,280,000	23,280,000
Retained earnings		46,797,221	53,590,573
		70,077,221	**76,870,573**
TOTAL LIABILITIES & EQUITY		**422,866,082**	**496,670,125**

The Notes on pages 9 to 43 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, 2021 and 2020
(In Philippine Peso)

	Note	2021	2020
INCOME			
Service and business income	24	152,452,294	186,226,580
Other business income	25	840	2,115,676
		152,453,134	**188,342,256**
EXPENSES			
Personnel services	26	(37,324,949)	(37,130,253)
Maintenance and other operating expenses	27	(117,496,479)	(143,769,782)
Non-cash expenses	28	(604,225)	(769,588)
		(155,425,653)	**(181,669,623)**
INCOME (LOSS) BEFORE INTEREST AND TAXES		**(2,972,519)**	**6,672,633**
Interest income		16,458	14,110
INCOME (LOSS) BEFORE TAXES		**(2,956,061)**	**6,686,743**
Income tax benefit (expense)	29	1,650,671	(2,047,912)
NET INCOME (LOSS) FOR THE PERIOD		**(1,305,390)**	**4,638,831**
Other comprehensive income		0	0
TOTAL COMPREHENSIVE INCOME (LOSS)		**(1,305,390)**	**4,638,831**

The Notes on pages 9 to 43 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, 2021 and 2020
(In Philippine Peso)

	Share Capital (Note 22)		Retained	
	Common Share	Amount	Earnings	Total
Balance, January 1, 2020	**232,800**	**23,280,000**	**57,862,254**	**81,142,254**
Prior period adjustments (Note 23)			(7,221,666)	(7,221,666)
Balance, January 1, 2020 - As Restated	**232,800**	**23,280,000**	**50,640,588**	**73,920,588**
Net income for 2020			4,638,831	4,638,831
Cash Dividend to National Government (Note 17)			(1,688,846)	(1,688,846)
Balance, December 31, 2020 - As Restated	**232,800**	**23,280,000**	**53,590,573**	**76,870,573**
Adjustments (Note 23)			(6,987,962)	(6,987,962)
Reversal of dividend declarations (Note 17)			1,500,000	1,500,000
Net loss for 2021			(1,305,390)	(1,305,390)
Balance, December 31, 2021	**232,800**	**23,280,000**	**46,797,221**	**70,077,221**

The Notes on pages 9 to 43 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, 2021 and 2020
(In Philippine Peso)

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		222,483,386	246,730,624
Other income received		840	0
Cash payments to suppliers		(160,150,588)	(151,154,028)
Payment to BIR		(26,483,404)	(12,066,290)
Payment to SSS, PHIC, HDMF		(3,013,940)	(2,750,527)
Cash paid for operating expenses		(41,199,090)	(43,197,063)
Interest income received		16,458	14,110
Net cash provided by/(used in) operating activities		**(8,346,338)**	**37,576,826**
CASH FLOWS FROM INVESTING ACTIVITY			
Payment of cash dividend		(15,858)	(324,379)
Net cash used in investing activity		**(15,858)**	**(324,379)**
CASH FLOWS FROM FINANCING ACTIVITY			
Payment of cash dividend		0	(1,688,846)
Net cash used in financing activity		**0**	**(1,688,846)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(8,362,196)**	**35,563,601**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**38,080,582**	**2,516,981**
CASH AND CASH EQUIVALENTS, END OF YEAR	6	**29,718,386**	**38,080,582**

The Notes on pages 9 to 43 form part of this financial statement.

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, 2021, DCI had a total manpower of 61 including 28 contractual personnel.

The DCI Board approved the issuance of DCI's financial statements for the year ended December 31, 2021 on January 25, 2022.

2. STATEMENT OF COMPLIANCE AND BASIS OF FINANCIAL STATEMENTS PREPARATION

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 financial statements preparation

The financial statements have been prepared under the historical cost basis unless otherwise stated.

The financial statements preparation 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 policies.

The Corporation adopts the accrual method of accounting. The financial statements are presented in Philippine peso (P), the Corporation's functional currency. All values are rounded to the nearest peso except otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 4 to the financial statements.

3.2 Changes in accounting policies and disclosures

a. Amendments issued and effective for annual periods beginning on or after January 1, 2021.

- **Amendments to PFRS 9 Financial Instruments, PAS 39 Financial Instruments: Recognition and Measurement, PFRS 7 Financial Instruments: Disclosures, PFRS 4 Insurance Contracts and PFRS 16 Leases – Interest Rate Benchmark Reform - Phase 2.** The International Accounting Standards Board (IASB) has published 'Interest Rate Benchmark Reform — Phase 2 (Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16)' with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying PFRS 7 to accompany the amendments regarding modifications and hedge accounting.

  - ***Modification of financial assets, financial liabilities and lease liabilities.*** The IASB introduces a practical expedient for modifications required by the reform (modifications required as a direct consequence of the Inter-Bank Offered Rates (IBOR) reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current PFRS requirements. A similar practical expedient is proposed for lessee accounting applying PFRS 16.

  - ***Hedge accounting requirements.*** Under the amendments, hedge accounting is not discontinued solely because of the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements.

- ***Disclosures.*** In order to allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition, the amendments require that an entity discloses information about: (1) how the transition from interest rate benchmarks to alternative benchmark rates is managed, the progress made at the reporting date, and the risks arising from the transition; (2) quantitative information about non-derivative financial assets, non-derivative financial liabilities and derivatives that continue to reference interest rate benchmarks subject to the reform, disaggregated by significant interest rate benchmark; and, (3) to the extent that the IBOR reform has resulted in changes to an entity's risk management strategy, a description of these changes and how is the entity managing those risks.

The IASB also amended PFRS 4 to require insurers that apply the temporary exemption from PFRS 9 to apply the amendments in accounting for modifications directly required by IBOR reform.

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

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

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

b. New standards and amendments effective after the reporting period ended December 31, 2021.

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

- **Amendments to PFRS 3 Business Combination – Reference to the Conceptual Framework** (effective January 1, 2022). 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 recognise contingent assets acquired in a business combination.

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

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

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

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

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

- **Annual Improvements to PFRS Standards 2018–2020** (effective January 1, 2022)

  - **PFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter.** The amendment permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs.

  - **PFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities.** The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of PFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

  - **PFRS 16 Leases – Lease incentives.** The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

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

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

- **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 standard is effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.

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

- **Amendments to 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 recognised in a business acquired in a business combination.
  - Clarification of the application of PFRS 17 in interim financial statements allowing an accounting policy choice at 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 recognises losses on onerous insurance contracts issued to also recognise 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.

The new standard will not have an impact on the disclosures and amounts recognized on the Corporation'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 requirements of PFRS 9 had 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.

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

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

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

- **Amendments to PAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction** (effective for annual periods beginning on or after January 1, 2023). The amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.

  Management is currently assessing the impact of this amendment 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 as financial assets and financial liabilities or equity instruments in accordance with the substance of the contractual agreement.

Classification of financial instruments

Financial Assets

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

Financial assets measured at FVTPL shall consist of the following:

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

- Financial assets designated at FVTPL as defined in PFRS 9.

The Corporation has no asset under this category.

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

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

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and,

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Corporation has no asset under this category.

3. Financial assets measured at amortised cost

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

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

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

Financial Liabilities

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

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

The Corporation has no liability under this category.

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

The Corporation has no liabilities under this category.

Derecognition of financial assets and liabilities

Financial assets

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

Financial liabilities

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

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

Impairment of financial assets

Impairment of assets carried at amortised cost

Loans receivable – others are measured at amortised cost

Loans and other credit exposures with unpaid principal and/or interest are classified and provided with allowance for credit losses (ACL), which is computed as a percentage of outstanding balance based on the number of days past due.

The Corporation's Accounts Receivable – Trade is under this category.

3.4 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 comprised purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

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

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

IT equipment	5 years
Office equipment	5 years
Furniture and fixture	10 years
Transportation equipment	7 years
Buildings	30 years

An item of the property 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 expire in 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 Corporations intangible asset are assessed for impairment when there is indication that the intangible assets may be impaired.

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

Computer software	1-3 years

3.8 Financial Liabilities

Financial liabilities which comprised loans payable, accounts payable, accrued expenses payables, lease deposits and other liabilities other than tax-related and other inter-agency payables are recognized when the Corporation becomes a party to the contractual terms of the instrument. All interest-related charges are presented as part of Financial Expenses in the statement of comprehensive income.

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

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

Dividends to the National Government are recognized upon declaration by the Corporation.

3.9 Offsetting Financial Instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle liability, simultaneously.

3.10 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 the 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 (HIS) – Business Process Outsourcing (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 involves two phases, (1) delivery of hardware, installation and testing of software, set up of workstations and training of hospital employees; and (2) BPO services. Phase 1 is normally satisfied within three months from the commencement of the contract, while phase 2 is satisfied over the period of the contract with client.

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

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

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

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

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

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

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

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

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

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

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

The Corporation is a lessee under the operating lease.

3.13 Borrowing Cost

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

3.14 Income Taxes

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

3.15 Employee Benefits

a. 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.

b. Compensated Absences

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

3.16 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 judgements in assessing the amount and timing of revenue from contracts with customers in accordance with the requirements of PFRS 15:

Revenue from HIS– BPO

1. Identifying performance obligations

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

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

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

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

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

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

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

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

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

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

The transaction price is stipulated in the contract with customer at a certain rate for every successful claim from PhilHealth over the period of the contract. The Corporation did not adjust the consideration for the effects of the time value of money in determining the transaction price. The amount is allocated between the two performance obligations using the relative stand-alone prices of the goods and services delivered to customer.

5. RISK MANAGEMENT

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

Credit risk

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

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

Liquidity risk

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

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

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

Below is the asset-liability gap analysis for the year 2021 and 2020:

	2021					
	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	2,100,054	0	2,100,054
Contract asset	0	0	62,624,701	240,147,722	0	302,772,423
Investments	0	0	0	3,339,133	0	3,339,133
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**	**245,707,690**	**0**	**422,866,082**
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
Dividend payable	0	0	0	0	0	0
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	18,259,842	0	18,259,842
	72,586,025	**0**	**70,011,398**	**210,191,438**	**0**	**352,788,861**
Asset-liability gap	**41,947,666**	**0**	**(7,386,697)**	**35,516,252**	**0**	**70,077,221**

	2020 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	38,070,582	0	0	0	0	38,070,582
Receivables	84,567,724	0	0	0	0	84,567,724
Prepayments	2,618,529	0	0	0	0	2,618,529
Property and equipment	0	0	0	2,621,134	0	2,621,134
Contract asset	0	0	97,367,968	242,892,281	0	340,260,249
Investments	0	0	0	4,793,526	0	4,793,526
Intangible assets	0	0	0	129,224	0	129,224
Other assets	23,500,709	0	0	0	0	23,500,709
Inventory	98,448	0	0	0	0	98,448
	148,865,992	**0**	**97,367,968**	**250,436,165**	**0**	**496,670,125**
Liabilities:						
Inter-agency payables	40,166,641	0	0	0	0	40,166,641
Payables	60,647,155	0	0	0	0	60,647,155
Dividend payable	1,500,000	0	0	0	0	1,500,000
Trust liability	4,543,554	0	0	0	0	4,543,554
Leave benefits payable	0	0	3,913,933	0	0	3,913,933
Deferred tax liability	0	0	18,206,722	0	0	18,206,722
Other financial liabilities	0	0	77,894,374	194,394,111	0	272,288,485
Pension benefit payable	0	0	0	18,533,062	0	18,533,062
	106,857,350	**0**	**100,015,029**	**212,927,173**	**0**	**419,799,552**
Asset-liability gap	**42,008,642**	**0**	**(2,647,061)**	**37,508,992**	**0**	**76,870,573**

Market risk

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

During 2021, DCI continued to focus primarily on assisting the DBP's initiatives on various bank products by providing the workforce for the development and maintenance of the Bank's systems and applications.

Due to the DBP's intention to engage the services of some DCI employees as DBP organic personnel, there are 18 personnel assigned at DBP as of December 31, 2021 under Staff Supplementation/Professional Service Agreement.

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

Operational risk

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

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

6. CASH AND CASH EQUIVALENTS

Included in this account are the following:

	2021	2020
Cash in bank – local currency (SA/CA)	29,708,386	38,070,582
Petty cash fund	10,000	10,000
	29,718,386	**38,080,582**

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

7. RECEIVABLES - NET

This account consists of the following:

	2021	2020 As restated
Trade	53,732,123	83,667,493
Non-trade	2,502,167	1,799,253
	56,234,290	85,466,746
Allowance for credit losses	(899,022)	(899,022)
	55,335,268	**84,567,724**

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:

	2021	2020 As restated
DBP	6,264,680	5,972,833
Non-DBP	47,467,443	77,694,660
	53,732,123	**83,667,493**

8. PREPAYMENTS

This account consists of the following:

	2021	2020
Prepaid insurance	1,311,108	1,305,806
Prepaid rent	688,400	688,400
Taxes and licenses	2,686	5,179
Other prepayments	486,293	619,144
	2,488,487	**2,618,529**

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

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

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

9. INVENTORY

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

10. OTHER ASSETS

The details of this account are as follows:

	2021	2020
Creditable income tax	21,982,821	22,702,620
Input tax	4,157,937	0
Rental deposit	688,399	688,399
Miscellaneous asset	104,761	104,761
Refundable deposit	4,929	4,929
	26,938,847	**23,500,709**

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

11. PROPERTY AND EQUIPMENT - NET

This account consists of the following:

	2021				
	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	15,858	0	0	0	15,858
Ending Balance	**5,406,607**	**675,672**	**3,985,475**	**1,807,946**	**11,875,700**
Accumulated depreciation					
Beginning Balance	4,404,608	562,397	3,083,475	1,188,228	9,238,708
Depreciation	227,593	45,708	117,330	146,307	536,938
Ending Balance	**4,632,201**	**608,105**	**3,200,805**	**1,334,535**	**9,775,646**
Net Book Value	**774,406**	**67,567**	**784,670**	**473,411**	**2,100,054**

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

12. CONTRACT ASSET

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

	2021	2020
Current	62,624,701	97,367,968
Non-current	240,147,722	242,892,281
	302,772,423	**340,262,249**

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

13. INVESTMENTS

Included in this account is the Investment in Trust for the Retirement Fund. This pertains to the DCI placement of funds with the DBP Trust Banking Group (TBG) for the payment of retirement of qualified employees. On 1 June 1998, a Memorandum of Agreement was entered into by and between DCI, the Trustor and DBP TBG, the Trustee. Under the said agreement, a Trust Fund was created for the primary purpose of paying the benefits of the members of DCI retirement plan. The Trustee shall manage and administer the Trust Fund. The DCI Retirement Fund being administered by DBP TBG has value of P3.339 million and P4.794 million as of December 31, 2021 and 2020, respectively.

14. INTANGIBLE ASSETS - NET

The details of this account are as follows:

	2021	2020
Computer software	266,782	207,939
Less: Accumulated amortization	146,001	78,715
	120,781	**129,224**

Intangibles are software costs accounted for as follows:

	2021	2020
Balance at beginning of year	129,224	72,250
Additions/Adjustment	58,844	80,438
Amortization	(67,287)	(23,464)
Balance at end of year	**120,781**	**129,224**

15. 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:

	2021	2020
Deferred Output Tax	38,196,916	36,456,455
Due to BIR	932,001	3,524,976
Due to SSS	358,375	73,409
Due to Pag-IBIG	54,366	65,675
Due to Philhealth	53,692	46,126
	39,595,350	**40,166,641**

16. PAYABLES

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

	2021	2020 As restated
Accrued expense	18,214,188	8,414,823
Accounts payable	8,743,754	50,999,531
Due to officers and employees	1,489,179	1,232,801
	28,447,121	**60,647,155**

Accrued Expenses are liabilities incurred but not paid and no billing/invoice received. Breakdown as follows:

	2021	2020 As restated
Service providers/business partners	12,836,148	3,392,553
Audit fees	3,411,659	3,411,659
DCI officers and employees	1,336,381	1,250,611
Legal fees	630,000	360,000
	18,214,188	**8,414,823**

Accounts Payable includes liabilities with billings/invoice received. Breakdown are as follows:

	2021	2020 As restated
Service providers/business partners	6,129,991	46,796,623
Suppliers	2,283,652	3,925,394
Others	330,111	277,514
	8,743,754	**50,999,531**

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

Due to officers and employees pertain to reimbursements unpaid as of December 31, 2021.

17. DIVIDENDS PAYABLE

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

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

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

In 2020, dividends in the amount of P1,688,846 for 2019 was declared and remitted to the Bureau of Treasury. The outstanding dividends payable amounting to P1.5 million as of December 31, 2020 pertains to dividends declared for dividend year 2015 which was approved for reversal by the Board of Directors back to retained earnings in 2021.

18. 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.

19. LEAVE BENEFITS PAYABLE

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

20. OTHER FINANCIAL LIABILITIES

This account includes the Corporation's accrual of liabilities pertaining to its Hospital JV Partners. Details are as follows:

	2021	2020 As restated
Current	50,289,535	77,894,374
Non-current	191,931,596	194,394,111
	242,221,131	**272,288,485**

21. PENSION BENEFIT PAYABLE

The Corporation provides corresponding liability on the retirement of active regular employees based on the guidelines of the Trust Fund. The DCI Retirement Fund is being administered by DBP Trust Banking Group (TBG) and presented in the books as Pension Benefit Payable.

The details of this account are as follows:

	2021	2020
Pension fund payable	3,339,133	4,793,525
Past service pension cost payable	14,920,709	13,739,537
	18,259,842	**18,533,062**

Pension Fund Payable is the account placed with the DBP TBG for the payment of retirement of qualified employees. 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 P3.339 million and P4.794 million as of December 31, 2021 and 2020, respectively.

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

22. SHARE CAPITAL

Share capital represents the nominal value of common shares issued and outstanding. The Authorized Share capital amounts to P50 million representing 500,000 common shares at P100.00 par value. Share capital paid, issued and outstanding as of December 31, 2021 amounts to P23.280 million or 232,800 common shares.

23. RETAINED EARNINGS

Adjustments

During the year, 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. Details are as follows:

Particulars	Amount
Creditable Income Tax	4,830,462
Due to BIR	2,157,500
	6,987,962

Prior Period Adjustments

DCI has identified significant prior period adjustments that require re-presentation of certain balances in the statements of financial position 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, 2020:

Account Title	As Previously Reported	Adjustment	As Adjusted
Payables	(89,593,079)	28,945,924	(60,647,155)
Other Financial Liabilities	(248,485,896)	(23,802,589)	(272,288,485)
Deferred Tax Liability	(17,983,138)	(223,584)	(18,206,722)
Receivables, net	95,808,910	(12,141,417)	83,667,493

Changes on the balance of Retained Earnings as at January 1, 2020 are as follows:

Particulars	Amount
Correction of recorded payables	5,143,335
Derecognition of deferred tax	(223,584)
Correction of recorded receivables	(12,141,417)
	7,221,666

24. 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:

	2021	2020
DBP	19,709,154	29,307,589
Non-DBP	132,743,140	156,918,991
	152,452,294	**186,226,580**

Below are some of DCI's notable accomplishments/performance in 2021:

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, 2021, DCI has a total of 18 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 an on-going project (five-year contract) where DCI provides Hospital Information System (HIS) for the Local Government Unit (LGU) hospitals.

2. Jose B. Lingad Memorial Regional Hospital – This is a Department of Health (DOH) hospital where we offered the HIS Business Process Outsourcing (BPO) project and eClaims with a contract of five years. Live-Production started in July 14, 2016. Implementing changes to hospital processes and workflows and monitoring End-User compliance to ensure smooth operations and correctness of data gathered by the system. This is an ongoing project.

3. Dr. Jose N. Rodriguez Memorial Hospital – This is a DOH hospital where we offered the HIS BPO project with a contract of seven years. Contract was signed in February 2018. Implementing changes to hospital processes and workflows and monitoring End-User compliance to ensure smooth operations and correctness of data gathered by the system. This is an ongoing project.

4. James L. Gordon Memorial Hospital – This is a LGU hospital where we offered the HIS BPO project with a contract of five years. Implementing changes to hospital processes and workflows and monitoring End-User compliance to ensure smooth operations and correctness of data gathered by the system. Contract was signed in August 2018. This is an ongoing project.

5. Eastern Visayas Regional Medical Center – This is a DOH hospital where we offered the HIS BPO project with a contract of seven years. Contract was signed in May 2018. Implementing changes to hospital processes and workflows and monitoring End-User compliance to ensure smooth operations and correctness of data gathered by the system. Inflow of income comes in middle of 2019. This is an ongoing project.

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	1,468,975
	ii. Deficiency taxes	188,666
	iii. Insurance	33,123
	iv. Community tax certificate	10,500
	v. Vehicle registration fee	5,772
	vi. Annual registration fee	500
	vii. Miscellaneous	2,032
	Total	**1,709,568**
g.	The amount of withholding taxes categorized into	
	i. Tax on compensation and benefits	3,502,218
	ii. Creditable withholding tax/es	5,109,333
	iii. Final withholding tax/es	7,912,213
h.	Amount/s of deficiency tax assessments, whether protested or not	4,358,564
	Period covered	2017

34. HIGHLIGHTS OF OPERATIONS

DCI has been continuously supporting DBP's Information Technology (IT) infrastructure for the past 39 years. In 2021, DCI continued to focus primarily on assisting the DBP's initiatives on various bank products by providing the workforce for the development and maintenance of the Bank's systems and applications. Further, DCI also started to seek opportunities to increase revenues by expanding its customer base to include government agencies and instrumentalities via an Agency-to-Agency Agreements.

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

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

Particulars	2021	2020
Receivables – Professional Service Agreement	6,264,080	5,972,833
Cash in Bank – Current Account	21,296,889	37,968,350
Investment in Trust – Retirement Fund	3,339,133	4,793,526
	30,900,102	**48,734,709**

32. SELECTED FINANCIAL PERFORMANCE INDICATORS

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

	2021	2020
Current Ratio	1.24:1	1.19:1
Acid Test Ratio	1.05:1	1.08:1
Debt-to-Equity Ratio	5.03:1	5.46:1
Asset-to-Equity Ratio	6.03:1	6.46:1
Net Profit Margin	(0.90%)	2.46%

33. SUPPLEMENTARY INFORMATION REQUIRED UNDER RR NO. 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 2021.

a.	Amount of VAT output tax	25,430,206
	Account title	Service and Business Income
	Amount of VAT output tax base	211,918,381
b.	Amount of VAT input tax	
	1. Beginning of the year	
	i. VAT input tax	0
	ii. Deferred VAT input tax	0
	2. Current year's domestic purchases/payments for:	
	i. Goods for resale/manufacture or further processing	0
	ii. Goods other than for resale of manufacture	57,883
	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	18,934,341
	3. Claims for tax credit/refund and other adjustments; and	10,595,919
	4. Balance at the end of the year	
	i. VAT input tax	4,157,937
	ii. Deferred VAT input tax	0

Details of deferred taxes are as follows:

	2021	2020 As restated
Accrual of expenses	60,555,283	72,934,416
NOLCO	3,306,289	0
MCIT	126,950	0
Business income	(79,576,908)	(91,141,138)
Deferred Tax Liability	**(15,588,386)**	**(18,206,722)**

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.

30. 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:

	2021	2020
Net earnings/(Loss)	(1,305,390)	4,638,831
Divided by the number of outstanding common shares (Note 22)	232,800	232,800
Earnings (Loss) per share	**(5.61)**	**19.93**

31. 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 (Investment in Trust - Retirement Fund) at DBP Head Office, Makati City.

Computation of deferred income tax expense for 2021 and 2020 are as follows:

	2021	2020
Accrual business income	3,625,960	(2,492,508)
Accrual of expenses	223,397	1,737,264
NOLCO	(3,306,289)	0
Effect of change in tax rate	(3,034,454)	0
	(2,491,386)	**(755,244)**

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 NOLCO are as follows:

Year Incurred	Amount	Applied Previous Year/s	Applied Current Year	Expired	Unapplied Amount
2021	13,225,155	0	0	0	13,225,155
Total	**13,225,155**	**0**	**0**	**0**	**13,225,155**

Pursuant to Section 4(bbbb) of Bayanihan II and as implemented under Revenue Regulation (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 2 per cent of gross income. Any excess MCIT over Normal Income Tax (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	Unapplied Amount
2021	126,950	0	0	0	126,950
Total	**126,950**	**0**	**0**	**0**	**126,950**

28. NON-CASH EXPENSES

	2021	2020
Depreciation	536,938	592,383
Amortization – Intangible assets	67,287	23,464
Allowance for credit losses	0	153,741
	604,225	**769,588**

Breakdown of depreciation expenses are as follows:

	2021	2020
Machinery and equipment	273,301	328,745
Transportation equipment	146,307	146,307
Furniture and fixtures	117,330	117,331
	536,938	**594,403**

29. INCOME TAX EXPENSE/(BENEFIT)

The income tax expense/(benefit) consists of:

	2021	2020
Current	0	2,803,156
Deferred	(2,491,386)	(755,244)
Prior year tax expense assessed in 2021	840,715	0
	(1,650,671)	**2,047,912**

Republic Act (RA) No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law 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 2021 and 2020 are as follows:

	2021	2020
Financial income (loss)	(2,956,061)	6,686,743
Add (Deduct): Reconciling items		
Taxable (Non-taxable) business income	(14,503,837)	8,308,360
Accrual of expenses	(893,588)	(5,790,880)
Fines, penalties and charges	5,144,789	0
Impairment loss	0	153,741
Interest income subject to final tax	(16,458)	(14,110)
Taxable income (Net Operating Loss Carry-Over (NOLCO))	(13,225,155)	9,343,854
Tax rate	25%	30%
	0	**2,803,156**

Details of Personnel benefit contribution are as follows:

	2021	2020
SSS contribution	1,280,542	1,013,000
Philhealth contributions	294,780	280,159
Pag-IBIG contributions	69,700	71,600
Employees compensation insurance premiums	18,530	17,600
	1,663,552	**1,382,359**

27. MAINTENANCE AND OTHER OPERATING EXPENSES

	2021	2020
Professional services	102,721,453	132,591,835
Finance expense	5,144,789	217,757
Taxes, insurance, premiums and other fees	1,709,568	1,948,881
Supplies and material expenses	960,156	344,527
Communication expenses	801,665	730,232
Travelling expenses	47,516	276,782
Repairs and maintenance	44,836	27,556
Training and scholarship expenses	0	26,714
Other maintenance and operating expenses	6,066,496	7,605,498
	117,496,479	**143,769,782**

Breakdown of Professional services are as follows:

	2021	2020
Other professional services	102,433,182	131,739,028
Legal services	288,271	402,807
Audit fees	0	450,000
	102,721,453	**132,591,835**

Details of Supplies and material expenses are as follows:

	2021	2020
Fuel, oil, and lubricant	748,982	302,789
Supplies expenses	211,174	28,109
Other supplies and material expenses	0	13,629
	960,156	**344,527**

Details of Other maintenance and operating expenses are as follows:

	2021	2020
Rent/Lease expenses	4,428,283	5,900,675
Directors and committee members' fees	718,000	1,085,040
Advertising, promotional and marketing expenses	522,008	415,000
Representation expense	228,573	98,478
Extraordinary and miscellaneous expenses	27,384	56,518
Survey expense	44,643	0
Other maintenance and operating expenses	97,605	49,787
	6,066,496	**7,605,498**

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

	2021	2020
Revenue from Hospital Information System – BPO Services	92,472,097	138,143,811
Revenue from Software Development	34,392,252	17,448,394
Revenue from DBP Staff Supplementation	19,709,154	29,307,589
Revenue from Web-based Integrated Human Resource Information System	5,274,071	0
Revenue from Online Payment	604,720	0
Revenue from Data Center Management	0	1,326,786
	152,452,294	**186,226,580**

25. OTHER BUSINESS INCOME

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

26. PERSONNEL SERVICES

	2021	2020
Salaries and wages	24,589,187	23,260,690
Other compensation	7,954,512	8,646,262
Other personnel benefits	3,117,698	3,840,942
Personnel benefit contribution	1,663,552	1,382,359
	37,324,949	**37,130,253**

Details of Other compensation are as follows:

	2021	2020
Other bonuses and allowances	2,578,601	3,643,540
Year-end bonus	2,075,928	1,972,221
Other personnel benefits	1,090,801	1,353,431
Overtime and night pay	1,062,781	1,024,937
Hazard pay	538,000	226,000
Clothing/Uniform allowance	294,351	113,448
Cash gift	275,000	280,000
Productivity incentive allowance	32,000	18,500
Transportation allowance	7,050	14,185
	7,954,512	**8,646,262**

Details of Other personnel benefits are as follows:

	2021	2020
Terminal leave benefits	1,936,525	2,102,363
Pension benefit	1,181,173	1,738,579
	3,117,698	**3,840,942**

6. Tondo Medical Center – This is a DOH hospital where we offered the HIS BPO project with a contract of seven years. Contract was signed in April 2019. Implementing changes to hospital processes and workflows and monitoring End-User compliance to ensure smooth operations and correctness of data gathered by the system. Live production starts in September 2019. This is an ongoing project.

7. Provincial Government of Sorsogon (Dr. Fernando S. Duran Sr. Memorial Hospital) - This is a DOH hospital where we offered the HIS BPO project with a contract of six years. Contract was signed in September 2019. Implementing changes to hospital processes and workflows and monitoring End-User compliance to ensure smooth operations and correctness of data gathered by the system. This is an ongoing project.

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

    a. eClaims Service with a contract of two years. Contract was signed in January 2021; and

    b. HIS BPO project with a contract of five years. Contract was signed in September 2021.

9. 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 May 2018.

10. Food and Drug Administration (FDA) – This is a cloud migration project. This project aims to assist FDA in its current need to enhance its Information Management Infrastructure and address critical infrastructure requirements to support its Systems in operations and vital functions, specifically the Web Portal and its Email facility.

11. Department of Energy (DOE) – Various application development project 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), Minimum Energy Performance for the Commercial, Industrial and Transport Sectors. Memorandum of Agreement was signed January 2019;

    b. Web-based Employees Compensation Payroll System and Integration with Personnel Management Information System. 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. 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 online Energy Database System for the Commercial, Industrial and Transport (CIT) Sectors (EDSS) 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 Planning Solution. The Enterprise Resource Planning (ERP) Solution Software Phase - 1 aims to deliver an integrated, robust, andflexible 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 Knowledge Hub (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 (BSP) - This is an engagement that entails supply, delivery, installation, configuration, testing and implementation of Human Resource Information System.

15. Tourism Promotion Board (TPB) - 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 TPB Human Resource towards becoming a center of excellence in human capital management.

16. Securities and Exchange Commission (SEC) - Web-based 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.

17. Land Bank of the Philippines (LBP) - 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 LBP Human Resource Management Programs. The contract was signed in December 2021.

35. COMPLIANCE WITH COA CIRCULAR NO. 2016-006

DCI has complied with the implementation of COA Circular No. 2016-006, the Revised Chart of Accounts.

36. EVENT AFTER BALANCE SHEET DATE

DCI declared cash dividend amounting to P2.34 million per Board Resolution No. 019 dated March 29, 2022 for Dividend Year 2020 Net Income After Tax of P4.68 million, for the National Government thru the Bureau of Treasury paid on April 18, 2022.