COVER SHEET

A 1 9 9 9 1 0 0 6 5

SEC Registration Number

C O L F I N A N C I A L G R O U P , I N C . A N D S U B S I D I A R Y

(Company's Full Name)

2 4 0 1 B Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City

(Business Address: No. Street City/Town/Province)

Ms. Catherine L. Ong

(Contact Person)

635-5735

(Company Telephone Number)

1 2 **3 1**

Month *Day*

(Calendar Year)

17-Q

(Form Type)

March 31, 2014

Month *Day*

(Annual Meeting)

Broker

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/section

Total Amount of Borrowings

33

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended: **March 31, 2014**

2. Commission identification number **A199910065**

3. BIR Tax Identification No. **203-523-208-000**

4. Exact name of issuer as specified in its charter: **COL FINANCIAL GROUP, INC.**

5. Province, country or other jurisdiction of incorporation or organization: **Pasig City, Philippines**

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer's principal office: Postal Code: **1605**
2401-B East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City

8. Issuer's telephone number, including area code: **(632) 636-5411**

9. Former name, former address and former fiscal year, if changed since last report: **Not Applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA:

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	**468,650,000 shares**

11. Are any or all of the securities listed on the Philippine Stock Exchange?

Yes [**x**] No [ ]

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [x] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [x] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements are filed as part of this Form 17-Q.

Item 2. Management's Discussion and Analysis (MD&A) of Financial Conditions and Results of Operations.

The following is a discussion and analysis of the financial performance of COL Financial Group, Inc. (COL, COL Financial or the Parent Company) and COL Securities (HK) Limited (the HK Subsidiary or COLHK) collectively referred to as "The Group". The discussion aims to provide readers with an appreciation of its business model and the key factors underlying its financial results. The MD&A should be read in conjunction with the unaudited consolidated financial statements of the Group filed as part of this report.

Company Overview

COL Financial Group, Inc. is the leader in online investing and aims to be the most trusted wealth-building partner of every Filipino by providing them easy access to financial products and services that may help them achieve their financial goals. With over 89,000 customers and ₱53.1 billion pesos in consolidated net customer assets, its market leadership in the Philippine online stock brokerage industry is a testament to the public's confidence in the COL brand. COL's strong commitment is reflected in its ability to provide the marketplace with a level of financial service that is innovative, accessible, and affordable by providing products and services that build genuine wealth over the long-term.

COL does this first and foremost, through its proprietary trading platform. Through www.colfinancial.com, COL Financial has spearheaded the evolution of the Philippine stock market; offering up-to-date comprehensive research and analysis, real-time market information, and superior tools and functionalities. All these services; catering to both novice and sophisticated equity investors alike.

COL Financial is all about creating great value and providing quality and holistic service experience to all its customers. This is made possible through its broad range of investments in technology and human capital. COL is proud to have in its arsenal a team of seasoned and respectable equity analysts, well-trained customer service representatives, efficient backroom support and technology specialists.

Since 2008, COL Financial has ranked as the number one brokerage in the Philippine Stock Exchange (PSE) in terms of the number of transactions executed and total value turnover. Its focus on technology and human capital has yielded exponential growth for a service-oriented company that provides numerous value-added services for both its customers and the general investing public.

COL has been ever vigilant to the needs of the Philippine capital market. Through COL Securities (HK) Limited, its Hong Kong Subsidiary, and the Parent Company's Equity Advisory Group (EAG), a team of seasoned professionals, COL has expanded its services to also cater to the needs of high net worth individuals and institutions.

COL Financial is there to continue being the champion of the Filipino investor, strengthening and expanding its award winning platform, and soaring to new heights as it aims to offer innovative financial products to its valued clients.

Business Model

COL Financial has been deriving a significant proportion of its revenues from its stock brokerage business of both its Philippine and HK operations. These are: (1) commission generated from stock trades, (2) interest income from margin financing, (3) interest income made from short-term placements, and (4) investments made in financial assets.

With its solid foundation deeply rooted in its core values of passion, integrity, commitment, excellence and teamwork, COL has been well-positioned to capitalize both on the anticipated development of the capital markets as well as the vast opportunities of increasing the retail investor base in the Philippines.

Industry and Economic Review

After suffering from a steep correction which began in May 2013, the Philippine stock market finally showed signs of recovery during the first quarter of 2014. From 5,889.83 as of end 2013, the PSEi ended the first quarter of 2014 higher by 9.1% to 6,428.71.

The market recovered as investor sentiment for emerging market Asia improved. Starting in February of 2014, foreign investors once again became net buyers of the Philippine market, reversing their net selling since May of 2013.

Notwithstanding the recovery of the stock market, the Philippine stock exchange continued to suffer from weaker trading activity as investors remained cautious. For the first three months of 2014, average daily turnover fell by 27.9% to only ₱7.4 billion compared to the same period in 2013. The said value is also 21.7% lower compared to the fourth quarter 2013 average of ₱9.4 billion. The trading activity of local investors fell even more significantly, dropping by 36.4%. Consequently, the share of local investors to total value turnover fell further to only 44.2% during the first quarter of 2014 from 49.6% during the first quarter of 2013.

While the Philippine stock market began to recover in the first quarter of 2014, the same could not be said regarding the HK stock market. Compared to end 2013 levels, the Hang Seng index (HSI), the Hang Seng China Affiliate Corp. Index (HSCCI), and the Hang Seng China Enterprise Index (HSCEI) fell by 5.0%, 8.6% and 6.9% respectively. Average daily value turnover also dropped by 9.3% year-on-year from HKD74.1 million during the first quarter of 2013 to HKD67.3 million during the first quarter of 2014. The HK stock market weakened as China's economic growth continued to slow. During the first quarter of 2014, China's GDP growth slowed to 7.4%, the weakest pace in six quarters.

Business Review

Key Performance Indicators

The management of COL Financial regularly reviews numerous Key Performance Indicators or KPIs to determine whether or not it is on track to meet the organization's long term goals. KPIs are quantifiable measurements that reflect an organization's critical success factors. Below are some of the KPIs regularly reviewed by management to determine whether or not it is enhancing the value of its shareholders:

	March 31, 2014	March 31, 2013
Number of Customer Accounts	89,546	56,254
Customers' Net Equity (in millions)	₱53,139.0	₱45,438.8
Net Revenues (in millions)	₱143.9	₱223.2
Return on Equity*	20.0%	37.0%
Risk Based Capital Adequacy Ratio**	414.0%	518.0%
Liquid Capital*** (in millions)	HKD62.5	HKD63.7

**Annualized*
***Parent Company only*
****HK Subsidiary*

COL's **new accounts** for the Philippines continues to expand in 2014. New accounts for the first quarter of 2014 grew by 6,629 accounts displaying a growth rate of 15.8% from last quarter of 2013. COL catered to an average of over 3,100 new account openings per month during the first quarter of 2013 as compared to 2,200 accounts per month processed in first quarter of 2014. This decrease resulted from less IPOs and slow pick up of the market in the first quarter of 2014. Aside from the less favorable market conditions, another reason for the slowdown is the growing competition among online brokers. Nonetheless, the Parent Company still dominates its competitors in terms of number of retail investors it has on board. Total accounts rose to 89,433 showing an expansion of 60.6% as compared with the first quarter of the previous year's 55,690. To maintain this momentum and to remain competitive , COL will continue to implement its training programs which are primarily aimed to educate the public through seminars and company visits, pursue its marketing campaigns using newsprint publications, television and internet media and continue its goal of constantly delivering superior products and services to its customers.

Net revenues, during the three-month period of 2014 declined by 35.5% year-on-year. Although the Group's Hong Kong Operations showed marked improvement, the Philippine operations which generates the bulk of business fell sharply by 48.0% as its local customers stayed sidelined in view of the subdued prospects of the Philippine market. Consequently, the Group's annualized **Return on equity (ROE)**, computed as net income divided by average equity, dropped by 17 percentage point year-on-year to 20.0%.

Customers' net equity (customers' deposited cash and stocks), hit a record level of ₱53.1 billion, adding ₱ 7.7 billion or 16.9% to last quarter's ₱ 45.4 billion. This remarkable growth is a testament to the growing trust being bestowed by both existing and new customers to COL.

The Parent Company and the HK Subsidiary maintain stockbroker licenses which subject both to the stringent rules of regulators in the Philippines and Hong Kong. As such, the Parent Company is required to maintain a minimum **Risk based capital adequacy ratio** (RBCA) or the ratio of total measured risk to liquid capital of 110% while the HK Subsidiary is required to maintain a **Liquid capital** of HKD3.0 million or 5% of its adjusted liabilities, whichever is higher. The RBCA ratio of the Parent Company and the liquid capital of the HK Subsidiary both consistently exceeded the minimum statutory requirement.

Material Changes in the Financial Position (March 31, 2014 vs December 31, 2013)

COL's financial position remained strong with a very high level of cash and zero debt from external funding sources other than the deposit liabilities owed to its customers.

The growth in the Group's Assets has continued year after year. Assets, composed mainly of Cash, increased by over half a billion from ₱4.8 billion during the preceding year to a record ₱5.3 billion during the current reporting period. Likewise, Liabilities, comprised mainly of Payable to Customers, went up by more than ₱700.0 million to ₱4.3 billion. Factors contributing to these upward movements are as follows:

Cash and cash equivalents composed mainly of cash in banks and short-term SDA placements of local funds increased by 6.2% or ₱199.7 million as high cash balances left in the customers' accounts as of cut-off period allowed COL to increase its cash position to ₱3.4 billion. The Parent Company recorded a total of ₱2.0 billion deposits from its regular accounts and a net inflow of funds amounting to ₱1.0 billion.

Cash in a segregated account booked by the HK Subsidiary likewise went up 42.7% or ₱48.1 million to ₱160.6 million. During this period, client deposits received increased by HKD156.0 million which were used to acquire shares. The clients adopted long term investing strategies in this investment environment, aggressively buying and holding on dividend paying equities.

Trade receivables grew by 21.1% or ₱285.3 million to ₱1.6 billion due to the combined effects of buying transactions during the settlement cut-off executed by the Parent Company on behalf of its financial institutional (FI) accounts and the increased margin usage during the period. Gross receivables from these postpaid accounts increased by 114.7% from ₱114.1 million by end of 2013 to ₱245.0 million by end of March of the current year. Receivables from the Parent Company's margin accounts, likewise, increased by 19.3% or ₱ 209.8 million to ₱1.3 billion.

Meanwhile, **Financial assets at fair value through profit or** loss decreased by 93.6% as the HK Subsidiary liquidated all of its stockholdings in the US markets.

Prepayments also went up by 191.3% or ₱4.1 million to ₱6.3 million due to unamortized portion of business taxes which are required to be paid to the local government January of each year.

Deferred tax assets went up 6.0% or ₱3.2 million to ₱56.5 million due to the upward movement in the price of the Parent Company's share price which affects the computation of the stock options' intrinsic value and its related future tax benefits.

Trade payables, consisting mainly of payable to customers, was up14.1% or ₱480.0 million to ₱3.9 billion due to the strong growth in COL's client base which led to additional cash deposits and also due to selling transactions made by some of its FI accounts that are yet to be settled three days after the reporting period.

The Parent Company booked a **Dividends payable** to its stockholders amounting to ₱281.2 million as it declared a regular and special cash dividends of ₱0.60 per share on March 31, 2014.

Income tax payable rose 121.0% or ₱16.7 million to ₱30.5 million due to the booking of the appropriate taxes on taxable earnings that the Parent Company booked during the first quarter of the year.

Meanwhile, **Other current liabilities** decreased by ₱30.4 million or 47.0 % to ₱34.2 million primarily due to the distribution in January 2014 of the performance bonus for the year 2013 and the remittance of the corresponding tax due to the Bureau of Internal Revenue.

Finally, **Stockholders' equity** fell 16.5% or ₱215.2 million to ₱1.1 billion largely due to the declaration of the ₱281.2 million worth of cash dividends to the stockholders of the Parent Company which was slightly offset by the ₱58.8 million net profits generated during the first three months of 2014.

Material Changes in the Results of Operations (March 31, 2014 vs March 31, 2013)

COL's **Consolidated Revenues** fell by ₱79.3 million or 35.5% to ₱143.9 million year-on-year. This was largely driven by the 46.1% drop in commission revenues to ₱93.1 million. **Cost of**

Services fell by ₱23.6 million or 38.4% from ₱61.3 million to ₱37.8 million largely due to the drop in direct costs associated with clients' trading activities and lower commissions paid to agents for handling client accounts. Meanwhile, **Operating Expenses** increased by 12.1% or ₱3.3 million from ₱27.4 million to ₱30.7 million. **Provision for Income Tax** fell by 32.3% or ₱7.9 million from ₱24.5 million to ₱16.6 million. As a result of the foregoing movements, **Net Income** was down by 46.5% or ₱51.2 million from ₱110.0 million to ₱58.8 million year-on-year.

Due to the weak trading activity of stock market participants, **Commission Revenues** from COL's Philippine operations fell by 48.3% to ₱82.0 million. Despite the recovery of the Philippine stock market in the first quarter of 2014, average daily value turnover in the local market fell by 27.9% year-on-year, with the average daily value turnover of local investors falling at a faster pace of 36.4%. The slowdown in trading volume was experienced across the client segments with the regular prepaid accounts posting the biggest decline of 52.0% year-on-year from ₱37.9 billion to ₱18.4 billion. As a result, the market share of the agency and advisory group increased to 42.0% during the first quarter of 2014 from 40% during the same period last year.

Commission Revenues of COL's HK operations also fell by 21.3% to ₱11.2 million as it continued to suffer from the weak performance of the HK market and Filipino investors' growing preference for the local stock market.

Meanwhile, **Interest Income**, mostly from margin financing, fell marginally by 2.4% to ₱48.4 million. Interest earned on margin grew by 20.2% to ₱41.6 million as more clients utilized COL's margin facility. However, this was offset by the 54.7% drop in interest income from bank placements which was largely the result of falling interest rates despite of the huge increase in the investible funds.

Aside from the drop in direct costs associated with clients' trading activities, the decline in **Cost of Services** was driven primarily by lower **Commissions** paid to the Equity Advisory Group (EAG) handling the high net worth and institutional accounts, and the incentives given to the sales team for facilitating the opening of new accounts. Commission and referral fees went down by ₱21.8 million 55.8% to ₱17.3 million in the first quarter of 2014 from ₱39.1 million during the same period in 2013. During the period in review, EAG's total value turnover fell by 47.8% year-on-year to ₱11.9 billion.

The increase in operating expenses was largely due to the increase in other expenses such as repairs and maintenance of the Parent Company's servers and donations for the victims of typhoon Yolanda. **Personnel Costs and Professional Fees,** which account for the bulk of operating expenses, were flat at ₱10.5 million.

The significant drop in revenues coupled with double digit growth in operating expenses led to the 43.9% decline in COL's **Operating Profits** to ₱75.4 million. **Net Profits** fell by a slightly faster pace of 46.5% to ₱58.8 million as COL's effective tax rate increased to 22.0% during the first quarter of 2014 from 18.2% during the first quarter of 2013.

Other Matters

a. We are not aware of any known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity. The Group has not defaulted in paying its obligations which arise mostly from withdrawals made by customers. In addition, obligations of the Parent Company are fully funded in compliance with the Securities Regulation Code (SRC) Rule 49.2 while the HK Subsidiary maintains a fund for the exclusive benefit of its customers in compliance with the regulations of the Securities and Futures Commission of Hong Kong.

b. We are not aware of any events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

c. We are not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Group with other persons created during the reporting period.

d. We are not aware of any material commitments for capital expenditures.

e. We are not aware of any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations of the Group.

f. We are not aware of any significant elements of income or loss that did not arise from the Group's continuing operations.

g. We are not aware of any seasonal aspects that had a material effect on the financial condition or results of operations of the Group.

PART II – OTHER INFORMATION

Not applicable. There are no material disclosures that have not been reported under SEC Form 17-C covered by this period.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: **COL FINANCIAL GROUP, INC.**

By:

Conrado F. Bate
President and Chief Executive Officer
May 19, 2014

Catherine L. Ong
Senior Vice President and Chief Finance Officer
May 19, 2014

Lorena E. Velarde
Vice President and Financial Controller
May 19, 2014

COL FINANCIAL GROUP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2014 (Unaudited)			December 31, 2013 (Audited)		
		Security Valuation			Security Valuation	
	Money Balance	**Long**	**Short**	Money Balance	Long	Short
ASSETS						
Current Assets						
Cash and cash equivalents (Note 4)	**₱3,403,179,286**			₱3,203,489,204		
Cash in a segregated account (Note 5)	**160,649,398**			112,593,425		
Financial assets at fair value through profit or loss (FVPL; Note 6)	**464,165**	**₱464,165**		7,210,678	₱7,210,678	
Trade receivables (Note 7)	**1,637,124,839**	**5,478,767,306**		1,351,853,823	5,277,924,865	
Other receivables (Note 7)	**7,246,105**			6,790,722		
Prepayments	**6,311,021**			2,166,739		
Total Current Assets	**5,214,974,814**			4,684,104,591		
Noncurrent Assets						
Property and equipment (Note 8)	**36,832,647**			39,066,499		
Intangibles (Note 9)	**23,502,957**			23,269,449		
Deferred income tax assets-net (Note 17)	**56,484,842**			53,303,732		
Other noncurrent assets (Note 10)	**8,317,397**			8,048,137		
Total Noncurrent Assets	**125,137,843**			123,687,817		
TOTAL ASSETS	**₱5,340,112,657**			₱4,807,792,408		
Securities in box, in Philippine Depository and Trust Corporation and Hong Kong Securities Clearing Company, Limited			**₱51,015,251,307**			₱47,265,033,481

(Forward)

	March 31, 2014 (Unaudited)			December 31, 2013 (Audited)		
		Security Valuation			Security Valuation	
	Money Balance	**Long**	**Short**	Money Balance	Long	Short
LIABILITIES AND EQUITY						
Current Liabilities						
Trade payables (Note 11)	**₱3,878,721,663**	**₱45,536,019,836**		₱3,398,766,516	₱41,979,897,938	
Dividends Payable (Note 13)	**281,190,000**			-		
Income tax payable	**30,509,188**			13,804,483		
Other current liabilities (Note 12)	**34,230,600**			64,581,008		
Total Current Liabilities	**4,224,651,451**			3,477,152,007		
Noncurrent Liability						
Retirement obligation (Note 16)	**27,620,893**			27,620,893		
Total Liabilities	**4,252,272,344**			3,504,772,900		
Equity (Notes 13 and 16)						
Capital stock	**468,650,000**			468,650,000		
Capital in excess of par value	**47,499,024**			47,499,024		
Cost of share-based payment	**32,930,377**			29,767,551		
Accumulated translation adjustment	**(18,957,792)**			(22,976,500)		
Loss on remeasurement of retirement obligation	**(8,243,643)**			(8,243,643)		
Retained earnings:						
Appropriated	**140,028,578**			107,520,383		
Unappropriated	**425,933,769**			680,802,693		
Total Equity	**1,087,840,313**			1,303,019,508		
TOTAL LIABILITIES AND EQUITY	**₱5,340,112,657**	**₱51,015,251,307**	**₱51,015,251,307**	₱4,807,792,408	₱47,265,033,481	₱47,265,033,481

See accompanying Notes to Consolidated Financial Statements.

COL FINANCIAL GROUP, INC. AND SUBSIDIARY
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	For the three months Ended March 31	
	2014	2013
REVENUES		
Commissions	**₱93,111,874**	₱172,659,968
Others:		
Interest income (Note 14)	**48,392,563**	49,606,514
Gain on financial assets at FVPL - net (Note 6)	**2,269,158**	794,855
Others	**100,973**	130,846
	143,874,568	223,192,183
COST OF SERVICES		
Commission expense (Note 18)	**17,295,656**	39,130,978
Personnel costs - operations (Note 15)	**10,128,135**	9,747,973
Stock exchange dues and fees	**2,158,969**	3,838,876
Central depository fees	**1,966,980**	2,124,962
Others:		
Communications	**5,903,998**	5,772,186
Others	**328,922**	733,121
	37,782,660	61,348,096
GROSS PROFIT	**106,091,908**	161,844,087
OPERATING EXPENSES		
Administrative expenses:		
Personnel costs (Note 15)	**5,650,131**	5,544,533
Professional fees (Note 18)	**4,875,258**	5,042,186
Rentals (Note 19)	**2,884,395**	2,600,457
Advertising and marketing	**2,731,927**	2,755,767
Taxes and licenses	**1,199,650**	999,712
Donations and contributions	**1,000,000**	-
Power, light and water	**975,571**	759,185
Security and messengerial services	**945,771**	696,071
Repairs and maintenance	**900,004**	197,554
Bank charges	**802,696**	748,723
Office supplies	**663,591**	732,159
Insurance and bonds	**613,910**	572,444
Condominium dues	**448,725**	434,882
Transportation and travel	**312,745**	383,446
Trainings, seminars and meetings	**254,974**	273,995
Membership fees and dues	**253,083**	229,573
Representation and entertainment	**235,115**	319,583
Communications	**170,647**	86,937
Stock option expense (Note 16)	**143,000**	143,000
Directors' fees	**95,000**	50,000
Others	**415,488**	196,391
	25,571,681	22,766,598
Depreciation and amortization (Note 8)	**3,766,870**	3,205,746
Provision for credit losses	**1,276,915**	1,352,033
Foreign exchange losses-net	**49,830**	35,585
	30,665,296	27,359,962
INCOME BEFORE INCOME TAX	**75,426,612**	134,484,125
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 17)		
Current	**18,383,846**	25,451,377
Deferred	**(1,786,505)**	(948,732)
	16,597,341	24,502,645
NET INCOME	**₱58,829,271**	₱109,981,480

See accompanying Notes to Consolidated Financial Statements.

COL FINANCIAL GROUP, INC. AND SUBSIDIARY
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the three months Ended March 31	
	2014	2013
NET INCOME	**₱58,829,271**	₱109,981,480
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		
Item that may be reclassified subsequently to consolidated statements of income:		
Translation adjustments - net of tax	**4,018,710**	(2,297,080)
TOTAL COMPREHENSIVE INCOME	**₱62,847,981**	₱107,684,400
Earnings Per Share (Note 24)		
Basic	**₱0.13**	₱0.23
Diluted	**₱0.12**	₱0.23

See accompanying Notes to Consolidated Financial Statements.

COL FINANCIAL GROUP, INC. AND SUBSIDIARY

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2014

(With Comparative Figures for the Three Months Ended March 31, 2013)

	Capital Stock	Capital in Excess of Par Value	Cost of Share-Based Payment	Accumulated Translation Adjustment	Loss on Remeasurement of Retirement Obligation	Retained Earnings		Total
						Appropriated	Unappropriated	
Balances at December 31, 2012	₱467,810,000	₱47,499,024	₱33,263,658	(₱46,245,403)	(₱9,056,787)	₱75,458,201	₱704,524,482	₱1,273,253,175
Issuance of shares upon exercise of stock options (Note 16)	840,000	–	–	–	–	–	–	840,000
Cost of share-based payment (Note 16)	–	–	(396,248)	–	–	–	–	(396,248)
Declaration of cash dividend (Note 13)	–	–	–	–	–	–	(295,249,500)	(295,249,500)
Net income for the period	–	–	–	–	–	–	109,981,480	109,981,480
Other comprehensive loss	–	–	–	(2,297,080)	–	–	–	(2,297,080)
Total comprehensive income (loss) for the period	–	–	–	(2,297,080)	–	–	109,981,480	107,684,400
Appropriation of retained earnings (Note 13)	–	–	–	–	–	32,062,182	(32,062,182)	–
Balances at March 31, 2013	₱468,650,000	₱47,499,024	₱32,867,410	(₱48,542,483)	(₱9,056,787)	₱107,520,383	₱487,194,280	₱1,086,131,827
Balances at December 31, 2013	₱468,650,000	₱47,499,024	₱29,767,551	(₱22,976,500)	(₱8,243,643)	₱107,520,383	₱680,802,693	₱1,303,019,508
Cost of share-based payment (Note 16)	–	–	3,162,826	–		–	–	3,162,826
Declaration of cash dividend (Note 13)	–	–	–	–		–	(281,190,000)	(281,190,000)
Net income for the period	–	–	–	–		–	58,829,271	58,829,271
Other comprehensive income	–	–	–	4,018,708		–	–	4,018,708
Total comprehensive income (loss) for the period	–	–	–	4,018,708		–	58,829,271	62,847,979
Appropriation of retained earnings (Note 13)	–	–	–	–		32,508,195	(32,508,195)	–
Balances at March 31, 2014	₱468,650,000	₱47,499,024	₱32,930,377	(₱18,957,792)	(₱8,243,643)	₱140,028,578	₱425,933,769	₱1,087,840,313

See accompanying Notes to Consolidated Financial Statements.

COL FINANCIAL GROUP, INC. AND SUBSIDIARY
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the three months Ended March 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱75,426,612**	₱134,484,125
Adjustments for:		
Interest income (Note 14)	**(48,392,563)**	(49,606,514)
Depreciation and amortization (Note 8)	**3,832,632**	3,713,847
Stock option expense (Note 16)	**143,000**	143,000
Unrealized loss (gain) on financial assets at FVPL	**(13,380)**	–
Dividend income (Note 6)	**(156)**	(834)
Operating income before working capital changes	**30,996,145**	88,733,624
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Cash in a segregated account	**(48,055,974)**	(26,568,650)
Financial assets at FVPL	**6,846,976**	2,708,681
Trade receivables	**(277,746,956)**	(531,908,719)
Other receivables	**1,426,832**	533,536
Prepayments	**(4,134,026)**	(4,081,124)
Other noncurrent assets	**(1,919,189)**	(5,520,963)
Increase (decrease) in:		
Trade payables	**477,878,950**	817,259,658
Other current liabilities	**(30,464,162)**	(7,340,195)
Net cash generated from operations	**154,828,596**	333,815,847
Interest received	**46,453,096**	49,733,448
Dividends received	**156**	834
Net cash flows from operating activities	**201,281,848**	383,550,129
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment (Note 8)	**(1,591,766)**	(2,722,452)
Net cash flows used in investing activities	**(1,591,766)**	(2,722,452)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	–	840,000
Net cash flows provided from financing activities	–	840,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	**199,690,082**	381,667,677
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**3,203,489,204**	2,583,051,902
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	**₱3,403,179,286**	₱2,964,719,579

See accompanying Notes to Consolidated Financial Statements.

COL FINANCIAL GROUP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

COL Financial Group, Inc. (COL Financial, Parent Company) was registered with the Philippine Securities and Exchange Commission (SEC) on August 16, 1999, primarily to engage in the business of broker of securities and to provide stockbrokerage services through innovative internet technology. COL Securities (HK) Limited (COLHK, Subsidiary), a wholly-owned foreign subsidiary, was domiciled and incorporated in Hong Kong, primarily to act as stockbroker and invest in securities. In the normal course of business, the Parent Company and COLHK (the Group) are also engaged in providing financial advice, in the gathering and distribution of financial and investment information and statistics and in acting as financial, commercial or business representative. The registered address of the Parent Company is Unit 2401-B East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City, Philippines. The registered address of COLHK is Room 803, Luk Yu Building, 24-26 Stanley Street, Hong Kong.

2. **Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Principles**

Basis of Preparation
The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL), which have been measured at fair value. The Group's consolidated financial statements are presented in Philippine peso, which is the presentation currency under Philippine Financial Reporting Standards (PFRS). Based on the economic substance of the underlying circumstances relevant to the Group, the functional currencies of the Parent Company and COLHK have been determined to be Philippine peso and Hong Kong (HK) dollar, respectively. All values are rounded to the nearest peso, except as otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with accounting principles generally accepted in the Philippines. The Group prepared its consolidated financial statements in accordance with PFRS, except for the use of closing prices for the valuation of equity securities as required by the Securities Regulation Code (SRC). PFRS requires the use of current bid prices for valuation of equity securities held.

Basis of Consolidation
The consolidated financial statements include the accounts of the Parent Company and COLHK, a 100% owned and controlled foreign subsidiary, after eliminating significant intercompany balances and transactions.

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Parent Company controls an investee if and only if the Parent Company has all of the following:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the Parent Company's returns.

The Subsidiary is consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continues to be consolidated until the date that such control ceases. The financial statements of the Subsidiary are prepared for the same reporting year as the Parent Company,

using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year. The nature and impact of each new standard and amendment adopted in 2013 are as follows:

- PFRS 1, First-time Adoption of International Financial Reporting Standards - *Government Loans* (Amendments)
  The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, *Financial Instruments: Recognition and Measurement*, and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. These amendments are not relevant to the Group.

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments: Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

  As the Group is not setting off financial instruments in accordance with PAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group. The Group is presenting its financial assets and financial liabilities at gross amounts in the consolidated statements of financial position.

- PFRS 10, *Consolidated Financial Statements*
  The Group adopted PFRS 10 in the current year. PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in Standing Interpretations Committee (SIC) 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The new standard is applicable but it has no impact to the Group since the Parent Company's subsidiary is wholly owned.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The amendment does not have an impact on the Group since the Group has no related joint venture arrangement.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). The new standard has no impact to the Group since the Parent Company's subsidiary is wholly owned and the Group has no interests in joint arrangements, associates and structured entities.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

  The Group has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 22.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)
  The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments were applied retrospectively and resulted to the modification of the presentation of items of OCI on the consolidated statements of comprehensive income.

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The revised standard is not applicable to the consolidated financial statements.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard is not applicable to the Group since it does not have investments in associates and joint ventures.

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal costs ('stripping costs') that are incurred in surface mining activity during the production phase of the mine ('production stripping costs'). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for

the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a noncurrent asset, only if certain criteria are met ('stripping activity asset'). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. The interpretation is not relevant to the Group.

Annual Improvements to PFRSs (2009-2011 cycle)

The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Group adopted these amendments for the current year.

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
  The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
  These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. As a result, the Group has not included a complete comparative information in respect of the opening consolidated statement of financial position as at January 1, 2012. The amendments affect presentation only and have no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment is not relevant to the Group.

- PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment does not have any impact on the Group's financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

- PAS 19, *Employee Benefits* (Revised)
  The revised standard includes a number of amendments that range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. On January 1, 2013, the Group adopted the revised standards retrospectively, with permitted exception on sensitivity disclosures for the defined benefit obligation for the comparative period which have not been provided.

  For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in OCI and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

  Prior to adoption of the Revised PAS 19, the Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded ten percent (10%) of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the Revised PAS 19, the Group changed its accounting policy to recognize all actuarial gains and losses in OCI and all past service costs in the consolidated statement of income in the period they occur.

  The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

  The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

  Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact to the Group's financial position and financial performance.

Several other amendments apply for the first time in 2014. However, they do not impact the consolidated financial statements of the Group.

The nature and the impact of each new standard and amendment are described below:

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. These amendments do not have an impact to the Group.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
  These amendments are effective for annual periods beginning on or after January 1, 2014. They

provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at FVPL. The amendments are not relevant to the Group.

- Philippine Interpretation IFRIC 21, *Levies*
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. This new standard is not applicable to the Group.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The amended standard does not have an impact on the consolidated financial statements.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amended standard is not expected to have an impact on the consolidated financial statements.

Summary of Significant Accounting Policies

Foreign Currency Translation
Transactions in foreign currencies are initially recorded in the prevailing functional currency exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the closing functional currency rate of exchange at the end of the reporting period. All differences are taken to the consolidated statement of income.

The financial statements of the foreign consolidated subsidiary are translated at closing exchange rates with respect to the consolidated statement of financial position, and at the average exchange rates for the year with respect to the consolidated statement of income. Resulting translation differences are included in equity (under accumulated translation adjustment). Upon disposal of the foreign subsidiary, accumulated exchange differences are recognized in the consolidated statement of income as a component of the gain or loss on disposal.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of acquisition and that are subject to insignificant risk of changes in value.

Cash in a Segregated Account
Cash in a segregated account represents clients' monies maintained by COLHK with a licensed bank arising from its normal course of business.

Financial Instruments - Initial Recognition and Subsequent Measurement
Date of Recognition
Financial instruments are any contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial Recognition and Classification of Financial Instruments
All financial assets, including trading and investment securities and loans and receivables, are initially measured at fair value. Except for securities valued at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, HTM investments, available-for-sale (AFS) financial assets, and loans and receivables. The classification depends on the purpose for which the financial instruments were acquired and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at each end of the reporting period. The Group's financial assets are of the nature of financial assets at FVPL, and loans and receivables. As at March 31, 2014 and December 31, 2013, the Group has no HTM investments and AFS financial assets.

Also under PAS 39, all financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. Financial liabilities are classified as at FVPL or other financial liabilities. The Group's financial liabilities as at March 31, 2014 and December 31, 2013 are of the nature of other financial liabilities.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

Financial Assets and Financial Liabilities at FVPL
Financial assets and financial liabilities at FVPL include financial assets and financial liabilities held for trading purposes, financial assets and financial liabilities designated upon by management at initial recognition as at FVPL, and derivative instruments (including bifurcated embedded derivatives). Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term.

Financial assets or financial liabilities are designated as at FVPL on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or

- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in 'Gain on financial assets at FVPL - net' in the consolidated statement of income. Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded in other revenues according to the terms of the contract, or when the right of the payment has been established.

As at March 31, 2014 and December 31, 2013, the Group has no financial assets and financial liabilities that have been designated as at FVPL. As at March 31, 2014 and December 31, 2013, the Group has financial assets which are held for trading purposes that are classified as financial assets at FVPL.

HTM Investments
HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, during either the current financial year or the two (2) preceding financial years, the entire category would be tainted and reclassified as AFS financial assets and will be re-measured to fair value. After initial measurement, these investments are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR.

The amortization is included in 'Interest income' in the consolidated statement of income. Gains and losses are recognized in income when the HTM investments are derecognized and impaired, as well as through the amortization process. The losses arising from impairment of such investments are recognized in the consolidated statement of income.

As at March 31, 2014 and December 31, 2013, the Group has no HTM investments.

Loans and Receivables
These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables.

This accounting policy mainly relates to the consolidated statement of financial position captions 'Cash and cash equivalents', 'Cash in a segregated account', 'Trade and other receivables' and refundable deposits under 'Other noncurrent assets', which arise primarily from service revenues and other types of receivables.

Receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, loans and receivables are subsequently measured at amortized cost using the EIR method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the consolidated statement of income. The losses arising from impairment are recognized in 'Provision for credit losses' in the consolidated statement of income.

Other Financial Liabilities
Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue. After initial measurement, other financial liabilities are measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. Any effects of restatement of foreign currency-denominated liabilities are recognized in 'Foreign exchange gains - net' account in the consolidated statement of income.

This accounting policy applies primarily to the consolidated statement of financial position captions 'Trade payables' and 'Other current liabilities' and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable and other government payables).

Fair Value Measurement
The Group measures financial instruments, such as, financial assets at FVPL at fair value at each end of

the reporting period. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 22.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statement are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at each end of the reporting period.

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business on the end of the reporting period.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include comparison to similar investments for which market observable prices exist and discounted cash flow analysis or other valuation models.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

<u>Trade Receivables and Payables</u>
Trade receivables from customers, which include margin accounts and payable to clearing house and other brokers arise from securities purchased (in a regular way transaction) that have been contracted for but not yet delivered at the end of the reporting period. Payable to customers and receivable from clearing house and other brokers arise from securities sold (in a regular way transaction) that have been contracted for but not yet delivered at the end of the reporting period. Refer to the accounting policy for 'Loans and receivables' and 'Other financial liabilities' for recognition and measurement. The related security valuation shows all positions as of clearance date.

Derecognition of Financial Instruments

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired;

- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

When the Group continues to recognize an asset to the extent of its continuing involvement, the entity also recognizes an associated liability. Despite the other measurement requirements in PFRS, the transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained. The associated liability is measured in such a way that the net carrying amount of the transferred asset and the associated liability is:

a. the amortized cost of the rights and obligations retained by the entity, if the transferred asset is measured at amortized cost; or

b. equal to the fair value of the rights and obligations retained by the entity when measured on a stand-alone basis, if the transferred asset is measured at fair value.

The Group shall continue to recognize any income arising on the transferred asset to the extent of its continuing involvement and shall recognize any expense incurred on the associated liability.

Financial Liabilities

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

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

Impairment of Financial Assets

The Group assesses at each end of the reporting period whether a financial asset or group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Assets Carried at Amortized Cost

The Group assesses, at each end of the reporting period, whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

In relation to receivables, a provision for credit losses is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Offsetting of Financial Instruments

Financial assets and liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and the liability simultaneously.

As at March 31, 2014 and December 31, 2013, the Group is not setting off financial instruments in accordance with PAS 32 and does not have relevant offsetting arrangements. The Group is presenting its financial assets and financial liabilities at gross amounts in the consolidated statement of financial position.

Input Value-added Taxes (VAT)

Input VAT represents VAT imposed on the Parent Company by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations.

Input VAT is stated at its estimated net realizable values.

Prepayments and Other Noncurrent Assets

The Group's prepayments are composed of prepaid insurance, prepaid taxes, prepaid subscriptions and other prepayments. Other noncurrent assets are composed of deposit to CTGF, refundable deposits and input VAT. These assets are classified as current when it is probable to be realized within one (1) year

from the end of the reporting period. Otherwise, these are classified as noncurrent assets.

Property and Equipment

Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment, if the recognition criteria are met.

The initial cost of property and equipment comprises its purchase price, including import duties, non-refundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged against income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation and amortization is computed on the straight-line basis over the following estimated useful lives of the assets:

Category	Number of Years
Furniture, fixtures and equipment	3-10
Leasehold improvements	5 or term of lease, whichever is shorter

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized. The asset's residual values, if any, useful lives and methods are reviewed and adjusted if appropriate, at each end of the reporting period.

Intangibles

Intangibles are composed of exchange trading rights, which are carried at cost less any allowance for impairment losses. Exchange trading rights are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying values may be impaired. The exchange trading rights are deemed to have indefinite useful lives as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. The Parent Company does not intend to sell its exchange trading right in the near future. COLHK's exchange trading right is a nontransferable right.

Impairment of Non-financial Assets

The Group assesses at each end of the reporting period whether there is an indication that its prepayments, property and equipment, intangibles and other noncurrent assets may be impaired. If any such indication exists or when the annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's value-in-use (VIU) or its fair value less costs to sell. The fair value less costs to sell is the amount obtainable from the sale of an asset at an arm's-length transaction, while VIU is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Where the carrying amount of an asset exceeds its recoverable

amount, the asset is considered impaired and is written down to its recoverable amount. An impairment loss is recognized by a charge against current operations for the excess of the carrying amount of an asset over its recoverable amount in the year in which it arises.

A previously recognized impairment loss is reversed by a credit to current operations to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of any accumulated depreciation and amortization) had no impairment loss been recognized for the asset in prior years.

Leases

Determination of Whether an Arrangement Contains a Lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;

(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or

(d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Group as a Lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are made by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

Capital Stock and Capital in Excess of Par Value

The Parent Company has issued capital stock that is classified as equity. Incremental costs directly attributable to the issue of new capital stock are shown in equity as a deduction, net of any related tax benefit, from the proceeds.

Where the Group purchases the Parent Company's capital stock (treasury shares), the consideration paid, including any directly attributable incremental costs (net of applicable taxes) is deducted from

equity attributable to the Parent Company's stockholders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity.

Amount of contribution in excess of par value is accounted for as a capital in excess of par value. Capital in excess of par value also arises from additional capital contribution from the stockholders.

Retained Earnings

Retained earnings are accumulated profits realized out of normal and continuous operations of the business after deducting therefrom distributions to stockholders and transfers to capital or other accounts. Cash and stock dividends are recognized as a liability and a deduction from equity when they are approved by the Group's BOD and stockholders, respectively. Dividends for the year that are approved after the end of the reporting period are dealt with as an event after the end of the reporting period.

Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The Group is acting as principal in all arrangements except for its brokerage transactions. The following specific recognition criteria must also be met before revenue is recognized:

Commissions

Commissions are recognized as income upon confirmation of trade deals. These are computed based on a flat rate for every trade transaction.

Interest

Interest income is recognized as it accrues taking into account the effective yield of the asset.

Dividend

Dividend income is recognized when the right to receive payment is established, which is the date of declaration.

Other Income

Revenue is recognized in the consolidated statement of income as they are earned.

Cost and Expenses

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost and expenses are recognized when the related revenue is earned or when the service is incurred. The majority of cost and expenses incurred by the Group such as commissions, personnel costs, professional fees, and computer services, are overhead in nature and are recognized with regularity as the Group continues its operations.

Share-Based Payment Transactions

Certain employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, vesting conditions, including performance conditions, other than market conditions (conditions linked to share prices), shall not be taken into account when estimating the fair value of the shares or share options at the

measurement date. Instead, vesting conditions are taken into account in estimating the number of equity instruments that will vest. The fair value is determined using an appropriate pricing model, further details of which are given in Note 16 to the notes to consolidated financial statements.

The cost of equity-settled transactions is recognized in the consolidated statement of income, together with a corresponding increase in equity, over the period in which service conditions are fulfilled, ending on the date on which relevant employees become fully entitled to the award (vesting date). The cumulative expense recognized for equity-settled transactions at each end of the reporting period until the vesting date reflects the extent to which the vesting period has expired and the number of awards, based on the best available estimate of number of equity instruments in the opinion of the management of the Group, will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The Group has applied PFRS 2, only to equity-settled awards granted after November 7, 2002 that had not vested on or before January 1, 2005.

Prior to January 1, 2005, the Group did not recognize any expense for share options granted but disclosed required information for such options (see Note 16). The Group recognizes capital stock upon the exercise of the stock options.

The dilutive effect of outstanding stock options is reflected as additional share dilution in the computation of diluted earnings per share (EPS) (see Note 24).

<u>Retirement Costs</u>
The Parent Company has a noncontributory defined benefit retirement plan.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries.

Defined benefit costs comprise the following:

- Service cost

- Net interest on the net defined benefit liability or asset

- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as 'Retirement costs' under personnel costs in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as 'Interest expense' in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to the consolidated statement of income in subsequent periods. Remeasurements recognized in OCI after the initial adoption of the Revised PAS 19 are retained in OCI which is presented as 'Loss on remeasurement of retirement obligation' under equity.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

The retirement plan of COLHK is a defined contribution retirement plan. Under a defined contribution retirement plan, the entity's legal and constructive obligation is limited to the amount that it agrees to contribute to the fund. Thus, the amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by an entity to a post-employment benefit plan, together with investment returns arising from the contributions. Consequently, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be sufficient to meet expected benefits) fall on the employee.

The standard requires an entity to recognize short-term employee benefits when an employee has rendered service in exchange of those benefits.

EPS

Basic EPS is computed by dividing earnings applicable to common stock by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year.

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year, and adjusted for the effect of dilutive options.

Outstanding stock options will have a dilutive effect under the treasury stock method only when the

average market price of the underlying common share during the period exceeds the exercise price of the option. Where the effect of the exercise of all outstanding options has anti-dilutive effect, basic and diluted EPS are stated at the same amount.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The income tax rates and income tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Deferred Income Tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor the taxable income or loss.

With respect to investments in foreign subsidiaries, deferred income tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each end of the reporting period and are recognized to the extent that it has become probable that future taxable income will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on income tax rates and income tax laws that have been enacted or substantively enacted at the end of the reporting period.

Current income tax and deferred income tax relating to items recognized directly in equity is also recognized in equity and not in the consolidated statement of income. Deferred income tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and deferred income taxes related to the same taxable entity and the same taxation authority.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Segment Reporting

The Group’s operating businesses are organized and managed separately according to the geographical location of its operations, with each segment representing a unit that offers stockbrokerage services and

serves different markets. Financial information on geographical segments is presented in Note 26. The Group operates in one business segment, being stockbrokerage services; therefore, business segment information is no longer presented.

Events After the Reporting Period
Post-year-end events that provide additional information about the Group's position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed when material.

Standards Issued But Not Yet Effective
The Group will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have a significant impact on its consolidated financial statements.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The amendment is not relevant to the Group.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. The amendment is not expected to have an impact on the consolidated financial statements.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PFRS 9, *Financial Instruments* (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amended standard is not expected to have an impact on

the consolidated financial statements.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The Group does not expect that the amendment will have material financial impact in future consolidated financial statements.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

    a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

    b) The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

    a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

    b) The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  The amendments are effective for annual periods beginning on or after July 1, 2014. The

amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. These amendments are not relevant to the Group.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively. The amendment has no impact on the Group's financial position or performance.

- PAS 40, *Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no impact on the Group's financial position or performance.

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at FVPL. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at FVPL. For liabilities designated as at FVPL using the FVO, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of

PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

The revised, amended and additional disclosures or accounting changes provided by the standards and interpretations will be included in the consolidated financial statements in the year of adoption, if applicable.

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Group, the functional currencies of the Parent Company and COLHK have been determined to be Philippine peso and Hong Kong dollar, respectively. The Philippine peso and the Hong Kong dollar are the currencies of the primary economic environments in which the Parent Company and COLHK, respectively, operate.

They are the currencies that mainly influence the revenue and expenses of each of the respective entities of the Group.

Operating Lease Commitments - Group as Lessee
The Group has entered into commercial property leases on its facility and administrative office locations. The Group has determined that these are operating leases since they do not retain all the significant risks and rewards of ownership of these properties.

Classifying Financial Assets at FVPL
The Group classifies financial assets that are held for trading as financial assets at FVPL. These financial assets are held for the purpose of selling in the short term. As at March 31, 2014 and December 31, 2013 the Group has financial assets at FVPL amounting to ₱464,165 and ₱7,210,678, respectively (see Note 6).

Deferred Income Tax Assets
The Group reviews the carrying amounts of deferred income tax assets at each reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group has net deferred income tax assets amounting to ₱56,484,842 and ₱53,303,732 as at March 31, 2014 and December 31, 2013, respectively (see Note 17).

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimating Impairment of Trade and Other Receivables
The Group reviews its receivables at each end of the reporting period to assess whether provision for impairment losses should be recorded in the consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. The Group individually assesses receivables when the value of the collateral falls below the management-set level. When no payment is received within a specified timeframe, the outstanding balance is deemed impaired. Collective assessment is based on the age of the financial assets and historical expected losses adjusted for current conditions.

As at March 31, 2014 and December 31, 2013, the allowance for credit losses on trade and other receivables amounted to ₱12,463,115 and ₱11,186,200, respectively (Note 7).

The carrying value of trade and other receivables as at March 31, 2014 and December 31, 2013 amounted to ₱1,644,370,944 and ₱1,358,644,545, respectively (see Note 7).

Estimating Useful Lives of Property and Equipment
The Group estimates the useful lives of its property and equipment based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in the Group's estimates brought about by changes in the factors mentioned. Depreciation and amortization amounted to ₱3,832,632 and ₱3,713,847 in March 2014 and 2013, respectively. As at March 31, 2014 and December 31, 2013, the net book values of property and equipment amounted to ₱36,832,647 and ₱39,066,499, respectively (see Note 8).

Assessing Impairment of Property and Equipment and Other Noncurrent Assets
The Group assesses impairment on property and equipment and other noncurrent assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be

recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;

- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and

- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less the costs of disposal while value-in-use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

Based on management's assessment, there are no indications of impairment on the Group's property and equipment as at March 31, 2014 and December 31, 2013.

No impairment loss was recognized as at March 31, 2014 and December 31, 2013 for property and equipment and other noncurrent assets.

As at March 31, 2014 and December 31, 2013 the Group has no allowance for impairment losses on property and equipment. The net book values of property and equipment amounted to ₱36,832,647 and ₱39,066,499, respectively (see Note 8).

As at March 31, 2014 and December 31, 2013, allowance for impairment losses on other noncurrent assets amounted to ₱13,724,200. The net book values of other noncurrent assets amounted to ₱8,317,397 and ₱8,048,137, respectively (see Note 10).

Determining Useful Lives and Impairment of the Intangibles
Intangibles include exchange trading rights, which are carried at cost less any allowance for impairment loss. Exchange trading rights are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying values may be impaired. The exchange trading rights are deemed to have indefinite useful lives as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

The management's impairment test for the Parent Company's exchange trading right is based on the available market value while COLHK's exchange trading right is based on value-in-use calculation that uses a discounted cash flow model. The cash flows are derived from the budget for the next five (5) years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used. The key assumptions used to determine the recoverable amount for the cash generating unit are further explained in Note 9. The Group does not intend to sell the exchange trading rights in the near future. As at March 31, 2014 and December 31, 2013, the carrying values of intangibles amounted to ₱23,502,957 and ₱23,269,449, respectively (see Note 9).

Determining Fair Values of Financial Instruments
PFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of accounting judgment and estimates. While significant components of fair value measurement are determined using verifiable objective evidence (e.g., foreign exchange rates, interest rates and volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and liabilities would directly affect the statement of income and the statement of changes in equity.

The fair values of the Group's financial assets as at March 31, 2014 and December 31, 2013 amounted to ₱5,213,132,715 and ₱4,686,524,340, respectively, while the fair values of financial liabilities as at March 31, 2014 and December 31,2013 amounted to ₱4,185,486,386 and ₱3,444,430,627, respectively (see Note 22).

Estimating Contingencies
The Group evaluates legal and administrative proceedings to which it is involved based on analysis of potential results. Management and its legal counsels do not believe that any current proceedings will have material adverse effects on its financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings.

Share-based Payments
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payments are disclosed in Note 16. As at March 31, 2014 and December 31, 2013, cost of share-based payment in equity amounted to ₱32,930,377 and ₱29,767,551, respectively (see Note 16).

Retirement Obligation
The cost of defined benefit retirement plans is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting dates. As at March 31, 2014 and December 31, 2013, the retirement obligation of the Parent Company amounted to ₱27,620,893.

4. Cash and Cash Equivalents

	March 31, 2014 (Unaudited)	December 31,2013 (Audited)
Cash on hand and in banks	**₱998,811,832**	₱1,427,104,041
Short-term cash investments	**2,404,367,454**	1,776,385,163
	₱3,403,179,286	₱3,203,489,204

Cash in banks earn interest at the respective bank deposit rates. Short-term cash investments are made for varying periods of up to three (3) months depending on the Group's immediate cash requirements, and earn interest at 0.7% to 2.0% per annum in 2014 and 0.8% to 1.9% per annum in 2013. Interest income of the Group amounted to ₱6,795,277 and ₱14,998,693 in March 31, 2014 and 2013, respectively. The Parent Company has U.S dollar-denominated cash in banks as of March 31, 2014 and

December 31, 2013 (see Note 21).

In compliance with SRC Rule 49.2 covering customer protection and custody of securities, the Parent Company maintains special reserve bank accounts for the exclusive benefit of its customers amounting to ₱2,958,027,991 and ₱2,800,523,622 as at March 31, 2014 and December 31, 2013, respectively. The Parent Company's reserve requirement is determined based on the SEC's prescribed computations. As at March 31, 2014 and December 31, 2013, the Parent Company's reserve accounts are adequate to cover its reserve requirements.

5. Cash in a Segregated Account

COLHK receives and holds money deposited by clients in the course of the conduct of the regulated activities of its ordinary business. These clients' monies are maintained with a licensed bank. The Group has classified the clients' monies under current assets in the consolidated statement of financial position and recognized a corresponding payable to customers on grounds that it is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

As of March 31, 2014 and December 31, 2013, cash in a segregated account for COLHK amounted to ₱160,649,398 and ₱112,593,425, respectively.

6. Financial Assets at FVPL

Financial assets at FVPL pertain to investments in shares of stocks of companies listed in the PSE and major US Stock Exchanges. The Group recognized from fair value changes of these financial instruments a gain of ₱2,269,158 and ₱794,855 in March 31, 2014 and 2013, respectively. Dividend income included under other revenues amounted to ₱156 and ₱834 in March 2014 and 2013, respectively.

Financial assets at FVPL as at March 31, 2014 and December 31, 2013 amounted to ₱464,165 and ₱7,210,678, respectively.

7. Trade and Other Receivables

	March 31, 2014 (Unaudited)	December 31,2013 (Audited)
Trade receivables:		
Customers	**₱1,578,557,675**	₱1,229,452,643
Clearing house	**53,139,158**	123,005,869
Other broker	**8,930,876**	1,621,266
	1,640,627,709	1,354,079,778
Less allowance for credit losses on receivable from customers	**3,502,870**	2,225,955
	₱1,637,124,839	₱1,351,853,823
Other receivables:		
Accrued interest	**₱3,607,895**	₱3,338,285
Others	**12,598,455**	12,412,682
	16,206,350	15,750,967
Less allowance for credit losses on other receivables	**8,960,245**	8,960,245
	₱7,246,105	₱6,790,722

The Parent Company has a credit line facility (involving margin accounts) for qualified customers with the outstanding balance subject to an interest rate ranging from 1.0% to 1.5% per month. Total credit line offered by the Parent Company amounted to ₱5,327,125,000 and ₱5,376,475,000 as of March 31,

2014 and December 31, 2013, respectively. Interest income from customers amounted to ₱41,597,286 and ₱34,607,821 in March 31, 2014 and 2013, respectively.

The Group's receivable from customers, arising from the credit line facility, and its security valuation follows:

	March 31, 2014 (Unaudited)		December 31, 2013 (Audited)	
	Money Balance	**Security Valuation**	Money Balance	Security Valuation
Cash and fully secured accounts:				
More than 250%	**₱640,648,178**	**₱3,844,333,913**	₱517,088,328	₱3,981,294,253
Between 200% and 250%	**306,588,191**	**687,095,597**	169,609,557	394,350,385
Between 150% and 200%	**394,764,798**	**729,048,224**	426,526,656	805,012,268
Between 100% and 150%	**116,260,922**	**124,526,400**	58,594,993	66,008,079
Less than 100%	**115,545,623**	**93,763,172**	37,922,882	31,259,880
Unsecured accounts	**4,749,963**	–	19,710,227	–
	1,578,557,675	**5,478,767,306**	1,229,452,643	5,277,924,865
Less allowance credit losses on receivable from customers	**3,502,870**	–	2,225,955	–
	₱1,575,054,805	**₱5,478,767,306**	₱1,227,226,688	₱5,277,924,865

Trade receivables from margin customers have no specific credit terms but customers are required to maintain the value of their collateral within a specific level. Once the value of the collateral falls down this level, customers may either deposit additional collateral or sell stock to cover their account balance. Meanwhile, receivables from post-paid customers are required to be settled on two (2) trading days' term for COLHK and three (3) trading days' term for the Parent Company. The receivable balances become demandable upon failure of the customer to duly comply with these requirements. As at March 31, 2014 and December 31, 2013, ₱1,458,262,089 and ₱1,171,819,534, respectively, of the total trade receivables from customers are fully covered by collateral.

Trade receivables from clearing house as at March 31, 2014 and December 31, 2013 were fully collected subsequently in April 2014 and January 2014, respectively. These are noninterest-bearing and are collected on two (2) trading days' term and three (3) trading days' term following the settlement convention of HK and Philippines clearing houses, respectively.

Other receivables as at March 31, 2014 and December 31, 2013 include the amount of ₱8,960,245 representing additional corporate income tax paid under protest by the Parent Company for the taxable year 2009. For the first, second and third quarters of the taxable year 2009, the Parent Company used the itemized method of deduction in determining its income tax payable for the same period. In its final adjusted income tax return, it opted to use the forty percent (40%) optional standard deduction (OSD) to determine the final income tax payable for 2009, pursuant to Republic Act (RA) No. 9504 effective July 7, 2008, as implemented by Revenue Regulations (RR) No. 16-08 dated November 26, 2008 (see Note 18). However on March 14, 2010, RR No. 2-2010 became effective and amended Section 7 of RR No. 16-08, which required taxpayers to signify the election to claim either the OSD or itemized deduction during the filing of the first quarter income tax return which must be consistently applied for all succeeding quarterly returns and in the final income tax returns for the taxable year. Likewise, Revenue Memorandum Circular (RMC) No. 16-2010 was issued on February 26, 2010, giving retroactive application to RR No. 2-2010.

The additional income tax paid under protest is for the sole purpose of avoiding any interest or penalty which may be subsequently imposed in erroneously applying RR No. 2-2010 and RMC No. 16-2010 retroactively in violation of Section 246 of the 1997 Tax Code, as amended. Payment of the additional income tax does not constitute an admission of any deficiency tax liability for the taxable year 2009 nor shall the same be construed as a waiver of the right to apply for and secure a refund of the tax erroneously paid for the period. Hence, on April 3, 2012, the Parent Company filed with the Court of Tax Appeals (CTA) a Petition for Review asking the CTA to require the Bureau of

Internal Revenue (BIR) to refund or issue a tax credit certificate for the aforementioned amount representing excess income tax paid for taxable year 2009. Pending the outcome of the Petition for Review, a 100% allowance for impairment loss was set up.

Other receivables as at March 31, 2014 and December 31, 2013 also include COLHK's provisional tax profits paid amounting to ₱2,437,714 and ₱2,406,950, respectively.

Movements in the allowance for credit losses follow:

	March 31, 2014 (Unaudited)			December 31, 2013 (Audited)		
	Customers	**Others**	**Total**	Customers	Others	Total
Balances at beginning of period	**₱2,225,955**	**₱8,960,245**	**₱11,186,200**	₱3,504,898	₱8,960,245	₱12,465,143
Provisions (reversal) for the period	**1,276,915**	–	**1,276,915**	(1,278,943)	–	(1,278,943)
Balances at end of period	**₱3,502,870**	**₱8,960,245**	**₱12,463,115**	₱2,225,955	₱8,960,245	₱11,186,200

The table below shows the aging of receivables:

March 31, 2014 (Unaudited)

	Total	**6 Months and less**	**Over 6 months to 1 year**	**Over 1 year**
Customers	**₱1,578,557,675**	**₱1,256,067,000**	**₱196,184,553**	**₱126,306,122**
Clearing house	**53,139,158**	**53,139,158**	**–**	**–**
Other broker	**8,930,876**	**8,930,876**	**–**	**–**
Accrued interest	**3,607,895**	**3,607,895**	**–**	**–**
Others	**12,598,455**	**3,638,210**	**–**	**8,960,245**
	₱1,656,834,059	**₱1,325,383,139**	**₱196,184,553**	**₱135,266,367**

December 31, 2013 (Audited)

	Total	6 Months and less	Over 6 months to 1 year	Over 1 year
Customers	₱1,229,452,643	₱918,808,204	₱293,948,178	₱16,696,261
Clearing house	123,005,869	123,005,869	–	–
Other broker	1,621,266	1,621,266	–	–
Accrued interest	3,338,285	3,338,285	–	–
Others	12,412,682	3,452,437	–	8,960,245
	₱1,369,830,745	₱1,050,226,061	₱293,948,178	₱25,656,506

8. Property and Equipment

March 31, 2014 (Unaudited)

	Furniture, Fixtures and Equipment	**Leasehold Improvements**	**Total**
Cost:			
At beginning of period	**₱107,508,042**	**₱26,059,499**	**₱133,567,541**
Additions	**1,591,765**	**-**	**1,591,765**
Translation adjustments	**197,965**	**10,477**	**208,442**
At end of period	**109,297,772**	**26,069,976**	**135,367,748**
Accumulated depreciation and amortization:			
At beginning of period	**74,006,748**	**20,494,294**	**94,501,042**
Depreciation and amortization for the period	**3,281,514**	**551,118**	**3,832,632**
Translation adjustments	**190,950**	**10,477**	**201,427**
At end of period	**77,479,212**	**21,055,889**	**98,535,101**
Net book values	**₱31,818,560**	**₱5,014,087**	**₱36,832,647**

December 31, 2013(Audited)

	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost:			
At beginning of year	₱90,084,154	₱26,000,432	₱116,084,586
Additions	16,307,767	–	16,307,767
Translation adjustments	1,116,121	59,067	1,175,188
At end of year	107,508,042	26,059,499	133,567,541
Accumulated depreciation and amortization:			
At beginning of year	59,507,053	18,180,332	77,687,385
Depreciation and amortization for the year	13,463,901	2,254,895	15,718,796
Translation adjustments	1,035,794	59,067	1,094,861
At end of year	74,006,748	20,494,294	94,501,042
Net book values	₱33,501,294	₱5,565,205	₱39,066,499

The above depreciation and amortization were distributed as follows:

	March 31, 2014 (Unaudited)	March 31, 2013 (Unaudited)
Cost of services	**₱65,762**	₱508,101
Operating expenses	**3,766,870**	3,205,746
	₱3,832,632	₱3,713,847

9. **Intangibles**

Philippine Operations
On August 15, 2006, the Parent Company purchased the Trading Right of Mark Securities Corporation amounting to ₱5,000,000. On December 13, 2006, the BOD of the PSE, in its regular meeting approved the application of the Parent Company as a Corporate Trading Participant in the PSE.

Hong Kong Operations
COLHK's exchange trading right is carried at its cost of HKD3,190,000. The carrying value of the exchange trading right is reviewed annually to ensure that this does not exceed the recoverable amount, whether or not an indicator of impairment is present. The said exchange trading right is non-transferable and cannot be sold to any third party independent of the total assets and liabilities of COLHK. As at March 31, 2014 and December 31, 2013, the carrying value of COLHK exchange trading right in Philippine peso amounted to ₱18,502,957 and ₱₱18,269,449, respectively.

The recoverable amount of exchange trading rights of COLHK has been determined based on a value in use calculation. That calculation uses cash from projections based on a financial budget approved by management covering a five-year period, and a discount rate ranging from 8.38% to 11.50%. Management believes that any reasonably possible change in the key assumptions on which the exchange trading rights' recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

Movements in exchange trading rights follow:

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
Beginning balance	**₱23,269,449**	₱21,952,936
Translation adjustment	**233,508**	1,316,513
Ending balance	**₱23,502,957**	₱23,269,449

10. **Other Noncurrent Assets**

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
Deposit to CTGF	**₱13,724,200**	₱13,724,200
Refundable deposits:		
Rental deposits	**2,524,390**	2,515,674
Other refundable deposits	**2,606,213**	2,404,703
	5,130,603	4,920,377
Input VAT	**3,186,794**	3,127,760
	22,041,597	21,772,337
Less allowance for impairment losses on other noncurrent assets	**13,724,200**	13,724,200
	₱8,317,397	₱8,048,137

The Parent Company made an initial contribution on October 20, 2008 to the Clearing and Trade Guaranty Fund (CTGF) of the SCCP amounting to ₱8,200,000 as a prerequisite to its accreditation as a clearing member of SCCP. The CTGF is a risk management tool of SCCP, whose primary purpose is to protect the settlement system from any default by a clearing member. The amount of contribution was computed based on the previous six months trading data and a calculation for the ideal fund level using the Value at Risk (VAR) Model. The said amount was recalculated after six (6) months based on the effective rate of eleven per cent (11%) applied to the actual netted trade value of the clearing member. On August 20, 2009, the Parent Company made an additional contribution amounting to ₱5,524,200 to top-up the deficiency in the initial contribution.

In addition to the collection of the initial contribution and as part of the build-up plan for the CTGF, SCCP collects a monthly contribution at the rate of 1/500 of 1% of the clearing member's gross trade value less block sales and cross transactions of the same flag.

Under SCCP Rule 5.2, the cash contributions made by the clearing members to the CTGF are non-refundable. However, in consideration of the 100% increase in the CTGF contributions which took effect on August 1, 2007, the BOD of SCCP has approved the full refund of contributions to the CTGF upon cessation of the business of the clearing member and upon termination of its membership with SCCP. Such amendment has been submitted for the further approval of the SEC. Pending the approval of the SEC, the rule on non-refundability still applies. In view of this, the Parent Company made a full provision for impairment losses amounting to ₱13,724,200 in previous years.

11. **Trade Payables**

	March 31, 2014 (Unaudited)		December 31, 2013 (Audited)	
	Money Balance	**Security Valuation-Long**	Money Balance	Security Valuation-Long
Payable to customers:				
With money balances	**₱3,685,857,441**	**₱41,247,159,199**	₱3,348,307,648	₱41,232,886,586
No money balances	–	**747,011,352**	–	747,011,352
	3,685,857,441	**41,994,170,551**	3,348,307,648	41,979,897,938
Payable to clearing house	**175,933,935**	–	50,428,911	–
Payable to other brokers	**16,929,514**	–	–	–
Dividend payable - customer	**773**	–	29,957	–
	₱3,878,721,663	**₱41,994,170,551**	₱3,398,766,516	₱41,979,897,938

Generally, trade payables to customers are noninterest-bearing and have no specific credit terms, while trade payables to brokers are noninterest-bearing and are subject to automatic settlement on due date.

Payable to customers with money balances amounting to ₱267,156,553 and ₱122,070,046 as at March

31, 2014 and December 31, 2013, respectively, were payable to COLHK's clients in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. These balances are payable on demand (see Note 5).

Trade payables to clearing house as at March 31, 2014 and December 31, 2013 were fully paid subsequently in April 2014 and January 2014, respectively. These are noninterest-bearing and are settled on two (2) trading days' term and three (3) trading days' term following the settlement convention of HK and Philippines clearing houses, respectively.

12. Other Current Liabilities

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
Accrued expenses (see Note 18)	**₱23,242,575**	₱27,278,682
Due to BIR	**8,655,877**	18,916,897
Trading fees	**2,065,205**	1,671,277
Accrued management bonus	–	16,444,884
Others	**266,943**	269,268
	₱34,230,600	₱64,581,008

Accrued expenses and accrued management bonus mainly include accruals for the officers and employees' performance bonus and other operating expenses and deposits of clients which were received after the cut-off time for the processing of collections and which were credited to the clients' trading accounts on the next business day following the end of the reporting period.

Due to BIR comprise of withholding, percentage and output taxes payable to the Philippine Government.

Trading fees pertain to transaction costs and clearing fees on the purchase and sale of stocks that are payable to the regulatory bodies.

Other current liabilities are noninterest-bearing and are generally settled on fifteen (15) to sixty (60) day's term.

13. Equity

Capital Stock

The details and movements of the Parent Company's capital stock (figures and amounts in thousands) follow:

	March 31, 2014 (Unaudited)		December 31, 2013 (Audited)	
	Shares	**Amount**	Shares	Amount
Common Stock - ₱1 per share				
Authorized	**1,000,000**	**₱1,000,000**	1,000,000	₱1,000,000
Issued and Outstanding				
Balances at beginning of the period	**468,650**	**₱468,650**	467,810	₱467,810
Issuance of common shares upon exercise of stock options	–	–	840	840
Balances at end of the period	**468,650**	**₱468,650**	468,650	₱468,650

As of March 31, 2014 and December 31, 2013, the Parent Company has 33 stockholders.

Retained Earnings
In compliance with SRC Rule 49.1 B Reserve Fund, the Parent Company is required to annually appropriate ten percent (10%) of its audited net income and transfer the same to appropriated retained earnings account. On December 11, 2006, the BOD approved the annual appropriation commencing on the year 2006. Total appropriated retained earnings amounted to ₱140,028,578 and ₱107,520,383 as of March 31, 2014 and December 31, 2013, respectively while total unappropriated retained earnings amounted to ₱425,933,769 and ₱680,802,693 as of March 31, 2014 and December 31, 2013, respectively.

During the BOD meeting on April 26, 2007, the BOD of the Parent Company approved a policy of declaring an annual regular cash dividend of twenty percent (20%) of its net earnings.

The table below shows the cash dividends declared from COL's unappropriated retained earnings for the years 2013 and 2013:

2014

Cash Dividend	**Declaration Date**	**Ex-date**	**Record Date**	**Payment Date**
Regular				
₱0.12 per share	**March 31, 2014**	**April 10, 2014**	**April 15, 2014**	**May 13, 2014**
Special				
₱0.48 per share	**March 31, 2014**	**April 10, 2014**	**April 15, 2014**	**May 13, 2014**

2013

Cash Dividend	Declaration Date	Ex-date	Record Date	Payment Date
Regular				
₱0.12 per share	March 19, 2013	April 1, 2013	April 4, 2013	April 19, 2013
Special				
₱0.51 per share	March 19, 2013	April 1, 2013	April 4, 2013	April 19, 2013

On December 11, 2008, the Hong Kong Securities and Futures Commission (SFC) approved the increase in the authorized capital stock of COLHK from 20,000,000 shares to 50,000,000 shares at HK$1 par value. On February 19, 2009, the COLHK's BOD declared a scrip dividend corresponding to 23,000,005 shares at HK$1 par value to its existing stockholders as of December 31, 2008.

On December 31, 2009, the Hong Kong SFC approved the increase in the authorized capital stock of COLHK from 50,000,000 shares to 150,000,000 shares at HK$1 par value. On March 1, 2010, the COLHK's BOD declared a scrip dividend corresponding to 21,999,995 shares at HK$1 par value to its existing stockholders as of December 31, 2010.

On February 3, 2011, COLHK's BOD approved to pay a final dividend of HK$13,000,000 (65,000,000 shares multiplied by HK$0.20 scrip dividend per share) to stockholders as of record date of February 3, 2011.

On February 7, 2013, COLHK's BOD has proposed to pay a final dividend of HK$0.064 per share in scrip.

14. **Interest Income**

	March 31, 2014 (Unaudited)	March 31, 2013 (Unaudited)
Customers (Note 7)	**₱41,597,286**	₱34,607,821
Banks – net (Note 4)	**6,795,277**	14,998,693
	₱48,392,563	₱49,606,514

15. **Personnel Costs**

	March 31, 2014 (Unaudited)	March 31, 2013 (Unaudited)
Salaries and wages	**₱13,044,027**	₱12,799,414
Other benefits	**2,734,239**	2,493,092
	₱15,778,266	₱15,292,506

Personnel costs were distributed as follows:

	March 31, 2014 (Unaudited)	March 31, 2013 (Unaudited)
Cost of services	**₱10,128,135**	₱9,747,973
Operating expenses	**5,650,131**	5,544,533
	₱15,778,266	₱15,292,506

16. **Employee Benefits**

SOP

On July 12, 2000 and July 3, 2006, the Group granted stock options in favor of directors, senior managers and officers of the Group as well as other qualified individuals determined by a Committee constituted by the BOD to administer the SOP. As of December 31, 2006, a total of 46,000,000 stock options were granted. The agreement provides for an exercise price of ₱1.00 per share. These options will be settled in equity once exercised. All options are exercisable one and a half years from July 12, 2006, the effective date of listing of the Parent Company's shares at the PSE, and will terminate ten years from the said date. There was no new SOP granted as of March 31, 2014.

There have been no cancellations or modifications to the plan in 2014 and 2013.

The following table illustrates the number of and movements in stock options:

1st Tranche

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
Outstanding at beginning of period	**1,850,000**	2,690,000
Exercised during the period (see Note 13)	–	(840,000)
Outstanding at end of period	**1,850,000**	1,850,000

These stock options have not been recognized in accordance with PFRS 2, Share-Based Payment, as these options were granted on or before November 7, 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with PFRS 2.

2nd Tranche

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
Outstanding at beginning of period	**5,500,000**	5,500,000
Exercised during the year (see Note 13)	**-**	–
Outstanding at end of period	**5,500,000**	5,500,000

These stock options are recognized in accordance with PFRS 2, Share-Based Payment.

The options have a contractual term of 10 years. The weighted average remaining contractual life of options outstanding is 3.25 years and 3.5 years as of March 31, 2014 and December 31, 2013, respectively.

The fair value of each option is estimated on the date of grant using the Black-Scholes Merton option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of options granted on July 12, 2000 and July 3, 2006 amounted to ₱0.89 per share and ₱1.04 per share, respectively.

The assumptions used to determine the fair value of the stock options granted on July 12, 2000 were (1) share price of ₱1.07 obtained through the use of the Discounted Cash Flow model since the stock was not quoted at the time; (2) exercise price of ₱1.00; (3) expected volatility of 44%; (4) option life of 10 years; and (5) risk-free interest rate of 15.61%.

The assumptions used to determine the fair value of the stock options granted on July 3, 2006 were (1) share price of ₱1.36 as the latest valuation of stock price at the time of the initial public offering; (2) exercise price of ₱1.00; (3) expected volatility of 24%; (4) option life of 10 years; and (5) risk-free interest rate of 11.04%.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. Since the stock is not quoted at the time of grant date, the Group used the historical volatility of the nearest market comparable available.

Risk-free interest rate is the equivalent 10-year zero coupon rate at the time of grant date.
Movements in the cost of share-based payment included in equity are as follows:

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
Balances at beginning of period	**₱29,767,551**	₱33,263,658
Stock option expense	**143,000**	572,000
Movement on deferred tax asset on intrinsic value of outstanding options	**3,019,826**	(4,068,107)
Movements during the period	**3,162,826**	(3,496,107)
Balances at end of period	**₱32,930,377**	₱29,767,551

Retirement Benefits
The Parent Company has a funded, noncontributory defined benefit retirement plan covering substantially all of its regular employees. The benefits are based on a certain percentage of the final monthly basic salary for every year of credited service of the employees. The defined retirement benefit obligation is determined using the projected unit credit method. There was no plan termination, curtailment or settlement as of March 31, 2014 and December 31, 2013.

COLHK makes monthly contribution to a fund under the mandatory provident fund schemes ordinance enacted by the Hong Kong Government. The plan is defined contribution. Under the plan COLHK should contribute 5% of the monthly relevant income of all its qualified employees. The contribution recognized as expense amounted to ₱79,418 and ₱64,478 in March 31, 2014 and 2013, respectively.

17. **Income Taxes**

The components of the Group's net deferred tax assets follow:

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
Cost of share-based payment	**₱28,497,377**	₱25,477,551
Accumulated translation adjustment	**8,124,768**	9,847,071
Stock option expense	**1,329,900**	1,287,000
Retirement obligation	**8,721,405**	8,721,405
Allowance for credit losses on trade receivables from customers	**1,050,861**	667,786
Unrealized loss in the valuation of FVPL	**19,412**	23,426
Unrealized foreign exchange (gains) loss	**165**	(689)
Others	**8,740,954**	7,280,182
	₱56,484,842	₱53,303,732

Realization of the future tax benefits related to the net deferred income tax assets is dependent on many factors, including the Group's ability to generate taxable income, within the carryover period. Management has considered these factors in reaching a conclusion that not recognizing a portion of the net deferred income tax assets is necessary for financial reporting purposes.

As of March 31, 2014 and December 31, 2013, the Parent Company has temporary difference arising from allowance for probable losses on other assets amounting to ₱13,724,200 for which no deferred tax asset was recognized since management believes that it is probable that this temporary difference will not be realized in the future.

18. **Related Party Disclosures**

a. The summary of significant transactions and account balances with related parties are as follows:

Category	Commission income	Interest income	Commission expense	Professional fees
Key management personnel				
March 31, 2014	**₱449,325**	**₱115,483**	**₱–**	**₱–**
March 31, 2013	1,277,192	752,827	–	–
Other related parties:				
Affiliates with common officers, directors and stockholders				
March 31, 2014	**6,862,142**	**1,105,515**	**–**	**1,481,655**
March 31, 2013	2,956,082	242,594	278,333	1,869,639
Directors				
March 31, 2014	**4,692,065**	**5,794**	**–**	**–**
March 31, 2013	7,017,701	18,597	–	–
Total	**₱12,003,532**	**₱1,226,792**	**₱–**	**₱1,481,655**
Total	₱11,250,975	₱1,014,018	₱278,333	₱1,869,639

Category	Trade payables	Trade receivables	Terms	Conditions
Key management personnel				
March 31, 2014	**₱35,333,063**	**₱5,138,154**	3-day; non-interest bearing/ Collectible or payable on demand; interest bearing	Secured; no impairment; no guarantee
December 31, 2013	51,109,892	6,378,345		

Category	Trade payables	Trade receivables	Terms	Conditions
Other related parties:				
Affiliates with common officers, directors and stockholders				
March 31, 2014	**8,460,985**	**58,992,507**	3-day; non-interest bearing/ Collectible or payable on demand;interest bearing/Payable upon billing;non-interest bearing	Secured;no impairment;no guarantee
December 31, 2013	18,464,495	7,560,697		
Directors				
March 31, 2014	**126,190,719**	**4,549,729**	3-day; non-interest bearing/ Collectible or payable on demand; interest bearing	Secured; no impairment; no guarantee
December 31, 2013	41,210,586	19,710,226		
Total	**₱169,984,767**	**₱68,680,390**		
Total	₱110,784,973	₱33,649,268		

b. Compensation of key management personnel of the Group follows:

	March 31, 2014 (Unaudited)	March 31, 2013 (Unaudited)
Short-term employee benefits	**₱7,354,971**	₱7,027,248
Retirement costs	**39,037**	31,493
Stock options (see Note 17)	**143,000**	143,000
	₱7,537,008	₱7,201,741

19. **Leases**

The Group leases its office premises under separate operating lease agreements expiring on various dates and whose lease terms are negotiated every 1-3 years. Rental costs charged to operations amounted to ₱2,884,395 and ₱2,600,457 in March 31, 2014 and 2013, respectively.

The future minimum lease payments are as follows:

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
Within one (1) year	**₱11,804,325**	₱11,697,986
After one (1) year but not more than five (5) years	**14,251,850**	14,185,388
	₱26,056,175	₱25,883,374

20. **Capital Management**

The primary objective of the Group's capital management is to ensure that the Group maintains healthy capital ratios in order to support its business, pay existing obligations and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the period ended March 31, 2014 and December 31, 2013.

The Amended Implementing Rules and Regulations of the SRC effective February 28, 2004 include, among others, revisions in the terms and conditions for registration and subsequent renewal of license applicable to both exchange trading participants and non-exchange broker dealers as follows: (a) to allow a net capital of ₱2.5 million or 2.5% of aggregate indebtedness, whichever is higher, for broker

dealers dealing only in proprietary shares and not holding securities, (b) to allow the SEC to set a different net capital requirement for those authorized to use the Risk-Based Capital Adequacy (RBCA) model, and (c) to require unimpaired paid-up capital of ₱100.0 million for broker dealers, which are either first time registrants or those acquiring existing broker dealer firms and will participate in a registered clearing agency; ₱10.0 million plus a surety bond for existing broker dealers not engaged in market making transactions; and ₱2.5 million for broker dealers dealing only in proprietary shares and not holding securities.

The SEC approved Memorandum Circular No. 16 dated November 11, 2004 which provides the guidelines on the adoption in the Philippines of the RBCA Framework for all registered brokers dealers in accordance with SRC. These guidelines cover the following risks: (a) position or market risk, (b) credit risks such as counterparty, settlement, large exposure, and margin financing risks, and (c) operational risk.

The Parent Company being a registered broker in securities is subject to the stringent rules of the SEC and other regulatory agencies with respect to the maintenance of specific levels of RBCA ratios. RBCA is a ratio that compares the broker or dealer's total measured risk to its liquid capital. As a rule, the Parent Company must maintain an RBCA ratio of at least 110% and a net liquid capital (NLC) of at least ₱5.0 million or five percent (5%) of its aggregate indebtedness, whichever is higher. Also, the Aggregated Indebtedness (AI) of every stockbroker should not exceed two thousand percent (2,000%) of its NLC. In the event that the minimum RBCA ratio of 110% or the minimum NLC is breached, the Parent Company shall immediately cease doing business as a broker and shall notify the PSE and SEC. As of March 31, 2014 and December 31, 2013, the Parent Company is compliant with the said requirement.

The Parent Company's capital pertains to equity per books adjusted with deferred tax assets and assets not readily convertible into cash.

The RBCA ratio of the Parent Company as of March 31, 2014 and December 31, 2013 are as follows:

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
Equity eligible for net liquid capital	**₱734,611,523**	₱950,337,344
Less: Ineligible Assets	**192,845,589**	190,706,380
NLC	**₱541,765,934**	₱759,630,964
Position risk	**₱142,549**	₱128,588
Operational risk	**130,743,519**	105,862,204
Counterparty risk	**3,535**	3,814
Total Risk Capital Requirement	**₱130,889,603**	₱105,994,606
AI	**₱3,891,845,614**	₱3,256,492,851
5% of AI	**₱194,592,281**	₱162,824,643
Required NLC	**194,592,281**	162,824,643
Net Risk-Based Capital Excess	**347,173,654**	596,806,321
Ratio of AI to NLC	**718%**	429%
RBCA ratio	**414%**	717%

The following are the definition of terms used in the above computation.

1. Ineligible assets
   These pertain to fixed assets and assets which cannot be readily converted into cash.

2. Operational risk requirement
   The amount required to cover a level of operational risk which is the exposure associated with commencing and remaining in business arising separately from exposures covered by other risk requirements. It is the risk of loss resulting from inadequate or failed internal processes, people and systems which include, among others, risks of fraud, operational or settlement failure and shortage of liquid resources, or from external events.

3. Position risk requirement
   The amount necessary to accommodate a given level of position risk which is a risk to which a broker dealer is exposed to and arising from securities held by it as a principal or in its proprietary or dealer account.

4. Aggregate indebtedness
   Total money liabilities of a broker dealer arising in connection with any transaction whatsoever, and includes, among other things, money borrowed, money payable against securities loaned and securities failed to receive, the market value of securities borrowed to the extent to which no equivalent value is paid or credited (other than the market value of margin securities borrowed from customers and margin securities borrowed from non-customers), customers' and non-customers' free credit balances, and credit balances in customers' and non-customers' account having short positions in securities subject to the exclusions provided in the said SEC Memorandum.

In addition, SRC Rule 49.1 (B), Reserve Fund of such circular, requires that every broker dealer shall annually appropriate a certain minimum percentage of its audited profit after tax and transfer the same to Appropriated Retained Earnings. Minimum appropriation shall be 30%, 20% and 10% of profit after tax for brokers dealers with unimpaired paid up capital of ₱10 million to ₱30 million, between ₱30 million to ₱50 million and more than ₱50 million, respectively.

The Parent Company's regulated operations have complied with all externally-imposed capital requirements as of March 31, 2014 and December 31, 2013.

COLHK monitors capital using liquid capital as provided for under Hong Kong's Securities and Futures Ordinance (Cap. 571) and Securities and Futures (Financial Resources) Rules (Cap. 571N). COLHK's policy is to keep liquid capital at the higher of the floor requirement of Hong Kong dollar (HK$) 3,000,000 and computed variable required capital. As of March 31, 2014 and December 31, 2013, COLHK is compliant with the said requirement.

21. Financial Risk Management Objectives and Policies

The main purpose of the Group's financial instruments is to fund its operations. The Group's principal financial instruments consist of cash and cash equivalents, cash in segregated account, financial assets at FVPL, trade receivables, other receivables, refundable deposits under other non-current assets, trade payables and other current liabilities, which arise from operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, foreign currency risk and equity price risk. The BOD reviews and agrees policies for managing each of these risks and they are summarized below:

<u>Credit risk</u>
Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the stock brokerage business as potential losses may arise due to the failure of its customers and counterparties to fulfill their trading obligations on settlement dates or the possibility that the value of collateral held to secure obligations becoming inadequate due to adverse market conditions.

The business model of the Group minimizes its exposure to credit risk. The Group's customers, except those granted by a credit line facility by the Parent Company, are required to deposit funds to their accounts and their purchases are limited to their cash deposit. In order to manage the potential credit risk associated with the Parent Company's margin lending activities, the Group has established policies and procedures in evaluating and approving applications for margin financing as well as the review of credit performance and limits. In addition, the Parent Company requires its margin customers a Two Peso (₱2) security cover for every One Peso (₱1) exposure. The security cover can either be in cash or a combination of cash and marginable stock identified by the Parent Company using a set of criteria.

The table below shows the credit quality by class of the financial assets of the Group:

March 31, 2014 (Unaudited)

	Neither Past Due nor Specifically Impaired				
	High Grade	**Standard Grade**	**Substandard Grade**	**Individually Impaired**	**Total**
Loans and receivables:					
Cash and cash equivalents	**₱3,403,179,286**	**₱–**	**₱–**	**₱–**	**₱3,403,179,286**
Cash in a segregated account	**160,649,398**	**–**	**–**	**–**	**160,649,398**
Trade receivables	**1,637,124,839**	**–**	**–**	**3,502,870**	**1,640,627,709**
Other receivables	**–**	**7,246,105**	**–**	**8,960,245**	**16,206,350**
Refundable deposits	**5,130,603**	**–**	**–**	**–**	**5,130,603**
	5,206,084,126	**7,246,105**	**–**	**12,463,115**	**5,225,793,346**
Financial assets at FVPL	**464,165**	**–**	**–**	**–**	**464,165**
	₱5,206,548,291	**₱7,246,105**	**₱–**	**₱12,463,115**	**₱5,226,257,511**

December 31, 2013 (Audited)

	Neither Past Due nor Specifically Impaired				
	High Grade	Standard Grade	Substandard Grade	Individually Impaired	Total
Loans and receivables:					
Cash and cash equivalents	₱3,203,489,204	₱–	₱–	₱–	₱3,203,489,204
Cash in a segregated account	112,593,425	–	–	–	112,593,425
Trade receivables	1,351,853,823	–	–	2,225,955	1,354,079,778
Other receivables	–	6,790,722	–	8,960,245	15,750,967
Refundable deposits	4,920,377	–	–	–	4,920,377
	4,672,856,829	6,790,722	–	11,186,200	4,690,833,751
Financial assets at FVPL	7,210,678	–	–	–	7,210,678
	₱4,680,067,507	₱6,790,722	₱–	₱11,186,200	₱4,698,044,429

The Group's bases in grading its financial assets are as follows:

Loans and Receivables

High grade

The Group's loans and receivables, which are neither past due nor impaired, are classified as high grade, due to its high probability of collection (i.e. the counterparty has the evident ability to satisfy its obligation and the security on the receivables are readily enforceable).

Cash and cash equivalents and cash in a segregated account are considered high grade since these are deposited with reputable banks duly approved by the BOD and have low probability of insolvency.

Trade receivables from margin customers have no specific credit terms but customers are required to maintain the value of their collateral within a specific level. Once the value of the collateral falls down this level, customers may either deposit additional collateral or sell stock to cover their account balance. Meanwhile, receivables from post-paid customers are required to be settled on two (2) trading days'

term for COLHK and three (3) trading days' term for the Parent Company. The receivable balances become demandable upon failure of the customer to duly comply with these requirements. As at March 31, 2014 and December 31, 2013 , ₱1,573,807,712 and ₱1,209,742,416 of the total receivables from customers is secured by collateral comprising of cash and equity securities of listed companies with a total market value of ₱5,478,767,306 and ₱5,277,924,865, respectively (see Note 7).

Transactions through the stock exchange are covered by the guarantee fund contributed by member brokers and maintained by the clearing house. There are no past due accounts as at March 31, 2014 and December 31, 2013.

Refundable deposits under other noncurrent assets is classified as high grade since the amount shall be kept intact by (1) the lessor throughout the term of the contract and shall be returned after the term; and (2) the government institutions as a requirement to conduct stock brokerage business and shall be returned after the Group ceases to operate its business.

Standard grade
These are loans and receivables from counterparties with no history of default and are not past due as at the end of the reporting period.

Financial Assets at FVPL
High grade
Companies that are consistently profitable, have strong fundamentals and pays out dividends.

As at March 31, 2014 and December 31, 2013, the Group's financial assets at FVPL are classified as high grade since these are with listed companies of good reputation.

The Group's exposure to credit risk arising from default of the counterparty has a maximum exposure equal to the carrying amount of the particular instrument plus any irrevocable loan commitment or credit facility (see Note 7).

The table below shows the maximum exposure to credit risk for the component of the consolidated statements of financial position:

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
Cash and cash equivalents (see Note 4)*	**₱3,403,141,885**	₱3,203,452,023
Cash in a segregated account (see Note 5)	**160,649,398**	112,593,425
Financial assets at FVPL (see Note 6)	**464,165**	7,210,678
Trade receivables (see Note 7)	**1,637,124,839**	1,351,853,823
Other receivables (see Note 7)	**7,246,105**	6,790,722
Refundable deposits (see Note 11)	**5,130,603**	4,920,377
	5,213,756,995	4,686,821,048
Unutilized margin trading facility	**4,029,218,252**	4,288,422,787
	₱9,242,975,247	₱8,975,243,835

**Excluding cash on hand*

There are no significant concentrations of credit risk within the Group.

Liquidity Risk
Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments or that a market for derivatives may not exist in some circumstances.

The Group manages its liquidity profile to meet the following objectives: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary

costs; and c) to be able to access funding when needed at the least possible cost.

As at March 31, 2014 and December 31, 2013, all of the Group's financial liabilities, which consist of trade payables and other current liabilities, are contractually payable on demand and up to sixty (60) days' term.

Correspondingly, the financial assets that can be used by the Group to manage its liquidity risk as at March 31, 2014 and December 31, 2013 consist of cash and cash equivalents, cash in a segregated account, financial assets at FVPL and trade receivables.

Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchanges rates, commodity prices, equity prices and other market changes. The Group's market risk originates from its holdings of equity instruments and foreign currency-denominated financial instruments.

Equity Price Risk

Equity price risk is the risk to earnings or capital arising from changes in stock exchange indices relating to its quoted equity securities. The Group's exposure to equity price risk relates primarily to its financial assets at FVPL which pertain to investments in shares of stock of companies listed in the PSE and major US Stock Exchanges.

The Group's policy is to maintain the risk to an acceptable level. Movement in share price is monitored regularly to determine the impact on its financial position.

Since the carrying amount of financial assets subject to equity price risk is immaterial relative to the consolidated financial statements, management believes that disclosure of equity price risk sensitivity analysis as at March 31, 2014 and December 31, 2013 is not significant.

Foreign Currency Risk

The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for a financial institution engaged in the type of business in which the Group is engaged.

The Group's exposure to foreign currency exchange risk arises from its US dollar-denominated cash in banks amounting to US$5,247 and US$4,792 as at March 31, 2014 and December 31, 2013, respectively.

Since the amount of US$-denominated cash in bank subject to foreign currency risk is immaterial relative to the consolidated financial statements, management believes that disclosure of foreign currency risk analysis as at March 31, 2014 and December 31, 2013 is not significant.

22. **Financial Instruments**

Fair Values

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Financial Instruments Whose Carrying Amount Approximate Fair Value

The carrying amounts of cash and cash equivalents, receivables, payable to clearing house and other brokers, payable to customers and accounts payable and accrued expenses, which are all subject to normal trade credit terms and are short-term in nature, approximate their fair values.

Financial Assets at FVPL
The Group's financial assets at FVPL are carried at their fair values as of March 31, 2014 and December 31, 2013. Fair value of financial assets at FVPL is based on quoted prices of stock investments published by the PSE and major U.S. Stock Exchanges.

Categories of Financial Instruments
The carrying values and fair values of the Group's financial assets and liabilities per category are as follows:

	Carrying Values		Fair Values	
	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)	**March 31, 2014 (Unaudited)**	December 31, 2013 (Audited)
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**₱3,403,179,286**	₱3,203,489,204	**₱3,403,179,286**	₱3,203,489,204
Cash in a segregated account	**160,649,398**	112,593,425	**160,649,398**	112,593,425
Trade receivables	**1,637,124,839**	1,351,853,823	**1,637,124,839**	1,351,853,823
Other receivables	**7,246,105**	6,790,722	**7,246,105**	6,790,722
Refundable deposits	**5,130,603**	4,920,377	**4,468,922**	4,586,488
	5,213,330,231	4,679,647,551	**5,212,668,550**	4,679,313,662
Financial assets at FVPL	**464,165**	7,210,678	**464,165**	7,210,678
	₱5,213,794,396	₱4,686,858,229	**₱5,213,132,715**	₱4,686,524,340
Financial Liabilities				
Other financial liabilities:				
Trade payables	**₱3,878,721,663**	₱3,398,766,516	**₱3,878,721,663**	₱3,398,766,516
Dividends payable	**281,190,000**	–	**281,190,000**	–
Other current liabilities*	**25,574,723**	45,664,111	**25,574,723**	45,664,111
	₱4,185,486,386	₱3,444,430,627	**₱4,185,486,386**	₱3,444,430,627

**Excluding due to BIR*

Fair Value Hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: techniques which involve inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: techniques which use inputs for the asset or liability that are not based on observable market data (unobservable inputs).

March 31, 2014

	Level 1	Level 2	Level 3
Asset measured at fair value			
Financial assets at FVPL	**₱464,165**	**₱–**	**₱–**
Asset for which fair values are disclosed			
Refundable deposits	**–**	**–**	**4,920,377**
	₱464,165	**₱–**	**₱4,920,377**

December 31, 2013 (Audited)

	Level 1	Level 2	Level 3
Asset measured at fair value			
Financial assets at FVPL	**₱7,210,678**	**₱–**	**₱–**
Asset for which fair values are disclosed			
Refundable deposits	**–**	**–**	**4,586,488**
	₱7,210,678	**₱–**	**₱4,586,488**

During the period ended March 31, 2014 and the year ended December 31, 2013, there were no transfers among levels 1, 2 and 3 of fair value measurements.

23. **Contingency**

As at December 31, 2010, there is a pending case filed against the Parent Company and Citisecurities, Inc., a related party, (the 'Respondents') for trademark infringement by Citigroup, Inc. and Citibank N.A. (the 'Plaintiffs'), who have asked the court for an amount of ₱8,000,000 for actual damages, ₱5,000,000 for exemplary damages and ₱3,975,000 for attorney's fees. The Parent Company holds the position that the parties are engaged in different lines of business, i.e. Citigroup is in the banking and credit card business while the defendants are stockbrokers.

Subsequently, the parties involved entered into a Compromise Agreement wherein the Plaintiffs acknowledged the terms which the Respondents may use in Hong Kong Special Administrative Regions. The Compromise Agreement was thereafter submitted to the court for approval. On November 11, 2011, the Parent Company received a copy of the Judgment, based on the Compromise Agreement, dated October 7, 2011 issued by Branch 149 of the Regional Trial Court of Makati City. Said Judgment quoted on the limits of the use of 'CITI' by the Group in its business.

On February 6, 2012, the court issued an Amended Judgment, inserting in said Judgment the Whereas clauses of the Compromise Agreement. On March 8, 2012, the Amended Judgment became final and executory.

24. **Earnings Per Share (EPS) Computation**

	March 31, 2014 (Unaudited)	March 31,2013 (Unaudited)
Net income	**₱58,829,271**	₱109,981,480
Weighted average number of shares for basic earnings per share	**468,650,000**	468,230,000
Dilutive shares arising from stock options	**7,350,000**	7,350,000
Adjusted weighted average number of shares of common shares for diluted earnings per share	**476,000,000**	475,580,000
Basic earnings per share	**₱0.13**	₱0.23
Diluted earnings per share	**₱0.12**	₱0.23

25. **Segment Information**

For management purposes, the Group is organized into business units based on its geographical location and has two (2) reportable segments as follows:

- Philippine segment, which pertains to the Group's Philippine operations.
- Hong Kong segment, which pertains to the Group's HK operations.

The following tables present certain information regarding the Group's geographical segments:

March 31, 2014 (Unaudited)

	Philippines	**Hong Kong**	**Elimination**	**Total**
Revenue from external customers:				
Commission	**₱81,956,219**	**₱11,155,655**	**₱–**	**₱93,111,874**
Interest	**48,392,563**	**–**	**–**	**48,392,563**
Others	**2,562,343**	**(192,212)**	**–**	**2,370,131**
Inter-segment revenue	**11,290,855**	**–**	**(11,290,855)**	**-**
Segment revenue	**144,201,980**	**10,963,443**	**(11,290,855)**	**143,874,568**
Cost of services	**(32,811,456)**	**(4,971,204)**	**–**	**(37,782,660)**
Operating expenses	**(23,953,956)**	**(14,221,710)**	**11,277,240**	**(26,898,426)**
Depreciation	**(3,731,542)**	**(35,328)**	**–**	**(3,766,870)**
Income (loss) before income tax	**83,705,026**	**(8,264,799)**	**(13,615)**	**75,426,612**
(Provision for) benefit from income tax	**(17,961,031)**	**1,363,690**	**–**	**(16,597,341)**

	Philippines	**Hong Kong**	**Elimination**	**Total**
Net income (loss)	**₱65,743,995**	**(₱6,901,109)**	**(₱13,615)**	**₱58,829,271**
Segment assets	**₱4,760,565,017**	**₱545,679,018**	**(₱138,232,348)**	**₱5,168,011,687**
Segment liabilities	**3,983,433,693**	**93,168,531**	**(3,428,500)**	**4,073,173,724**
Capital expenditures:				
Tangible fixed assets	**2,722,452**	**-**	**–**	**2,722,452**
Cash flows arising from:				
Operating activities	**315,097,433**	**68,452,695**	**–**	**383,550,128**
Investing activities	**(2,722,452)**	**-**	**–**	**(2,722,452)**
Financing activities	**840,000**	**–**	**–**	**840,000**

December 31, 2013 (Audited)

	Philippines	Hong Kong	Elimination	Total
Revenue from external customers:				
Commissions	₱496,054,561	₱44,467,086	₱–	₱540,521,647
Interest	198,655,269	–	–	198,655,269
Others	1,679,451	104,238	–	1,783,689
Inter-segment revenue	42,891,145	–	(42,891,145)	–
Segment revenue	739,280,426	44,571,324	(42,891,145)	740,960,605
Cost of services	(206,360,621)	(17,323,409)	–	(223,684,030)
Operating expenses	(106,771,560)	(52,642,954)	42,655,273	(116,759,241)
Depreciation and amortization	(14,332,569)	(201,853)	–	(14,534,422)
Income (loss) before income tax	411,815,676	(25,596,892)	(235,872)	385,982,912
Benefit from (provision for) income tax	(86,733,729)	4,340,710	–	(82,393,019)
Net income (loss)	₱325,081,947	(₱21,256,182)	(₱235,872)	₱303,589,893
Segment assets	₱4,318,785,171	₱627,600,640	(₱138,593,403)	₱4,807,792,408
Segment liabilities	3,340,514,991	167,980,551	(3,722,642)	3,504,772,900
Capital expenditures:				
Tangible fixed assets	16,307,767	–	–	16,307,767
Cash flows arising from:				
Operating activities	827,420,780	103,733,789	–	931,154,569
Investing activities	(16,307,767)	–	–	(16,307,767)
Financing activities	(294,409,500)	–	–	(294,409,500)

26. Subsequent Events

In relation to the disclosure made on Note 7 with respect to the case filed by the Parent Company with the CTA, a Decision in favor of the Parent Company was issued by the CTA on April 15, 2014, granting Parent Company's Petition for the refund and/or issuance of Tax Credit Certificate in the amount of ₱8,960,245. The Commissioner of Internal Revenue (CIR) has 15 days from their receipt of the Decision to file either a Motion for Reconsideration (MR) with the CTA or a Petition for Certiorari under Rule 45 of the Rules of Court with the Supreme Court. On May 8, 2014, the CIR filed its MR, a copy of which was received by the Parent Company on May 13. 2014. The Parent Company will file its Opposition to the MR on or before May 23, 2014.

There are no other material events subsequent to the end of the interim that have not been reflected in the financial statements for the interim period.

SCHEDULE I
COL FINANCIAL GROUP, INC. AND SUBSIDIARY
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED

	March 31, 2014	March 31, 2013
Profitability ratios:		
Return on assets	**1%**	2%
Return on equity (annualized)	**20%**	37%
Net profit margin	**41%**	49%
Solvency and liquidity ratios:		
Current ratio	**1.23:1**	1.35:1
Debt to equity ratio	**3.59:1**	2.72:1
Quick ratio	**1.23:1**	1.35:1
Asset to equity ratio	**4.51:1**	3.73:1