

# COVER SHEET

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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 P h i l i p p i n e S t o c k E x c h a n g e C

e n t r e , E x c h a n g e R o a d , O r t i g a s C e n  
t e r , P a s i g C i t y

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

**Ms. Catherine L. Ong**  
(Contact Person)

**636-54-11**

(Company Telephone Number)

1 2 3 1  
*Month Day*  
(Calendar Year)

**17-Q**  
(Form Type)  
**March 31, 2015**

*Month Day*  
(Annual Meeting)

**Broker**

(Secondary License Type, If Applicable)

**CFD**

Dept. Requiring this Doc.

**Not Applicable**

Amended Articles Number/section

**32**

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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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, 2015**
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: **2401-B East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas  
Center, Pasig City** Postal Code: **1605**
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
<b>Common</b>	<b>474,550,000 shares</b>
11. Are any or all of the securities listed on the Philippine Stock Exchange?  
Yes  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  No
  - (b) has been subject to such filing requirements for the past ninety (90) days.  
Yes  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 leading online financial services provider in the Philippines. It aims to be the most trusted wealth-building partner of every Filipino. During the past 15 years, it has fulfilled its mission of empowering individual investors to take control of their financial lives by providing them innovative solutions and value-driven products and services.

As of end March 2015, COL had almost 127,000 customers and ₱49.5 billion in consolidated net customer assets. It has also been the number one brokerage in the Philippine Stock Exchange (PSE) in terms of number of transactions executed since 2008.

COL's main offering is its proprietary online trading platform. Through [www.colfinancial.com](http://www.colfinancial.com), COL offers real-time market information and execution, superior investing tools and functionalities, and comprehensive stock market research and analysis to guide independent investors. In 2006, COL started offering margin financing to active investors with client equity of at least ₱200,000. In 2010, COL also set up agency and advisory groups (AAG). The said groups are headed by seasoned professionals with close to 20 years of experience in the industry and include approximately 20 accredited independent advisors that offer specialized guidance and personal attention.

Just recently, its wholly owned subsidiary, COL Securities Hong Kong Ltd. (COL HK), had a soft launch of its new trading platform called “COL Global Access”. This new service is meant to improve the online trading experience of its clients who trade the Hong Kong market while enabling them to trade global equities in markets such as the United States, Japan, Germany, China A-shares to name a few, adding more choices and flexibility so that customers can take advantage of opportunities in the markets wherever it may be.

Going forward, COL Financial will continue to earn the trust of its customers by expanding and innovating its products and services that are focused on the needs of its clients to help them secure their financial future.

#### **Business Model**

COL Financial derives a significant proportion of its revenues from its stock brokerage business in the Philippines. Most of the revenues generated from its Philippine operations include: (1) commission generated from stock trades, (2) interest income from margin financing, and (3) interest income made from short-term placements.

COL also derives revenues from its stock brokerage business in Hong Kong through its wholly

owned subsidiary COL HK. COL HK generates revenues not only by charging commissions on clients that trade in the HK stock market but also international securities.

With its solid foundation deeply rooted in its core values of passion, integrity, commitment, excellence and teamwork, COL is 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**

The Philippine stock market performed strongly during the first quarter of 2015. From 7,230.57 as of end 2014, the PSEi ended the first quarter of 2015 higher by 9.8% to a new record high of 7,940.49.

The highly accommodative monetary policy prevailing globally was favorable for all equity markets including the Philippines. However, aside from this, the Philippine stock market benefited from the expectation that the country would be one of the fastest growing economies globally and that it would be one of the major beneficiaries of the steep drop in oil prices. Interest in the Philippine stock market was clearly evident in the strength of net foreign buying which reached ₱47.5 billion during the first quarter, almost three times its value of ₱17.5 billion during the same period in 2014. Trading activity also picked up significantly. For the first three months of 2015, average daily turnover jumped by 47.5% to ₱10.9 billion compared to the same period in 2014. The said value is also 23.6% higher compared to the 2014 average of ₱8.8 billion.

The HK stock market also performed strongly during the first quarter of 2015. The Hang Seng index (HSI), the Hang Seng China Affiliate Corp. Index (HSCCI) and the Hang Seng China Enterprise Index (HSCEI) ended the period higher by 5.5%, 6.9% and 3.0% respectively compared to their end 2014 levels. Average daily turnover also picked up significantly to HKD85.9 billion during the first three months of 2015 from an average of HKD68.7 billion for the whole of 2014.

Several factors boosted sentiment for stocks in HK. Aside from the looser monetary policy and accelerated reforms in China, the launch of the Shanghai Hong Kong stock connect scheme in November last year, and China's move to allow Chinese mutual funds without Qualified Domestic Institutional Investor or QDII quotas to invest in HK equities boosted interest in HK listed stocks.

### **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:

	<b>March 31, 2015</b>	<b>March 31, 2014</b>
Number of Customer Accounts	126,932	89,546
Customers' Net Equity (in millions)	₱49,523.2	₱53,139.0
Net Revenues (in millions)	₱213.8	₱143.9
Annualized Return on Equity	35.4%	20.0%
Risk Based Capital Adequacy Ratio*	437.0%	414.0%
Liquid Capital** (in millions)	HKD61.3	HKD62.5

\*Parent Company only

\*\*HK Subsidiary

In line with the strength of the stock market, the number of **new accounts** for COL's Philippine operations continued to expand in 2015 reaching 13,585 for the first three months of the year. As a result, COL ended March with 126,932 accounts, higher by 12.0% from its end 2014 level of 113,347. This implies an average monthly addition of more than 4,500 accounts during the first quarter of the year, above the average monthly addition of 2,500 accounts in 2014.

Notwithstanding the growth in COL's client base, **customers' net equity** fell slightly on a year-on-year basis to ₱49.5 billion. Client equity fell since the Parent Company suffered from a ₱12.4 billion outflow from one of its institutional clients in compliance with the requirements of the Bangko Sentral ng Pilipinas (BSP). Excluding the said transaction, COL still incurred a net new flow of ₱8.8 billion during the first three months of the year.

**Net revenues** during the first three months of 2015 jumped by 48.6% year-on-year to ₱213.8 million. Growth was largely driven by COL's Philippine operations which benefited from the strength of the Philippine market and the continuous growth in COL's client base. Commission revenues from the Philippines soared by 82.4% to ₱149.4 million as clients traded more actively. Meanwhile, interest income climbed by 18.9% to ₱57.5 million as COL's cash position increased by 42.6% year-on-year to ₱5.1 billion largely driven by its growing client base.

The Group's **net income** for the first quarter of 2015 also increased strongly by 82.3% to ₱107.3 million allowing annualized **return on equity (ROE)** to improve significantly by 15.4 percentage point year-on-year to 35.4%.

Both COL (Parent Company) and its HK subsidiary continued to meet the stringent rules of regulators in the Philippines and Hong Kong. As of end March, the parent company's **Risk Based Capital Adequacy Ratio (RBCA)** reached 437.0%, well above the minimum requirement of 110%. Meanwhile, COL HK had HKD61.3 million of liquid capital. This is also well above the minimum requirement of HKD3.0 million or 5% of adjusted liabilities.

#### **Material Changes in the Financial Position (March 31, 2015 vs December 31, 2014)**

COL's financial position remained strong with a high level of cash and zero interest bearing debt.

COL's **assets** continued to grow, increasing by 14.0% to ₱7.3 billion compared to its end 2014 level of ₱6.4 billion. The growth was largely funded by non-interest bearing liabilities as **trade payables** jumped by 16.6% to ₱5.8 billion. Note that trade payables rose largely due to the increase in customers' cash balance which in turn was a result of the significant growth in COL's client base.

**Cash and cash equivalents** composed mainly of cash in banks and short-term placements of local funds increased by 6.5% to ₱4.9 billion for the year to date period, also largely due to COL's growing client base and the resulting increase in their cash balances. As discussed earlier, net inflow of funds excluding the one off outflow of one financial institution amounted to ₱1.8 billion during the first three months of the year.

**Cash in a segregated account** booked by COL's HK Subsidiary fell 9.9% to ₱138.9 million as its customers converted their deposited funds to equity to take advantage of the improvement in the HK market.

**Trade receivables** grew by 42.3% to ₱2.0 billion due to the increase in both the receivable balance from clearing houses and receivable from margin customers. Average margin receivable climbed to ₱1.3 billion in March 2015 from only ₱1.0 billion in December 2014.

**Financial assets at fair value through profit or loss** decreased by 78.5% to ₱2.0 million due to

the sale of financial assets held by the Parent Company.

**Prepayments** also went up by 181.2% or ₱4.1 million to ₱6.4 million due to the unamortized portion of business taxes which are required to be paid to the local government in January of each year.

**Deferred tax assets** went up 6.6% or ₱2.5 million to ₱39.6 million due to the increase in COL's share price which in turn led to an increase in related future tax benefits.

As discussed earlier, **trade payables**, consisting mainly of payable to customers, jumped by 16.6% to ₱5.8 billion due to the continuous growth in COL's client base.

**Dividends payable** amounted to ₱237.3 million as COL declared a cash dividend of ₱ 0.50 per share (comprised of both regular and special cash dividends) in March 2015, payable in May 2015.

**Income tax payable** rose 186.0% to ₱38.8 million due to the booking of taxes on earnings for the first quarter of the year.

**Other current liabilities** decreased by 45.8 % to ₱39.0 million primarily due to the distribution of performance bonus for 2014 and the payment of corresponding taxes.

**Stockholders' equity** fell 10.0% or ₱127.9 million to ₱1.1 billion largely due to the declaration of the ₱237.3 million worth of cash dividends to the stockholders of the Parent Company. This was partly offset by the booking of ₱107.3 million in net profits generated during the first three months of 2015.

#### **Material Changes in the Results of Operations (March 31, 2015 vs March 31, 2014)**

COL's **consolidated revenues** during the first three months of 2015 jumped by 48.6% year-on-year to ₱213.8 million. **Cost of services** rose by 33.9% to ₱50.6 million largely due to the increase in direct costs associated with clients' trading activities and higher commissions paid to agents for handling client accounts and incentives paid to the sales team for facilitating the opening of accounts. Meanwhile, **operating expenses** fell marginally by 1.1% to ₱30.3 million as advertising and marketing, and other expenses dropped significantly. **Provision for income taxes** increased by 54.3% to ₱25.6 million. As a result of the foregoing movements, **net income** was up significantly by 82.3% ₱58.8 million to ₱107.3 million on a year-on-year basis.

The strong growth in COL's revenues was largely driven by COL's Philippine operations which benefited from the strength of the Philippine market and the continuous growth in its client base. From 7,230.57 as of end 2014, the PSEi ended the first quarter of 2015 higher by 9.8% to a new record high of 7,940.49.

Average daily turnover also jumped by 47.5% to ₱10.9 billion compared to the same period in 2014. Coupled with the strong growth in COL's client base, **commission revenues** from the Philippines soared by 82.4% to ₱149.4 million. This more than offset the 53.4% drop in **commission revenues** from HK to ₱5.2 million.

Meanwhile, **interest income** climbed by 18.9% to ₱57.5 million as COL's cash position increased by 42.6% year-on-year to ₱5.1 billion also attributable to its growing client base.

The increase in cost of services was largely driven by the 72.5% jump in **stock exchange dues and fees** to ₱3.7 million and the 63.2% rise in **commission expenses** to ₱28.2 million. The significant growth in stock exchange dues and fees is a direct consequence of the increase in trading activity. Meanwhile, commission expenses increased as a result of higher commissions

paid to the AAG which handles high net worth individuals and institutional accounts. During the period in review, AAG's total value turnover rose by 48.2% year-on-year to ₱17.6 billion. The increase in the value of incentives given to the sales team for facilitating the opening of the growing number of accounts also pushed up commission expenses.

Operating expenses fell marginally as **advertising and marketing expenses** declined by 19.1% to ₱2.2 Mil while **other expenses**, which include donations to typhoon victims and provision for doubtful accounts, dropped 13.1% to ₱8.0 Mil. **Personnel costs and professional fees**, which account for the bulk of operating expenses, increased by 16.7% to ₱12.2 million as COL hired people in preparation for the launch of its funds distribution business.

The significant growth in revenues coupled with flattish operating expenses led to the 76.2% increase in COL's **operating profits** to ₱132.9 million. **Net profits** increased by a slightly faster pace of 82.3% to ₱107.3 million as COL's effective tax rate fell to 19.3% during the first quarter of 2015 from 22.0% during the first quarter of 2014.

## 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**

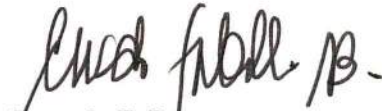
Not applicable. There are no material disclosures that have not been reported under SEC Form 17-C covered by this period.

**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 15, 2015



**Catherine L. Ong**  
Senior Vice President and Chief Finance Officer  
May 15, 2015



**Lorena E. Velarde**  
Vice President and Financial Controller  
May 15, 2015

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

	March 31, 2015 (Unaudited)			December 31, 2014 (Audited)		
	Money Balance	Security Valuation		Money Balance	Security Valuation	
		Long	Short		Long	Short
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents (Note 4)	₱4,941,619,786			₱4,640,187,892		
Cash in a segregated account (Note 5)	138,891,555			154,129,025		
Financial assets at fair value through profit or loss (FVPL; Note 6)	2,017,364	₱2,017,364		9,375,564	₱9,375,564	
Trade receivables (Note 7)	2,046,488,633	6,427,091,060		1,438,423,878	6,792,074,324	
Other receivables (Note 7)	12,466,890			12,130,063		
Prepayments	6,375,306			2,267,080		
<b>Total Current Assets</b>	<u>7,147,859,534</u>			<u>6,256,513,502</u>		
<b>Noncurrent Assets</b>						
Property and equipment (Note 8)	34,114,581			35,825,494		
Intangibles (Note 9)	23,427,354			23,338,991		
Deferred income tax assets-net (Note 17)	39,599,623			37,145,366		
Other noncurrent assets (Note 10)	8,671,155			8,581,369		
<b>Total Noncurrent Assets</b>	<u>105,812,713</u>			<u>104,891,220</u>		
<b>TOTAL ASSETS</b>	<u>₱7,253,672,247</u>			<u>₱6,361,404,722</u>		
Securities in box, in Philippine Depository and Trust Corporation and Hong Kong Securities Clearing Company, Limited			₱45,554,993,211			₱55,408,644,059

(Forward)

	March 31, 2015 (Unaudited)			December 31, 2014 (Audited)		
	Money Balance	Security Valuation		Money Balance	Security Valuation	
		Long	Short		Long	Short
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Trade payables (Note 11)	₱5,761,967,450	₱39,125,884,787		₱4,940,928,346	₱48,607,194,171	
Other current liabilities (Note 12)	38,963,165			71,836,693		
Dividends payable	237,275,000			–		
Fringe benefit tax payable	–			30,437,647		
Income tax payable	38,765,144			13,556,314		
<b>Total Current Liabilities</b>	<b>6,076,970,759</b>			<b>5,056,759,000</b>		
<b>Noncurrent Liability</b>						
Retirement obligation (Note 16)	28,192,690			28,192,690		
<b>Total Liabilities</b>	<b>6,105,163,449</b>			<b>5,084,951,690</b>		
<b>Equity (Notes 13 and 16)</b>						
Capital stock	474,550,000			474,550,000		
Capital in excess of par value	53,219,024			53,219,024		
Cost of share-based payment	6,201,392			5,499,602		
Accumulated translation adjustment	(20,449,849)			(21,814,947)		
Loss on remeasurement of retirement obligation	(4,400,783)			(4,400,783)		
Retained earnings:						
Appropriated	169,021,759			140,028,578		
Unappropriated	470,367,255			629,371,558		
<b>Total Equity</b>	<b>1,148,508,798</b>			<b>1,276,453,032</b>		
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱7,253,672,247</b>	<b>₱45,554,993,211</b>	<b>₱45,554,993,211</b>	<b>₱6,361,404,722</b>	<b>₱55,408,644,059</b>	<b>₱55,408,644,059</b>

See accompanying Notes to Consolidated Financial Statements.

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

	For the three Months Ended <b>March 31</b>	
	2015	2014
<b>REVENUES</b>		
Commissions	P154,648,855	P93,111,874
Others:		
Interest (Note 14)	57,514,921	48,392,563
Gain on financial assets at FVPL - net (Note 6)	905,490	2,269,158
Others	730,183	100,973
	<b>213,799,449</b>	<b>143,874,568</b>
<b>COST OF SERVICES</b>		
Commission expense (Note 18)	28,220,674	17,295,656
Personnel costs - operations (Note 15)	9,833,470	10,128,135
Stock exchange dues and fees	3,724,372	2,158,969
Central depository fees	2,339,374	1,966,980
Others:		
Communications	5,931,974	55,903,998
Others	534,383	328,922
	<b>50,584,247</b>	<b>37,782,660</b>
<b>GROSS PROFIT</b>	<b>163,215,202</b>	<b>106,091,908</b>
<b>OPERATING EXPENSES</b>		
Administrative expenses:		
Professional fees (Note 18)	6,317,345	4,875,258
Personnel costs (Note 15)	5,967,276	5,650,131
Rentals (Note 19)	3,047,116	2,884,395
Advertising and marketing	2,210,030	2,731,927
Taxes and licenses	1,185,657	1,199,650
Office supplies	1,137,965	663,591
Bank charges	1,114,344	802,696
Power, light and water	957,430	975,571
Security and messengerial services	799,499	945,771
Insurance and bonds	630,936	613,910
Condominium dues	470,323	448,725
Trainings, seminars and meetings	387,353	254,974
Representation and entertainment	328,753	235,115
Repairs and maintenance	299,691	900,004
Transportation and travel	266,302	312,745
Membership fees and dues	183,304	253,083
Communications	161,072	170,647
Directors' fees	90,000	95,000
Stock option expense (Notes 16 and 18)	-	143,000
Donations and contributions	-	1,000,000
Others	779,311	415,488
	<b>26,333,707</b>	<b>25,571,681</b>
Depreciation and amortization (Note 8)	3,544,881	3,766,870
Provision for credit losses	181,579	1,276,915
Foreign exchange losses-net	277,563	49,830
	<b>30,337,730</b>	<b>30,665,296</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>132,877,472</b>	<b>75,426,612</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 17)</b>		
Current	27,872,198	18,383,846
Deferred	(2,258,604)	(1,786,505)
	<b>25,613,594</b>	<b>16,597,341</b>
<b>NET INCOME</b>	<b>P107,263,878</b>	<b>P58,829,271</b>

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	
	2015	2014
<b>NET INCOME</b>	<b>₱107,263,878</b>	<b>₱58,829,271</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Item that may be reclassified subsequently to profit or loss:		
Translation adjustments- net of tax	2,526,651	4,018,710
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱109,790,529</b>	<b>₱62,847,981</b>
<b>Earnings Per Share (Note 24)</b>		
Basic	₱0.23	₱0.13
Diluted	₱0.23	₱0.12

*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, 2015**  
**(With Comparative Figures for the Three Months Ended March 31, 2014)**

	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, 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 for the period	-	-	-	4,018,708	-	-	58,829,271	62,847,979
Appropriation of retained earnings (Note 13)	-	-	-	-	-	32,508,195	(32,508,195)	-
<b>Balances at March 31, 2014</b>	<b>₱468,650,000</b>	<b>₱47,499,024</b>	<b>₱32,930,377</b>	<b>(₱18,957,792)</b>	<b>(₱8,243,643)</b>	<b>₱140,028,578</b>	<b>₱425,933,769</b>	<b>₱1,087,840,313</b>
Balances at December 31, 2014	₱474,550,000	₱53,219,024	₱5,499,602	(₱21,814,947)	(₱4,400,783)	₱140,028,578	₱629,371,558	₱1,276,453,032
Cost of share-based payment (Note 16)	-	-	701,790	-	-	-	-	701,790
Declaration of cash dividend (Note 13)	-	-	-	-	-	-	(237,275,000)	(237,275,000)
Net income for the period	-	-	-	-	-	-	107,263,878	107,263,878
Other comprehensive income	-	-	-	1,365,098	-	-	-	1,365,098
Total comprehensive income for the period	-	-	-	1,365,098	-	-	107,263,878	108,628,976
Appropriation of retained earnings (Note 13)	-	-	-	-	-	28,993,181	(28,993,181)	-
<b>Balances at March 31, 2015</b>	<b>₱474,550,000</b>	<b>₱53,219,024</b>	<b>₱6,201,392</b>	<b>(₱20,449,849)</b>	<b>(₱4,400,783)</b>	<b>₱169,021,759</b>	<b>₱470,367,255</b>	<b>₱1,148,508,798</b>

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	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	P132,877,472	P75,426,612
Adjustments for:		
Interest income (Note 14)	(57,514,921)	(48,392,563)
Depreciation and amortization (Note 8)	3,585,456	3,832,632
Stock option expense (Note 16)	-	143,000
Unrealized loss (gain) on financial assets at FVPL	920,288	(13,380)
Loss (gain) on disposal of property and equipment	-	-
Dividend income (Note 6)	(1,649)	(156)
Operating income before working capital changes	79,866,646	30,996,145
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Cash in a segregated account	15,237,471	(48,055,974)
Financial assets at FVPL	6,437,912	6,846,976
Trade receivables	(605,303,097)	(277,746,956)
Other receivables	1,543,452	1,426,832
Prepayments	(4,104,646)	(4,134,026)
Other noncurrent assets	(2,740,853)	(1,919,189)
Increase (decrease) in:		
Trade payables	820,281,654	477,878,950
Fringe benefits tax payable	(30,437,647)	-
Other current liabilities	(33,052,850)	(30,464,162)
Net cash generated from operations	247,728,042	154,828,596
Interest received	55,575,454	46,453,096
Dividends received	1,649	156
Net cash flows from operating activities	303,305,145	201,281,848
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment (Note 8)	(1,873,251)	(1,591,766)
Net cash flows used in investing activities	(1,873,251)	(1,591,766)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	301,431,894	199,690,082
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	4,640,187,892	3,203,489,204
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)</b>	P4,941,619,786	P 3,403,179,286

*See accompanying Notes to Consolidated Financial Statements.*



## **COL FINANCIAL GROUP, INC. AND SUBSIDIARY**

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### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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#### **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 except for the following new and amended PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) and improvements to PFRS which were adopted as at January 1, 2014.

- **PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)**  
These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. The Group is presenting its financial assets and financial liabilities at gross amounts in the consolidated statement of financial position.
- **PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)**  
These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units for which impairment loss has been recognized or reversed during the period. The application of the amendments has no impact on the disclosure in the Group’s consolidated financial statements.
- **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 and retrospective application is required. These amendments have no impact on the Group as the Group has no derivatives during the current or prior periods.
- **Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)**  
These amendments 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 must be applied retrospectively, subject to certain transition relief. These amendments have no impact on the Group, since none of the entities within the Group qualifies to be an investment entity under PFRS 10.
- **Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)**  
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. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group’s consolidated financial statements.

#### *Annual Improvements to PFRSs (2010-2012 cycle)*

In the 2010-2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no impact on the Group’s consolidated financial statements.

#### *Annual Improvements to PFRSs (2011-2013 cycle)*

In the 2011-2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards-*

*First-time Adoption of PFRS.* The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Group as it is not a first-time PFRS adopter.

## 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, 2015 and December 31, 2014, 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, 2015 and December 31, 2014 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, 2015 and December 31, 2014, the Group has no financial assets and financial liabilities that have been designated as at FVPL. As at March 31, 2015 and December 31, 2014, 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, 2015 and December 31, 2014, 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.

#### Trade Receivables and Payables

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, 2015 and December 31, 2014, 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:

<u>Category</u>	<u>Number of Years</u>
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).

#### Retirement Costs

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 24. 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 and Interpretations Issued but not yet Effective

The Group will adopt the following standards and interpretations enumerated below when these become effective.

#### *Effective Date to be Determined:*

- PFRS 9, Financial Instruments - *Classification and Measurement* (2010 version)

PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. 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 other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at FVPL. For FVO liabilities, 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 in respect of the liability's 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 into PFRS 9, including the embedded derivative separation 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 Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 is adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- *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 FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of this interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval of the BOA.

*Effective January 1, 2015:*

- *PAS 19, Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)*  
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group, since the Parent company does not have a defined benefit contribution plan with contributions from employees and third parties while the subsidiary uses defined contribution plan.

*Annual Improvements to PFRSs (2010-2012 cycle)*

The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have material impact on the Group. They include:

- *PFRS 2, Share-based Payment - Definition of Vesting Condition*

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- a. A performance condition must contain a service condition.
  - b. A performance target must be met while the counterparty is rendering service.
  - c. A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group.
  - d. A performance condition may be a market or non-market condition.
  - e. If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.
- *PFRS 3, Business Combinations - Accounting for Contingent Consideration in a Business Combination*  
The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PAS 39 (or PFRS 9 if early adopted). 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 are applied retrospectively and clarify that:
    - a. An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
    - b. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.
  - *PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*  
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.
  - *PAS 24, Related Party Disclosures - Key Management Personnel*  
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

#### *Annual Improvements to PFRSs (2011-2013 cycle)*

The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have material impact on the Group. They include:

- *PFRS 3, Business Combinations - Scope Exceptions for Joint Arrangements*  
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:



- a. Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - b. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
- PFRS 13, *Fair Value Measurement - Portfolio Exception*  
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable).
  - PAS 40, *Investment Property*  
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

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.

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### 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, 2015 and

December 31, 2014 the Group has financial assets at FVPL amounting to ₱2,017,364 and ₱9,375,564, 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 ₱39,599,623 and ₱37,145,366 as at March 31, 2015 and December 31, 2014, 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, 2015 and December 31, 2014, the allowance for credit losses on trade and other receivables amounted to ₱12,552,057 and ₱12,370,479, respectively (Note 7).

The carrying value of trade and other receivables as at March 31, 2015 and December 31, 2014 amounted to ₱2,058,955,523 and ₱1,450,553,941, 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 ₱3,585,456 and ₱3,832,632 in March 2015 and 2014, respectively. As at March 31, 2015 and December 31, 2014, the net book values of property and equipment amounted to ₱34,114,581 and ₱35,825,494, 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, 2015 and December 31, 2014.

No impairment loss was recognized as at March 31, 2015 and December 31, 2014 for property and equipment and other noncurrent assets.

As at March 31, 2015 and December 31, 2014 the Group has no allowance for impairment losses on property and equipment. The net book values of property and equipment amounted to ₱34,114,581 and ₱35,825,494, respectively (see Note 8).

As at March 31, 2015 and December 31, 2014, allowance for impairment losses on other noncurrent assets amounted to ₱13,724,200. The net book values of other noncurrent assets amounted to ₱8,671,155 and ₱8,581,369, 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, 2015 and December 31, 2014, the carrying values of intangibles amounted to ₱23,427,354 and ₱23,338,991, 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 (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, 2015 and December 31, 2014, cost of share-based payment in equity amounted to ₱6,201,392 and ₱5,499,602, 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, 2015 and December 31, 2014, the retirement obligation of the Parent Company amounted to ₱28,192,690.

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#### 4. Cash and Cash Equivalents

	<b>March 31, 2015</b> <b>(Unaudited)</b>	December 31, 2014 <b>(Audited)</b>
Cash on hand and in banks	<b>₱929,782,718</b>	₱576,094,610
Short-term cash investments	<b>4,011,837,068</b>	4,064,093,282
	<b>₱4,941,619,786</b>	₱4,640,187,892

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 2.2% per annum in 2015 and 0.70% to 2.00% per annum in 2014. Interest income of the Group amounted to ₱17,271,876 and ₱6,795,277 in March 31, 2015 and 2014, respectively. The Parent Company has U.S dollar-denominated cash in banks as of March 31, 2015 and December 31, 2014 (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 ₱4,547,131,168 and ₱4,252,919,947 as at March 31, 2015 and December 31, 2014, respectively. The Parent Company's reserve requirement is determined based on the SEC's prescribed computations. As at March 31, 2015 and December 31, 2014, the Parent Company's reserve accounts are adequate to cover its reserve requirements.

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#### 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, 2015 and December 31, 2014, cash in a segregated account for COLHK amounted to ₱138,891,555 and ₱154,129,025, 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 ₱905,490 and ₱2,269,158 in March 31, 2015 and 2014, respectively. Dividend income included under other revenues amounted to ₱1,649 and ₱156 in March 2015 and 2014, respectively.

Financial assets at FVPL as at March 31, 2015 and December 31, 2014 amounted to ₱2,017,364 and ₱9,375,564, respectively.

## 7. Trade and Other Receivables

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Trade receivables:		
Customers	₱1,630,100,129	₱1,413,525,241
Clearing house	368,016,585	13,076,269
Subscription Receivables	36,996,078	168,552
Other broker	14,967,653	15,064,050
	<b>2,050,080,445</b>	1,441,834,112
Less allowance for credit losses on receivable from customers	3,591,812	3,410,234
	<b>₱2,046,488,633</b>	₱1,438,423,878
Other receivables:		
Accrued interest	₱10,198,102	₱9,050,681
Advances to officers and employees	228,365	280,583
Others	11,000,668	11,759,044
	<b>21,427,135</b>	21,090,308
Less allowance for credit losses on other receivables	8,960,245	8,960,245
	<b>₱12,466,890</b>	₱12,130,063

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 ₱5,354,533,000 and ₱5,296,333,000 as of March 31, 2015 and December 31, 2014, respectively. Interest income from customers amounted to ₱40,226,715 and ₱41,597,286 in March 31, 2015 and 2014, respectively.

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

	March 31, 2015 (Unaudited)		December 31, 2014 (Audited)	
	Money Balance	Security Valuation	Money Balance	Security Valuation
Cash and fully secured accounts:				
More than 250%	₱516,388,068	₱4,372,582,526	₱446,753,436	₱5,207,812,487
Between 200% and 250%	436,926,433	936,589,979	149,439,902	344,207,209
Between 150% and 200%	430,896,202	840,732,647	443,316,145	834,475,645
Between 100% and 150%	193,839,913	231,879,963	313,503,049	351,951,335
Less than 100%	52,049,513	45,305,945	60,510,622	53,627,648
Unsecured accounts	-	-	2,087	-

	1,630,100,129	6,427,091,060	1,413,525,241	6,792,074,324
Less allowance credit losses on receivable from customers	3,591,812	-	3,410,234	-
	<b>₱1,626,508,317</b>	<b>₱6,427,091,060</b>	<b>₱1,410,115,007</b>	<b>₱6,792,074,324</b>

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, 2015 and December 31, 2014, ₱1,578,050,616 and ₱1,353,012,532, respectively, of the total trade receivables from customers are fully covered by collateral.

Trade receivables from clearing house as at March 31, 2015 and December 31, 2014 were fully collected subsequently in April and January 2015, 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, 2015 and December 31, 2014 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.

Movements in the allowance for credit losses follow:

	March 31, 2015 (Unaudited)			December 31, 2014 (Audited)		
	Customers	Others	Total	Customers	Others	Total
Balances at beginning of period	₱3,410,234	₱8,960,245	₱12,370,479	₱2,225,955	₱8,960,245	₱11,186,200
Provisions (reversal) for the period	181,578	-	181,578	1,184,279	-	1,184,279
Balances at end of period	<b>₱3,591,812</b>	<b>₱8,960,245</b>	<b>₱12,552,057</b>	<b>₱3,410,234</b>	<b>₱8,960,245</b>	<b>₱12,370,479</b>

## 8. Property and Equipment

### March 31, 2015 (Unaudited)

	Online Trading Equipment and Facilities	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
<b>Cost:</b>				
At beginning of year	₱92,214,633	₱26,804,789	₱26,292,911	₱145,312,333
Additions	1,625,044	248,207	–	1,873,251
Translation adjustments	33,213	42,111	3,965	79,289
At end of year	93,872,890	27,095,107	26,296,876	147,264,873
<b>Accumulated depreciation and amortization:</b>				
At beginning of year	64,455,912	22,440,517	22,590,410	109,486,839
Depreciation and amortization for the year	2,392,132	630,694	562,630	3,585,456
Translation adjustments	33,231	40,801	3,965	77,997
At end of year	66,881,275	23,112,012	23,157,005	113,150,292
<b>Net book values</b>	<b>₱26,991,615</b>	<b>₱3,983,095</b>	<b>₱3,139,871</b>	<b>₱34,114,581</b>

### December 31, 2014 (Audited)

	Online Trading Equipment and Facilities	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
<b>Cost:</b>				
At beginning of year	₱81,789,836	₱25,718,206	₱26,059,499	₱133,567,541
Additions	10,630,849	1,053,765	424,488	12,109,102
Disposals	(232,191)	–	(194,196)	(426,387)
Translation adjustments	26,139	32,818	3,120	62,077
At end of year	92,214,633	26,804,789	26,292,911	145,312,333
<b>Accumulated depreciation and amortization:</b>				
At beginning of year	54,257,737	19,749,011	20,494,294	94,501,042
Depreciation and amortization for the year	10,365,485	2,659,562	2,206,277	15,231,324
Disposals	(193,478)	–	(113,281)	(306,759)
Translation adjustments	26,168	31,944	3,120	61,232
At end of year	64,455,912	22,440,517	22,590,410	109,486,839
<b>Net book values</b>	<b>₱27,758,721</b>	<b>₱4,364,272</b>	<b>₱3,702,501</b>	<b>₱35,825,494</b>

The above depreciation and amortization were distributed as follows:

	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Cost of services	₱40,575	₱65,762
Operating expenses	3,544,881	3,766,870
	<b>₱3,585,456</b>	<b>₱3,832,632</b>

## 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, 2015 and December 31, 2014, the carrying value of COLHK exchange trading right in Philippine peso amounted to ₱18,427,354 and ₱18,338,991, 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, 2015 (Unaudited)	December 31, 2014 (Audited)
Beginning balance	₱23,338,991	₱23,269,449
Translation adjustment	88,363	69,542
Ending balance	<b>₱23,427,354</b>	<b>₱23,338,991</b>

#### 10. Other Noncurrent Assets

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Deposit to CTGF	<b>₱13,724,200</b>	₱13,724,200
Refundable deposits:		
Rental deposits	2,624,472	2,621,174
Other refundable deposits	2,688,830	2,659,828
	<b>5,313,302</b>	5,281,002
Input VAT	3,357,853	3,300,367
	<b>22,395,355</b>	22,305,569
Less allowance for impairment losses on other noncurrent assets	<b>13,724,200</b>	13,724,200
	<b>₱8,671,155</b>	<b>₱8,581,369</b>

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, 2015 (Unaudited)		December 31, 2014 (Audited)	
	Money Balance	Security Valuation-Long	Money Balance	Security Valuation-Long
Payable to customers:				
With money balances	₱5,600,289,702	₱37,667,406,358	₱4,866,109,620	₱47,028,983,013
No money balances	–	1,458,478,429	–	1,578,211,158
	5,600,289,702	39,125,884,787	4,866,109,620	48,607,194,171
Payable to clearing house	161,468,628	–	74,818,726	–
Dividend payable - customer	209,120	–	–	–
	<b>₱5,761,967,450</b>	<b>₱39,125,884,787</b>	<b>₱4,940,928,346</b>	<b>₱48,607,194,171</b>

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 ₱333,898,672 and ₱155,997,727 as at March 31, 2015 and December 31, 2014, 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, 2015 and December 31, 2014 were fully paid subsequently in April and January 2015, 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, 2015 (Unaudited)	December 31, 2014 (Audited)
Accrued expenses (see Note 18)	₱21,913,665	₱30,179,314
Due to BIR	13,322,600	21,506,162
Trading fees	3,422,696	17,342,782
Accrued management bonus	–	2,499,072
Others	304,204	309,363
	<b>₱38,963,165</b>	<b>₱71,836,693</b>

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, 2015 (Unaudited)		December 31, 2014 (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	474,550	₱474,550	468,650	₱468,650
Issuance of common shares upon exercise of stock options	-	-	5,900	5,900
Balances at end of the period	474,550	₱474,550	474,550	₱474,550

As of March 31, 2015 and December 31, 2014, the Parent Company has 32 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 ₱169,021,759 and ₱140,028,578 as of March 31, 2015 and December 31, 2014, respectively while total unappropriated retained earnings amounted to ₱470,367,255 and ₱629,371,558 as of March 31, 2015 and December 31, 2014, 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 2015 and 2014:

#### 2015

Cash Dividend	Declaration Date	Ex-date	Record Date	Payment Date
<i>Regular</i>				
₱0.12 per share	March 30, 2015	April 13, 2015	April 16, 2015	May 6, 2015
<i>Special</i>				
₱0.38 per share	March 30, 2015	April 13, 2015	April 16, 2015	May 6, 2015

#### 2014

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

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, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Customers (Note 7)	P40,226,715	P41,597,286
Banks – net (Note 4)	17,271,876	6,795,277
Others	16,030	–
	<b>P57,514,621</b>	<b>P48,392,563</b>

#### 15. Personnel Costs

	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Salaries and wages	P12,770,400	P13,044,027
Other benefits	3,030,346	2,734,239
	<b>P15,800,746</b>	<b>P15,778,266</b>

Personnel costs were distributed as follows:

	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Cost of services	P9,833,470	P10,128,135
Operating expenses	5,967,276	5,650,131
	<b>P15,800,746</b>	<b>P15,778,266</b>

#### 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 P1.00 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, 2015.

There have been no cancellations or modifications to the plan in 2015 and 2014.

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

<u>1st Tranche</u>	<b>March 31, 2015</b> (Unaudited)	December 31, 2014 (Audited)
Outstanding at beginning of period	1,450,000	1,850,000
Exercised during the period (see Note 13)	–	(400,000)
Outstanding at end of period	<b>1,450,000</b>	1,450,000

*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.*

The options have a contractual term of 10 years. The weighted average remaining contractual life of options outstanding is 2.25 years and 2.5 years as of March 31, 2015 and December 31, 2014, 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:

	<b>March 31, 2015</b> (Unaudited)	December 31, 2014 (Audited)
Balances at beginning of period	<b>₱5,499,602</b>	₱29,767,551
Movement on deferred tax asset on intrinsic value of outstanding options	<b>701,790</b>	(19,977,949)
Stock option expense	–	1,430,000
Cost of share-based payment recognized as capital in excess of par	–	(5,720,000)
Movements during the period	<b>701,790</b>	(24,267,949)
Balances at end of period	<b>₱6,201,392</b>	₱5,499,602

#### 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, 2015 and December 31, 2014.

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 P82,662 and P79,418 in March 31, 2015 and 2014, respectively.

## 17. Income Taxes

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

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Cost of share-based payment	P6,201,392	P5,499,602
Accumulated translation adjustment	8,764,221	9,349,262
Retirement obligation	8,723,338	8,808,141
Allowance for credit losses on trade receivables from customers	1,077,544	1,023,070
Unrealized loss (gain) in the valuation of FVPL	(33,424)	(309,511)
Unrealized foreign exchange (gains) loss	(7,528)	7,869
Others	14,874,080	12,766,933
	<b>P39,599,623</b>	<b>P37,145,366</b>

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, 2015 and December 31, 2014, the Parent Company has temporary difference arising from allowance for probable losses on other assets amounting to P13,724,200 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
<i>Key management personnel</i>				
March 31, 2015	P588,125	P291,770	P –	P –
March 31, 2014	449,325	115,483	–	–
<i>Other related parties:</i>				
<i>Affiliates with common officers, directors and stockholders</i>				
March 31, 2015	1,797,101	989,816	7,740	978,257
March 31, 2014	6,862,142	1,105,515	–	1,481,655
<i>Directors</i>				
March 31, 2015	2,979,887	145,416	–	–
March 31, 2014	4,692,065	5,794	–	–
<b>Total</b>	<b>P5,365,113</b>	<b>P1,427,002</b>	<b>P7,740</b>	<b>P978,257</b>
<b>Total</b>	<b>P12,003,532</b>	<b>P1,226,792</b>	<b>P –</b>	<b>P1,481,655</b>

Category	Trade payables	Trade receivables	Terms	Conditions
<b>Key management personnel</b>				
March 31, 2015	<b>₱23,809,900</b>	<b>₱8,054,478</b>	3-day; non-interest bearing/Collectible or payable on demand; interest bearing	Secured; no impairment; no guarantee
December 31, 2014	15,617,120	45,389,054		
<b>Other related parties: Affiliates with common officers, directors and stockholders</b>				
March 31, 2015	–	<b>28,262,208</b>	3-day; non-interest bearing/Collectible or payable on demand; interest bearing/Payable upon billing; non-interest bearing	Secured; no impairment; no guarantee
	1,909,816			
December 31, 2014		36,772,900		
<b>Directors</b>				
March 31, 2015	<b>74,222,164</b>	<b>28,562,529</b>	3-day; non-interest bearing/Collectible or payable on demand; interest bearing	Secured; no impairment; no guarantee
December 31, 2014	107,035,196	–		
<b>Total</b>	<b>₱98,032,064</b>	<b>₱64,879,215</b>		
<b>Total</b>	<b>₱124,562,132</b>	<b>₱82,161,954</b>		

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

	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Short-term employee benefits	<b>₱7,013,666</b>	₱7,354,971
Retirement costs	<b>42,956</b>	39,037
Stock options (see Note 16)	–	143,000
	<b>₱7,056,622</b>	<b>₱7,537,008</b>

## 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 ₱3,047,116 and ₱2,884,395 in March 31, 2015 and 2014, respectively.

The future minimum lease payments are as follows:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Within one (1) year	<b>₱ 10,780,281</b>	₱12,011,340
After one (1) year but not more than five (5) years	<b>6,581,241</b>	9,242,871
	<b>₱17,361,522</b>	<b>₱21,254,211</b>

## 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, 2015 and December 31, 2014.

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, 2015 and December 31, 2014, 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, 2015 and December 31, 2014 are as follows:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Equity eligible for net liquid capital	₱847,597,812	₱967,578,520
Less: Ineligible Assets	233,833,582	192,360,547
<b>NLC</b>	<b>₱613,764,230</b>	<b>₱775,217,973</b>
Position risk	₱997,952	₱3,549,916
Operational risk	139,461,571	130,743,519
<b>Total Risk Capital Requirement</b>	<b>₱140,459,523</b>	<b>₱134,293,435</b>
<b>AI</b>	<b>₱5,535,022,521</b>	<b>₱4,864,850,475</b>

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
5% of AI	P276,751,126	P243,242,524
Required NLC	276,751,126	243,242,524
Net Risk-Based Capital Excess	337,013,104	531,975,450
Ratio of AI to NLC	902%	628.00%
RBCA ratio	437%	577.00%

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 P10 million to P30 million, between P30 million to P50 million and more than P50 million, respectively.

The Parent Company's regulated operations have complied with all externally-imposed capital requirements as of March 31, 2015 and December 31, 2014.

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, 2015 and December 31, 2014, 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:

### Credit risk

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 (P2) security cover for every One Peso (P1) 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.

### Aging Analyses of Financial Assets

The aging analyses of the Group's financial assets as at March 31, 2015 and December 31, 2014 are summarized in the following tables:

#### March 31, 2015 (Unaudited)

	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		4-14 days	15-31 days	More than 31 days		
Loans and receivables:						
Cash and cash equivalents	P4,941,619,786	P-	P-	P-	P-	P 4,941,619,786
Cash in segregated account	138,891,555	-	-	-	-	138,891,555
Trade receivables	775,684,208	179,590,606	295,230,997	795,982,822	3,591,812	2,050,080,445
Other receivables	12,466,890	-	-	-	8,960,245	21,427,135
Refundable deposits	5,313,302	-	-	-	-	5,313,302
Financial assets at FVPL	2,017,364	-	-	-	-	2,017,364
<b>Total</b>	<b>P5,875,993,105</b>	<b>P179,590,606</b>	<b>P295,230,997</b>	<b>P795,982,822</b>	<b>P12,552,057</b>	<b>P7,159,349,587</b>

#### December 31, 2014 (Audited)

	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		4-14 days	15-31 days	More than 31 days		
Loans and receivables:						
Cash and cash equivalents	P4,640,187,892	P-	P-	P-	P-	P4,640,187,892
Cash in segregated account	154,129,025	-	-	-	-	154,129,025
Trade receivables	353,422,136	157,429,815	267,121,027	660,450,900	3,410,234	1,441,834,112
Other receivables	12,130,063	-	-	-	8,960,245	21,090,308
Refundable deposits	5,281,002	-	-	-	-	5,281,002
Financial assets at FVPL	9,375,564	-	-	-	-	9,375,564
<b>Total</b>	<b>P5,174,525,682</b>	<b>P157,429,815</b>	<b>P267,121,027</b>	<b>P660,450,900</b>	<b>P12,370,479</b>	<b>P6,271,897,903</b>

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

March 31, 2015 (Unaudited)

	Neither Past Due nor Specifically Impaired			Individually Impaired	Total
	High Grade	Standard Grade	Substandard Grade		
<b>Loans and receivables:</b>					
Cash and cash equivalents	₱4,941,619,786	₱-	₱-	₱-	₱4,941,619,786
Cash in a segregated account	138,891,555	-	-	-	138,891,555
Trade receivables	2,046,488,633	-	-	3,591,812	2,050,080,445
Other receivables	-	12,466,890	-	8,960,245	21,427,135
Refundable deposits	5,313,302	-	-	-	5,313,302
	7,132,313,276	12,466,890	-	12,552,057	7,157,332,223
<b>Financial assets at FVPL</b>	<b>2,017,364</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,017,364</b>
	<b>₱7,134,330,640</b>	<b>₱12,466,890</b>	<b>₱-</b>	<b>₱12,552,057</b>	<b>₱7,159,349,587</b>

December 31, 2014 (Audited)

	Neither Past Due nor Specifically Impaired			Individually Impaired	Total
	High Grade	Standard Grade	Substandard Grade		
<b>Loans and receivables:</b>					
Cash and cash equivalents	4,640,187,892	₱-	₱-	₱-	₱4,640,187,892
Cash in a segregated account	154,129,025	-	-	-	154,129,025
Trade receivables	1,438,423,878	-	-	3,410,234	1,441,834,112
Other receivables	-	12,130,063	-	8,960,245	21,090,308
Refundable deposits	5,281,002	-	-	-	5,281,002
	6,238,021,797	12,130,063	-	12,370,479	6,262,522,339
<b>Financial assets at FVPL</b>	<b>9,375,564</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,375,564</b>
	<b>₱6,247,397,361</b>	<b>₱12,130,063</b>	<b>₱-</b>	<b>₱12,370,479</b>	<b>₱6,271,897,903</b>

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, 2015 and December 31, 2014, ₱1,630,100,129 and ₱1,413,523,154 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 ₱6,427,091,060 and ₱6,792,074,324, 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, 2015 and December 31, 2014.

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, 2015 and December 31, 2014, 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.

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

	<b>March 31, 2015 (Unaudited)</b>	December 31, 2014 (Audited)
Cash and cash equivalents (see Note 4)*	<b>₱4,941,577,456</b>	₱4,640,150,645
Cash in a segregated account (see Note 5)	<b>138,891,555</b>	154,129,025
Financial assets at FVPL (see Note 6)	<b>2,017,364</b>	9,375,564
Trade receivables (see Note 7)	<b>2,046,488,633</b>	1,438,423,878
Other receivables (see Note 7)	<b>12,466,890</b>	12,130,063
Refundable deposits (see Note 10)	<b>5,313,302</b>	5,281,002
	<b>7,146,755,200</b>	6,259,490,177
Unutilized margin trading facility	<b>4,001,686,662</b>	4,280,085,476
	<b>₱11,148,441,862</b>	₱10,539,575,653

*\*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, 2015 and December 31, 2014, 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, 2015 and December 31, 2014 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 exchange 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, 2015 and December 31, 2014 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\$2,580 and US\$82,822 as at March 31, 2015 and December 31, 2014, 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, 2015 and December 31, 2014 is not significant.

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## 22. Financial Instruments

The following table shows the carrying values and fair values of the Group's assets and liabilities, whose carrying values does not approximate its fair values as at March 31, 2015 and December 31, 2014:

	Carrying Values		Fair Values	
	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
<b>Financial Assets</b>				
Loans and receivables:				
Refundable deposits	<b>₱5,313,302</b>	₱5,281,002	<b>₱4,628,060</b>	₱4,483,853
Intangibles				
Exchange trading right	<b>₱5,000,000</b>	₱5,000,000	<b>₱8,500,000</b>	₱8,500,000

### *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 at December 31, 2014 and 2013. Fair value of financial assets at FVPL is based on the closing quoted prices of stock investments published by the PSE, major US Stock Exchanges and mutual funds.

#### *Refundable Deposits*

The fair value of the refundable deposits is based on the present value of the future cash flows discounted using credit adjusted risk-free rates for a similar type of instrument using 3.33% and 2.37% as at December 31, 2014 and 2013, respectively. There are no changes in the valuation techniques in 2014 and 2013.

#### *Exchange Trading Right Under Intangibles*

The fair value of the exchange trading right for the Parent Company is based on the available market value.

#### Fair Value Hierarchy

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy as follows:

<u>March 31, 2015 (Unaudited)</u>	Level 1	Level 2	Level 3
Asset measured at fair value			
Financial assets at FVPL	₱2,017,364	₱-	₱-
Asset for which fair values are disclosed			
Intangibles			
Exchange trading right	8,500,000	₱-	₱-
Refundable deposits	-	-	4,628,060
	<u>₱10,517,364</u>	<u>₱-</u>	<u>₱4,628,060</u>
<u>December 31, 2014 (Audited)</u>	Level 1	Level 2	Level 3
Asset measured at fair value			
Financial assets at FVPL	₱9,375,564	₱-	₱-
Asset for which fair values are disclosed			
Intangibles			
Exchange trading right	8,500,000	₱-	₱-
Refundable deposits	-	-	4,483,853
	<u>₱17,875,564</u>	<u>₱-</u>	<u>₱4,483,853</u>

During the period ended March 31, 2015 and the year ended December 31, 2014, there were no transfers among levels 1, 2 and 3 of fair value measurements.

### **23. Contingency**

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. On May 8, 2014, the Commissioner of Internal Revenue (CIR) filed its MR which was later denied for lack of merit in CTA's Resolution dated June 2, 2014. On July 5, 2014, the CIR filed a Petition for Review with the CTA En Banc requesting said Court to reconsider, reverse, and set aside the Decision dated April 15, 2014 and Resolution dated June 2, 2014. The case is still pending with the CTA En Banc as at May 15, 2015.

## 24. EPS Computation

	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Net income	₱107,263,878	₱58,829,271
Weighted average number of shares for basic earnings per share	474,550,000	468,650,000
Dilutive shares arising from stock options	1,450,000	7,350,000
Adjusted weighted average number of shares of common shares for diluted earnings per share	476,000,000	476,000,000
Basic earnings per share	₱0.23	₱0.13
Diluted earnings per share	₱0.23	₱0.12

## 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, 2015 (Unaudited)

	Philippines	Hong Kong	Elimination	Total
Revenue from external customers:				
Commission	₱149,448,705	₱5,200,150	₱-	₱154,648,855
Interest	57,514,921	-	-	57,514,921
Others	1,494,880	140,793	-	1,635,673
Inter-segment revenue	11,165,266	-	(11,165,266)	-
Segment revenue	219,623,772	5,340,943	(11,165,266)	213,799,449
Cost of services	(46,600,028)	(3,984,219)	-	(50,584,247)
Operating expenses	(24,312,370)	(13,649,100)	11,168,621	(26,792,849)
Depreciation	(3,544,881)	-	-	(3,544,881)
Income (loss) before income tax	145,166,493	(12,292,376)	3,355	132,877,472
(Provision for) benefit from income tax	(27,641,838)	2,028,244	-	(25,613,594)
Net income (loss)	₱117,524,655	(₱10,264,132)	₱3,355	₱107,263,878
Segment assets	₱6,559,610,015	₱832,631,449	(₱138,569,217)	₱7,253,672,247
Segment liabilities	5,700,451,664	408,482,009	(3,770,224)	6,105,163,449
Capital expenditures:				
Tangible fixed assets	1,873,251	-	-	1,873,251
Cash flows arising from:				
Operating activities	319,191,285	(15,886,140)	-	303,305,145
Investing activities	(1,873,251)	-	-	(1,873,251)

### December 31, 2014 (Audited)

	Philippines	Hong Kong	Elimination	Total
Revenue from external customers:				
Commissions	₱464,636,005	₱38,754,036	₱-	₱503,390,041
Interest	203,128,988	1,235	-	203,130,223
Others	4,667,387	363,059	-	5,030,446
Inter-segment revenue	44,717,507	-	(44,717,507)	-
Segment revenue	717,149,887	39,118,330	(44,717,507)	711,550,710
Cost of services	(177,415,221)	(16,472,809)	-	(193,888,030)
Operating expenses	(150,736,281)	(55,549,692)	44,654,168	(161,631,805)
Depreciation and amortization	(14,913,322)	(133,491)	-	(15,046,813)
Income (loss) before income tax	374,085,063	(33,037,662)	(63,339)	340,984,062
Benefit from (provision for) income tax	(84,153,246)	5,436,244	-	(78,717,002)

	Philippines	Hong Kong	Elimination	Total
Net income (loss)	₱289,931,817	(₱27,601,418)	(₱63,339)	₱262,267,060
Segment assets	₱5,904,455,641	₱595,504,839	(₱138,555,758)	₱6,361,404,722
Segment liabilities	4,926,248,733	162,439,713	(3,736,756)	5,084,951,690
Capital expenditures:				
Tangible fixed assets	12,023,627	85,475	—	12,109,102
Cash flows arising from:				
Operating activities	1,711,903,748	12,131,312	—	1,724,035,060
Investing activities	(11,960,897)	(85,475)	—	(12,046,372)
Financing activities	(275,290,000)	—	—	(275,290,000)

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

	March 31, 2015	March 31, 2014
Profitability ratios:		
Return on assets	2%	1%
Return on equity (annualized)	35%	20%
Net profit margin	50%	41%
Solvency and liquidity ratios:		
Current ratio	1.18:1	1.23:1
Debt to equity ratio	5.04:1	3.59:1
Quick ratio	1.18:1	1.23:1
Asset to equity ratio	5.98:1	4.51:1