

“COL Financial was built on
the foundation that every
Filipino deserves
to be Rich.”

EDWARD K. LEE

Founder & Chairman

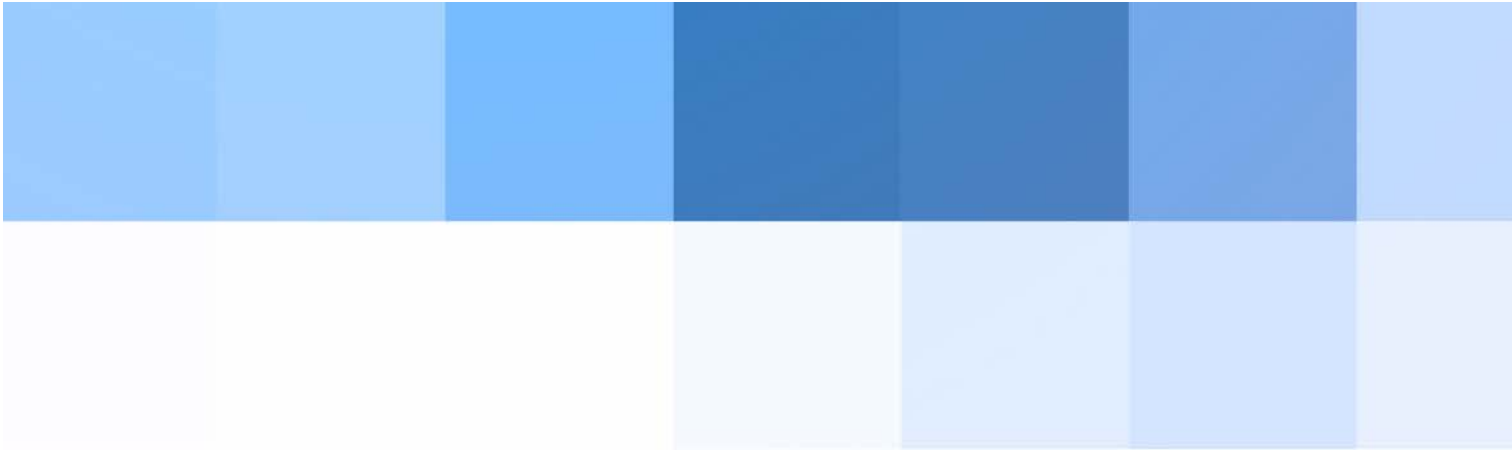
Choosing a Better Tomorrow
ANNUAL REPORT 2015



COL FINANCIAL GROUP, INC.

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VISION

To be the best and most trusted financial services provider for Filipino investors.

To provide unparalleled service to our customers by empowering them with knowledge, tools and wealth-building programs to help them achieve their financial goals.

MISSION

To provide a superior investing customer experience towards building genuine wealth.

To provide the most conducive and rewarding work environment for our employees.

To provide shareholders a sustainable return on capital.

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Message from the Chairman

Dear COL Customer,

2015 can be described as one of the most volatile periods of the Philippine stock market in recent history. The index reached an all-time high of 8,136, up as much as 12% in the first five months, only to end the year in negative territory as it went down by 4%. This huge swing provided a tough environment for our clients as the value of their stock portfolio erode significantly before their very eyes. In times like these, it is important to understand that such conditions create the best kind of opportunities for the prepared and disciplined investor.

In spite of the changing market conditions, I am happy to say that not only is our customer base consistently growing, our existing customers also continue to add to their investments, which to us is an indication of their growing understanding of the keys to successful investing. One of the main pillars of our business is financial education. We at COL strongly believe that the well-informed investor has the best advantage and this is reflected in our persistence to provide learning opportunities to our customers. Our seminar lineup has expanded over the years and now includes investing in mutual funds to offer more guidance to our customers in building even better portfolios.

“I am happy to say that not only is our customer base consistently growing, our existing customers also continue to add to their investments, which to us is an indication of their growing understanding of the keys to successful investing.”

I am enthusiastic about the development of COL Fund Source, our mutual fund distribution service, as it opens up a wealth of opportunities for both our customers and the Company. This new service enables COL to accommodate more potential investors, especially those who may prefer professionally managed assets at a reasonable cost.

Our brand has also grown in more ways that I can imagine. We strive to become a better institution, year after year, through the expansion of our products

and services to create more low cost and effective investing opportunities for Filipinos.

My biggest inspiration comes from knowing that we are able to positively affect the lives of our customers. They have made a massive contribution to our success and without them, we will not be where we are today.

COL has always been beyond the numbers. As we move forward to 2016, our primary goal remains unchanged. We aim to help our customers build genuine wealth by offering support in every step of their investing journey. As the persevering champion of the retail investor, COL will continue to find ways to empower our customers to choose a better tomorrow.

Here’s to a thriving 2016!



EDWARD K. LEE
Founder and Chairman



President's Report

In a recent conversation with one of our customers, I asked him how his investments are doing and if he was concerned, because the stock market was down significantly.



He told me that, although his portfolio is in the red, he's very happy. I asked why, and he answered, "Because COL taught me that as long as I continue to invest regularly, especially when the markets are down, I gain the opportunity to make more, when the markets move up again."

This may sound self-serving, but it struck me that this exact outlook, which we teach our customers, should likewise serve us well in trying times. We can find opportunity in the midst of difficulty. In a weak environment we can rise above it and show our strength.

A CHALLENGING PATH

Despite the tough market environment in 2015, COL's commitment to serve its customers continues to pay off as it remains to be the driver of our growth. The effective execution of this strategy helped us succeed throughout 2015 during what was generally a difficult investing environment.

CONRADO F. BATE

President and Chief Executive Officer

“Despite the tough market environment in 2015, COL's commitment to serve its customers continues to pay off as it remains to be the driver of our growth. The effective execution of this strategy helped us succeed throughout 2015 during what was generally a difficult investing environment.”

A key measure of our success is the willingness of new and existing clients to bring their hard-earned assets to us. Last year, our local operations attracted Php5.8 billion in net new assets, up 28% Y/Y from 2014. Total client assets at year-end were Php46.9 billion, up Php3.7 billion or 8.5% resulting in a 3-year compounded annual growth rate of 22.4% per annum.

Another indicator of our success is the consistent growth in the number of new individual customers. In 2015, new accounts opened grew by leaps and bounds, totaling to over 50,000 accounts, up 63% from last year, while total customer accounts rose 44% Y/Y to 162,330. This is definitely an achievement that we are very proud of, a reward of our hard work. By putting the customers' needs in the center of our priorities, we were able to keep their trust and our reputation of being their champion in choosing a better tomorrow.

FINANCIAL HIGHLIGHTS

Last year was an extraordinarily challenging year across the financial service industry, and COL was not immune to it. The external stress coming from China's growth concerns, depreciating currencies, lackluster corporate earnings and high valuations, were just a few of the contributing factors.

↑ **63%**
from last year
50,000
New Accounts

8th Largest Stock Broker

I N P S E R A N K I N G

Nevertheless, COL's net revenues for the period slightly increased by 1.8% Y/Y to Php737.0 as the growth in interest income offset the drop in commission revenues. Net income was relatively flat at Php262.7 million, due to the booking of Php24.0 million worth of taxes and related penalties, which are non-recurring in nature.

Aside from the strong growth of our interest income, the controlled increase in the Company's expenses helped keep profits flat. Total operating expenses increased by only 1.3% Y/Y to Php375.2 million as trading related costs fell by 0.9% Y/Y while growth in fixed costs, including personnel and professional fees, was kept at only 7.1%

Our Statement of Financial Position remained as strong as it continued to support growth initiatives. Total assets

grew by 25% Y/Y to Php8.0 billion, as our cash position surged forward by 40.8%, to Php6.7 billion from Php4.8 billion the previous year, making us better-equipped to serve the needs of our customers. Meanwhile, our stockholders' equity was flat at Php1.3 billion, allowing us to maintain our position as one of the highest capitalized stock brokers in the PSE, with a capital base that is significantly higher than the Php100 million minimum requirement. Finally, despite the challenging operating environment, we were able to generate a very healthy return on average equity of 20.3%, the same level as in 2014.

PROMISING SIGNS

In 2015, our systems handled an average of over 40,000 unique users daily, an increase of 35% compared to our average in 2014. The highest number of log-ins in a single day was 52,000 in

August, which was achieved at a 99% system reliability.

“We still managed to retain our PSE ranking as the eight largest stock broker in terms of value turnover and remained number one in terms of volume of trades executed.”

COL's 2015 trading volume experienced a slowdown both in the Philippines and Hong Kong by 3% and 13% respectively, as the bearish sentiment increased globally. Furthermore, as a consequence, the average take-up of margin loans contracted by 20%, from an average of over Php1.2 billion in 2014 to only Php971 million in 2015.

Overall, although COL's market share in terms of value turnover experienced

a decline from 4.1% in 2014 to 3.9% in 2015, we still managed to retain our PSE ranking as the eight largest stock broker in terms of value turnover and still remained number one in terms of volume of trades executed.

The loss in market share was largely due to the domination of foreign flows in 4Q which increased to 54% from 47% last year. Despite the slowdown in client activity, 75% of our customers continued to trade at least once a year. What is even more encouraging, our customers chose to park their money in their COL accounts as they waited for better opportunities to get back into the market. As of end December, the cash balances of our customers remained at Php6 billion.

NEW BUSINESS

2015 was a significant chapter in COL's corporate history. As part of our commitment to create more value and a better investing experience, COL launched the country's first and only online fund supermarket called COL Fund Source.

COL Fund Source offers investors online access to a wide variety of professionally managed funds from the top investment houses in the country. This, we believe, will not only revolutionize the way investors invest in mutual funds but will also help us cater to the needs of more Filipinos, whether to help them expand, diversify or build their investment portfolio.

This product was also designed to expand our customer reach and relationship with existing customers.

“Our strategy remains consistent. Our customer-focused approach will still be the cornerstone of our business...”

COL Fund Source has made investing more accessible for people who may not have the time to actively manage their investments and those who are looking to expand or diversify their portfolios to even other types of assets.

The new service also provides the necessary tools and resources to allow investors to evaluate and choose among equity funds, equity index funds, balanced funds, bond funds and money market funds. COL investors now have more investment products to choose from that can best suit their various investment objectives.

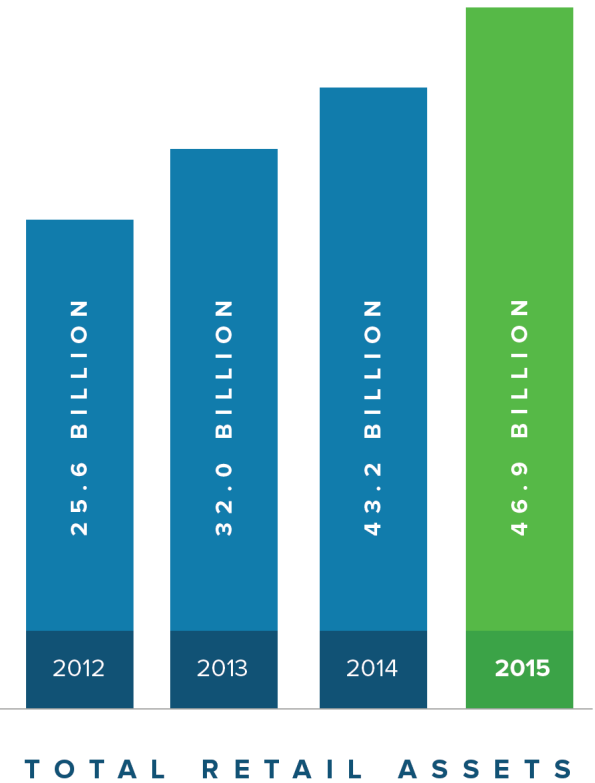
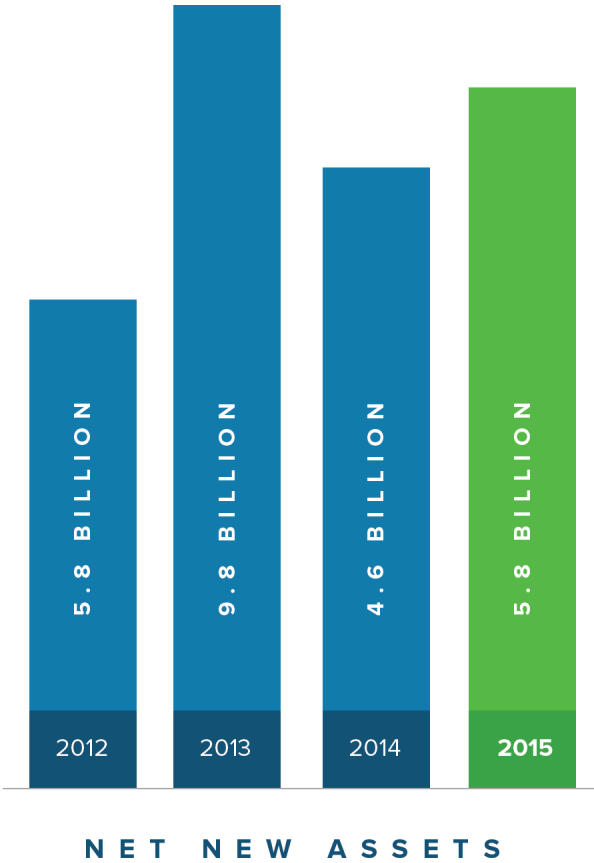
Launched in July 2015, COL Fund Source was able to attract 7,526 investors, closing the year with Php500 million in total assets under administration -- resulting in an average net sales per day of over Php3.3 million. In the second half of the year, we accounted for 9.3% of the total net sales of peso denominated equity funds of the whole mutual fund industry, reaching a high of 31.8% in September 2015.

These encouraging results imply the growing trust of our customers as they see us as more than just their online stock broker, but also as their wealth building partner.



MOVING FORWARD

As we enter 2016, we continue to see challenging times as the global markets stay interconnected. Although the Philippines is fundamentally much stronger compared to other economies globally, our market is still vulnerable to a contagion.

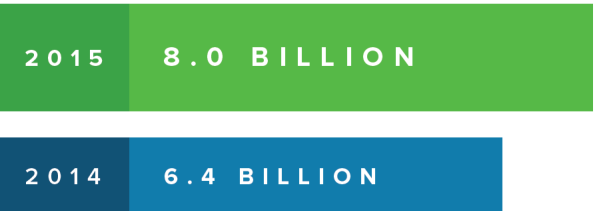


NET REVENUE



Nevertheless, we believe that COL is well-positioned to benefit from organic growth. Our initiatives to diversify revenue streams will also provide a degree of stability and continuous growth. We will maintain our disciplined approach in expenses while we provide cost-effective services and innovative tools and products, to accommodate the growing investment needs of our customers.

TOTAL ASSETS



Our strategy remains consistent. Our customer-focused approach will still be the cornerstone of our business, which is to build a deeper partnership with our customers by offering them a more meaningful and financially rewarding investing experience as we help them choose a better tomorrow.

Chief Financial Officer's Message

Resiliency despite challenges

The year 2015 was a difficult year for stock market participants including your Company, COL Financial. After rising by as much as 12.5% during the start of the year, the PSEi ended 2015 lower by 3.9%. Similarly, average daily turnover fell by 10.1% from April to December after increasing by 47.6% during the first quarter of the year.

Tough as that environment was, we continued to see consistent growth in our customer base and net new assets which cushioned the impact of the slowdown in market volumes. Despite the difficult operating environment, consolidated revenues still grew by 1.8% to Php737.0 million. This was largely driven by the 80.2% increase in interest income from bank placements. Aside from the rise in cash balances of new and existing clients, together with our prudent cash management, we also saw an improvement in our bank deposit rates. COL's cash position grew by 40.8% to Php6.7 billion as of end 2015 from Php4.8 billion as of end 2014.

At the same time, the asset base of COL's retail clients also continued to grow to Php46.9 billion, up by 8.5% from Php43.1 billion, as your Company registered Php5.8 billion in net new flows.

P737 **↑1.8%**
Million
CONSOLIDATED REVENUES

COL CASH POSITION
↑40.8%
P6.7
Billion
2015
from
P4.8
Billion
2014

In line with our expectations, COL's commission revenues fell by 3.3% to Php486.9 million as our high net worth clients traded conservatively in the stock market. The contribution to the total traded value of client advisory segment decreased to 28.0% from 33.0% in 2014, while the traded value of self-directed investors steadily grew to 72.0% from 67.0% last year.

Knowing that revenues were under pressure, COL closely monitored operating expenses which was contained at 1.3% to Php375.2 million as trading related costs fell by 0.9%. Meanwhile, growth in fixed costs including personnel and professional fees were kept at only 7.1%. Implementing this cost discipline enabled COL to deliver a pre-tax profit margin of 49.1%.

P486.9 **↓3.3%**
Million
COMMISSION REVENUES

CONTRIBUTION TO THE TOTAL
TRADED VALUE OF CLIENT
↓28.0%
2015
from
↑33.0%
2014

TRADED VALUE OF SELF-DIRECTED INVESTORS

↑72.0%

2015

from

↓67.0%

2014

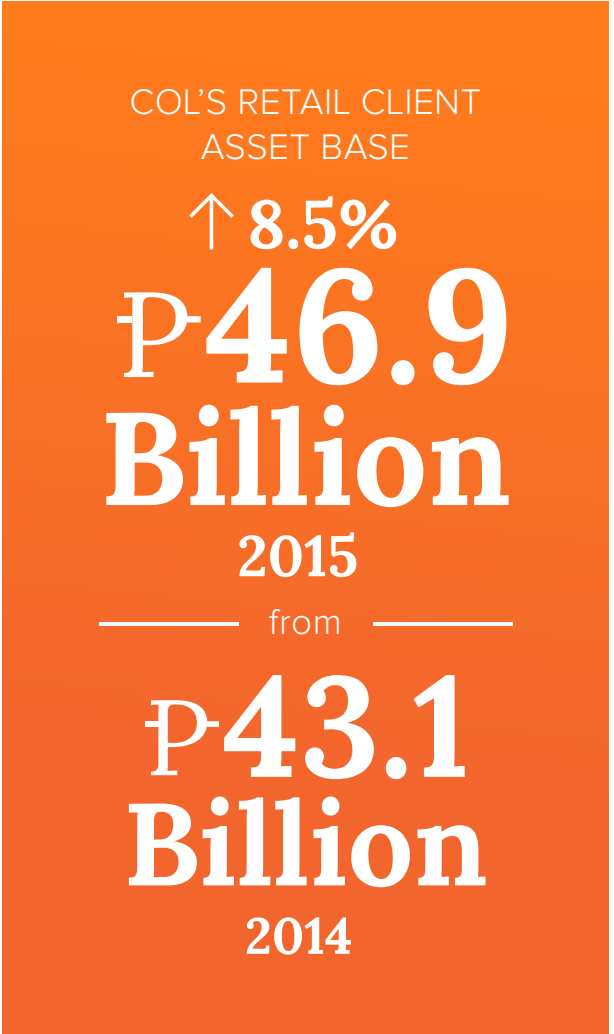
closely monitored

OPERATING EXPENSES

↑1.3%
P375.2
Million
2015

At the same time, the asset base of COL's retail clients also continued to grow to Php46.9 billion, up by 8.5% from Php43.1 billion as your Company registered Php5.8 billion in net new flows.

If not for the Php23.7 million in taxes and related penalties which were non-recurring in nature, net income would have been 9.0% higher at Php286.4 million. Average return on equity remained very healthy at 20.3% in 2015.



**STRONG START FOR FUND
DISTRIBUTION BUSINESS**

While COL's stock brokerage business encountered challenges in 2015, our new mutual fund distribution business was off to a very strong start as it was well-received by our customers. Although the said business had only

been in operation for a little over five months, COL Fund Source ended the year with Php499.7 million in assets under administration.

We are also proud to announce that as of end 2015, a total of 7,526 COL clients have already invested in mutual funds, out of which a total of 879 are invested in mutual funds exclusively. This, in our opinion, is a strong indication that we were able to address the needs of more Filipinos yearning to invest but are not comfortable enough to invest directly in individual stocks.

“We are also proud to announce that as of end 2015, a total of 7,526 COL clients have already invested in mutual funds out of which a total of 879 are invested in mutual funds exclusively.”

**POSITIONING TO TAKE
ADVANTAGE OF THE COUNTRY'S
BRIGHT FUTURE**

Although the Philippine stock market is currently undergoing a difficult phase, we remain confident that the long term trend remains attractive. This is due to several factors including the country's favorable demographics, significant room for investment spending to grow, the government's strong finances, and ample liquidity.

In light of this, we believe that our approach of focusing on client acquisition through education and providing a wider suite of investment options will allow us to capitalize on the attractive long term prospect of the industry.

Thank you for your continued trust and support!

CATHERINE L. ONG
Chief Financial Officer



Board of Directors

EDWARD K. LEE

FOUNDER AND CHAIRMAN

- Edward K. Lee is a Bachelor of Science in Industrial Management Engineering graduate of De La Salle University. He is concurrently the Founder and Chairman of the Board of COL since 1999, COL Securities (HK) Limited since 2001, Citisecurities, Inc. since 1986, and Caylum Trading Institute since 2013. Mr. Lee served as a nominee of Citisecurities, Inc. to the Manila Stock Exchange (MSE) and presently to the Philippine Stock Exchange (PSE).
- He was elected as one of the Governors of the PSE and was the Chairman of the Computerization committee of the MSE and PSE in 1994. He went on to become a member of the Board of Directors of A. Soriano Corporation serving for two terms.
- Mr. Lee was also nominated as a finalist to the 2007 Entrepreneur of the Year Philippines by Ernst & Young. In 2015, he was awarded with the Theodore Vail Most Outstanding JA Alumni Awardee and in 2016, he was appointed as an official board member of JA Asia Pacific.



ALEXANDER C. YU

VICE CHAIRMAN

- Alexander C. Yu is a Bachelor of Science in Mechanical Engineering graduate of De La Salle University. He is currently the Vice Chairman of COL since 1999 and the Vice Chairman and Treasurer of Citisecurities, Inc. since 1986.
- He is also currently a Director of COL Securities (HK) Limited since 2001, elected as Director of Caylum Trading Institute in 2013 and also of Winner Industrial Corp. for more than 10 years.
- He is the proprietor of Trans-Asia General Merchandise and in 1997, served as a Director of A. Soriano Corporation.

CONRADO F. BATE

PRESIDENT AND CHIEF EXECUTIVE OFFICER

- Conrado F. Bate is a Bachelor of Arts in Economics and Bachelor of Science in Marketing Management graduate of De La Salle University. He is currently the President and Chief Executive Officer of COL.
- He has extensive experience in the Philippine stock brokerage and fund management industry. Prior positions that he held include: Vice President of JP Morgan Philippines in 2002; President and CEO of Abacus Securities Corporation from 1995 to 1997; and Vice President of Fund Management Division of Philamlife Insurance Company from 1990 to 1995. Mr. Bate was a member of the Board of Directors of the PSE (2005 to 2006) and served as Chairman of its Investor Education Committee and Member of the Legislative Committee.
- He was an independent director of the ATR Kim Eng Asset Management from 2005 to 2010 and serves in the same capacity for Corston-Smith Asset Management Sdn. Bhd. from February 2009 to present.



HERNAN G. LIM

DIRECTOR

- Hernan G. Lim is currently the President of Hoc Po Feeds Corporation and the Executive Vice President of HGL Development Corporation. Mr. Lim is a Director of Caylum Trading Institute since 2013, and has also been a Director of Citimex, Inc., Citisecurities, Inc., CWC Development, Inc., Barrington Carpets, Inc. and CWC Industries, Inc. for more than 10 years.
- He holds a Bachelor of Science degree in Electronics and Communications Engineering from the University of Santo Tomas. He also took the Basic Management Course at the Asian Institute of Management.



WELLINGTON C. YU

DIRECTOR

- Wellington C. Yu finished his BS Chemical Engineering at De La Salle University in 1965 and his MBA and MS Chemical Engineering from the University of Pittsburgh.
- From 1973 to 1985, he was the Dean of the College of Business and Economics of De La Salle University and of the Graduate School of Business from 1981 to 1984. He was conferred the title of Dean Emeritus in the College of Business and Economics. He was the Senior Vice President of Tropical Rent-A-Car in Hawaii from 1986 to 1990 and President of Suntrips, Inc. of San Jose, California from 1990 to 1997.
- In 2012, Xavier School San Juan awarded the “Exemplary Alumnus” title to Dean Yu. He is presently the Dean of the College at Philippine Cultural College in Manila.



PAULWELL HAN

DIRECTOR

- Paulwell Han is a graduate of Business Finance at San Francisco State University, USA.
- He is currently the Director and General Manager of different corporations located in Hong Kong namely: Etta Trading Company Limited, Yee Ting Tong Company Limited, Tecworld Investment Co., Ltd., Silver Jubilee Co., Ltd., and Sunning Restaurant.

RAYMOND C. YU

DIRECTOR

- Raymond C. Yu is a Bachelor of Science in Commerce graduate of De La Salle University in 1974.
- He is currently the President of Winner Industrial Corporation, elected as a director of Caylum Trading Institute in 2013, and a director of more than 16 years of the following corporations: Citisecurities, Inc., CWC Development, Inc., Barrington Carpets, Inc., Citimex, Inc., and CWC International, Inc.





CATHERINE L. ONG

CHIEF FINANCIAL OFFICER

- Catherine L. Ong is the President of Citisecurities, Inc. and Executive Vice President and Treasurer of CWC Group of Companies, which includes CWC Industries, Inc., Barrington Carpets, Inc., Citimex, Inc. and CWC International Corporation. She has held the latter position for more than 20 years.
- She has extensive experience in banking, having held various positions in Metropolitan Bank and Trust Company (Metrobank). She was an Assistant Vice President and Area Supervisor of Metrobank and served as a Director of Metrobank's subsidiary, Pan Philippines Life Insurance Corp. (now known as Philippine Axa Life).
- Ms. Ong graduated from the Philippine Women's University with a Bachelor of Science Degree in Business Administration, Major in Accounting.

MANUEL S. ESTACION

INDEPENDENT DIRECTOR

- Manuel S. Estacion is a Bachelor of Science in Commerce graduate of San Beda College. He previously served The Hongkong and Shanghai Banking Corporation (HSBC) in various capacities and was Vice President Human Resources from 1996 to 1999 after which he acted as Consultant to HSBC for three years.
- Mr. Estacion is a Charter Member of the Rotary Club of Ortigas Center. He is at present a member of the Board of Directors of Vynex Signs Philippines Inc.



JOEL A. LITMAN

DIRECTOR

- Joel A. Litman was elected as director on August 12, 2011. Mr. Litman is currently Chief Investment Strategist and Managing Director of Valens Securities, Inc. headquartered in New York City.
- He serves as Chairman and CEO of Valens Credit LLC, Valens Equities, and the Institute of Strategy & Valuation. Previously, he held Director/Manager positions at Credit Suisse First Boston, Deloitte Consulting, and American Express.
- He is co-author of the book, DRIVEN: Business Strategy, Human Actions, and the Creation of Wealth which was published in Harvard Business Review. Professor Litman is a faculty member of Hult International Business School and has lectured at Harvard and other MBA programs.
- He is Chairman of the Foundation for Socioeconomic Advancement focused on philanthropic efforts, particularly in the Philippines. He is a Certified Public Accountant in the United States and a member of the Global CFA Institute. He received his B.S. Accountancy at DePaul University and his MBA/MM from the Kellogg Graduate School of Management at Northwestern University.



KHOO BOO BOON

INDEPENDENT DIRECTOR

- Khoo Boo Boon has extensive experience in commodities trading, stock trading, advertising, marketing research and corporate managements and has held senior executive position in the Asean region.
- He currently runs his own management and consulting firm, Knowledge-Based Business Intelligence and Consulting (KBBIC) and sits on the Board of Directors of GTF Worldwide Philippines, Geka Property Holdings, Inc., and Bethel Home Holdings Inc. Mr. Khoo is an alumnus of the Asian Institute of Management where he earned a Masters degree in Development Management in 1990 as Canadian International Development Agency (CIDA) Fellow.

Executive Officers

CAESAR A. GUERZON

CORPORATE SECRETARY, HEAD OF ADMIN
AND LEGAL CONSULTANT

- Caesar A. Guerzon is concurrently a Director of COL Securities (HK) Limited and the Corporate Secretary of Citisecurities, Inc., CWC International, Inc., CWC Industrial Corporation and Barrington Carpets, Inc.
- He is also the Chairman of the Board of the Rural Bank of Sta. Maria, Ilocos Sur, Inc., and serves as President of the Board of Trustees of COG – Makati, Inc. and Secretary to the Sangguniang Barangay of Bel-Air, Makati City. He was member of the Governance Committee of the Philippine Stock Exchange and the Legislative Committee of the Philippine Association Securities Brokers & Dealers.
- Mr. Guerzon finished his Bachelor of Science in Foreign Service in 1972 and Bachelor of Laws in 1976 at the University of the Philippines and was admitted to the Philippine Bar in 1977. He is a licensed Certified Securities Representative and a member of the Integrated Bar of the Philippines.



JUAN G. BARREDO

VICE PRESIDENT AND HEAD OF SALES AND
CUSTOMER SUPPORT DEPARTMENT

- Juan “Juanis” G. Barredo is the Vice President of Sales & Customer Support for COL, manages the day-to-day operations of COL’s Business Center, its Sales division as well as its Customer Service division.
- He also spearheads the COL Investor Seminar Series, the flagship investor education program of the Company, geared to empower COL customers and the investing public to build their knowledge base through a series of progressive stock market training sessions so that they can confidently invest in the Philippine Stock Market. He has addressed an audience of over 80,000 people nationwide in the last six years with topics ranging from the basics of stock market investing to introductory and advanced technical analysis seminars.
- Mr. Barredo holds a Bachelor of Arts degree in Philosophy from De La Salle University in 1990 and is a Certified Securities Representative.



NIKOS J. BAUTISTA

VICE PRESIDENT AND CHIEF TECHNOLOGY OFFICER

- Nikos J. Bautista is the Chief Technology Officer of COL. He was also a consultant and a committee member for the Trading System Project of the PSE which was launched successfully mid-2010 and for various projects of the PDEX.
- He was with the I.T. Department of the PSE as manager, in charge of all the I.T.-related activities of the Exchange from 1993 to 1997. In 1997, he joined Computershare, an Australian-based software development company specializing in trading systems wherein he took charge of all technical aspects of the business.
- In 2000, he put up a software development company, Finatechs, Inc., where he served as its President and Chief Executive Officer until 2003. Mr. Bautista is a graduate of De La Salle University with a Bachelor of Computer Science Degree with Masteral Courses in Computer Science.



APRIL LYNN L. TAN

VICE PRESIDENT AND HEAD OF RESEARCH DEPARTMENT

- April Lynn L. Tan has been the head of COL's Research Team since 2003. She has been doing equities research since 1996 when she joined the research team of Citisecurities, Inc.
- Ms. Tan holds a Bachelor of Science Degree in Management Engineering from the Ateneo de Manila University. She is a Certified Securities Representative and in 2000, earned the right to use the Chartered Financial Analyst (CFA) designation.
- She is currently the President of the CFA Society of the Philippines. Under her term as president, CFA Philippines won the "Global CFA Institute Research Challenge" twice and several Society Excellence Awards including the "Most Outstanding Society" for its size. The Society also became the country sponsor for the Global Investment Performance Standards (GIPS) together with the local "Fund Managers' Association of the Philippines" and the "Trust Officers Association of the Philippines."



LORENA E. VELARDE

VICE PRESIDENT AND FINANCIAL CONTROLLER

- Lorena E. Velarde was appointed as Financial Controller of COL in 2010 after having served as the Company's Head of Accounting from 2001 to 2009. She is concurrently the Associated Person of Citisecurities, Inc.
- She was previously the Accounting Department Head of Citisecurities, Inc. and Citisec Asset Management, Inc., the fund manager for Citisec Growth and Income Fund, Inc. Before that, she was a Senior Associate in-charge at SyCip Gorres Velayo & Co. which provided her extensive training in tax, accounting and financial reporting.
- Ms. Velarde graduated from the University of Santo Tomas with a Bachelor of Science Degree in Commerce Major in Accounting in 1991 and became a Certified Public Accountant on the same year.

MELISSA O. NG

ASSISTANT VICE PRESIDENT AND HEAD OF OPERATIONS DEPARTMENT

- Melissa O. Ng graduated with a degree of Bachelor of Science in Applied Economics and a Bachelor of Science Degree in Business Management from De La Salle University.
- She earned her MBA (Silver Medalist) from De La Salle University in 2000. She has been with the Company since 2007 and has previous banking experience from Security Bank and Union Bank of the Philippines.



Corporate Governance

COL Financial Group, Inc. commits to the framework of rules, systems and processes of good corporate governance to ensure, among others, the protection of the rights and equitable treatment of shareholders, disclosure and transparency on all financial and operational matters, independence of the Board, its roles and responsibilities and accountability to the Company and its shareholders.

The Company believes that good corporate governance is integral to, and goes hand-in-hand with, sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization. COL also believes that corporate governance is a reflection of its culture, policies, and relationship with its customers, employees and shareholders, and commitment to these values. Accordingly, the Company has designed and revised its Manual on Corporate Governance (“Manual”) to institutionalize the principles and best practices of good corporate governance and to serve as a guide in the attainment of its goals. As a testament of its advocacy and strong adherence to these principles, COL was recognized and given an award by the Philippine Stock Exchange in the 1st PSE Bell Awards for Corporate Governance in the Large Trading Participant Category for two (2) consecutive years (2012 and 2013) by the Philippine Stock Exchange.

The Manual also defines the responsibilities, composition and qualifications of the Board of Directors, the Board Committees, and Management to the Company’s stockholders.

BOARD GOVERNANCE

The Board of Directors (“Board”) is primarily responsible for the governance of the Company’s direction and control of COL’s business affairs as well as the preservation of its assets. Corollary to setting the policies for the accomplishment of its objectives, the Company shall provide an independent check on Management.

Composition

COL’s Board of Directors is composed of eleven (11) directors, two (2) of whom are independent directors. In order that no director or small group of directors shall dominate the decision-making process, a combination of executive and non-executive directors (which include independent directors) may compose the members of the Board. The non-executive directors shall possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

Each director shall hold office for a term of one year and until his successor is duly elected and qualified. A director’s office being one of trust and confidence, he is

“COL was recognized and given an award by the Philippine Stock Exchange in the 1st PSE Bell Awards for Corporate Governance in the Large Trading Participant Category for two consecutive years.”

expected to act in the best interest of the Company in a manner characterized by transparency, accountability and fairness. He shall also exercise leadership, prudence and integrity in directing the Company towards sustained progress.

Multiple Board Seat

The Board shall adopt guidelines on the number of directorships that its members can hold in stock and non-stock corporations.

The optimum number shall take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities.

The Chair and Chief Executive Officer

The roles of the Chair and the CEO shall, as much as practicable, be separate to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board. A clear delineation shall be made between the Chair and CEO upon their election. If the positions of Chair and CEO are unified, the proper checks and balances shall be laid down to ensure that the Board gets the benefit of independent views and perspectives.

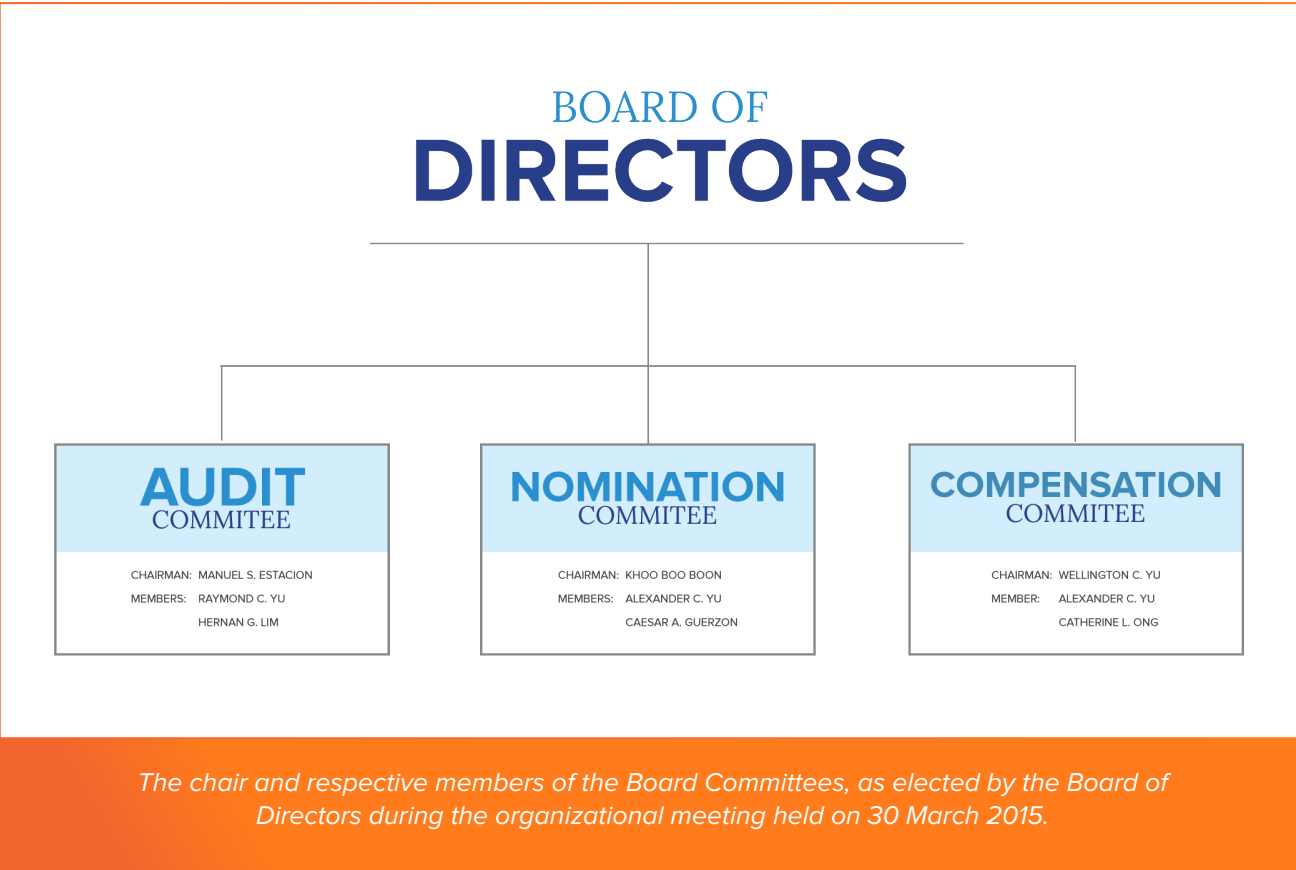
Board Committees

To help the Board with its task of maintaining good corporate governance, the Board has constituted three (3) committees, namely: the Nomination Committee, the Audit Committee, and the Compensation or Remuneration Committee.

An overview of the membership and responsibilities of each of the committees are as follows:

Nomination Committee

The Nomination Committee’s key objective is to review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring Board approval. It likewise provides assessment on the Board’s effectiveness in directing the process of election and replacement of Board members.



The Nomination Committee shall have at least three (3) members, one (1) of whom should be an independent director.

Audit Committee

The Audit Committee is composed of at least three (3) members who shall preferably have accounting and finance backgrounds, one of whom must be an independent director and another with audit experience. The Committee performs, among others, the following functions:

Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;

Perform oversight functions over the Corporation’s internal and external auditors.

Provide oversight over Management’s activities in managing credit, market, liquidity, operational, legal and other risks of the Company. This function shall include regular receipt from Management of information on risk exposures and risk management activities.

Coordinate, monitor and facilitate compliance with laws, rules and regulations.

Compensation or Remuneration Committee

The Compensation or Remuneration Committee is responsible for establishing formal and transparent procedures for the development of policies concerning

executive remuneration or determination of remuneration of directors and officers to ensure that their compensation is consistent with the Company’s culture, strategy, and the business environment in which it operates. The Committee is composed of at least three (3) members, one (1) of whom is an independent director.

ACCOUNTABILITY TO STOCKHOLDERS

The Board is primarily accountable to the stockholders. It is essential for Management to provide the Board with accurate and timely information with a balanced and comprehensible assessment of the Company’s performance, position and prospects on a quarterly basis, including the interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.

Management shall formulate, under the supervision of the Audit Committee, the rules and procedures on financial reporting and internal control.

DISCLOSURE AND TRANSPARENCY

The essence of corporate governance is transparency. The Board shall publicly and timely disclose material information that could adversely affect the viability of the Company or the interests of its stockholders and other stakeholders. Such information shall include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management.

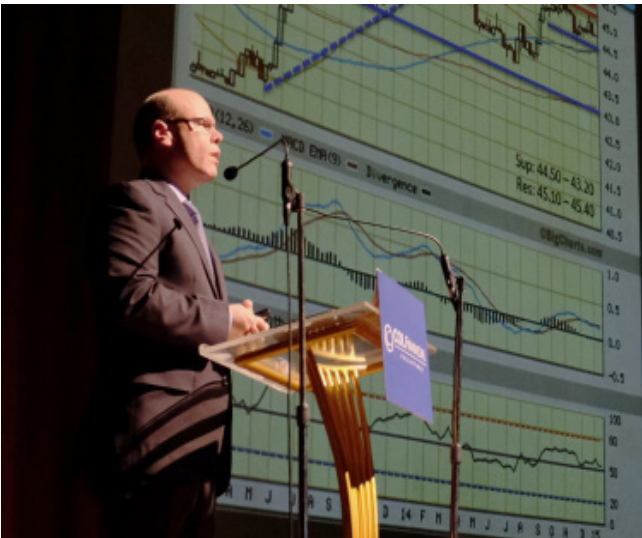
“The Company believes that good corporate governance is integral to, and goes hand-in-hand with, sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization.”

The Board commits that it will make a full disclosure of material information including financial reports and disclosure requirements of the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE).

Year Highlights

January

To kick start the year, valued COL Clients were invited to attend the Company's Market Briefing at the Meralco Theater. The briefing was themed "Stay the Course" which was aimed to guide customers on how to navigate the market throughout 2015.



CORPORATE DAY RISING STARS



PSE BULL RUN

March

COL Financial held its 4th Corporate Day at the Meralco Theater. The event was themed "Rising Stars" as the five companies (8990 Holdings, Century Pacific Food, Integrated Micro-Electronics, Stores Specialists, Xurpas) had their Initial Public Offering earlier in the year.



February

COL Financial partnered with the Global Filipino Investors (TGFI), a group that focuses on educating Overseas Filipino Workers on financial literacy. A series of weekly webinars for both local and overseas Filipinos were held. There were a total of 36 Webinars for the year and COL Financial was a regular contributor.



ANNUAL STOCKHOLDERS' MEETING

May

Giving importance to financial literacy at a family level, COL Financial supported the first ever Family FQ (Financial Intelligent Quotient) Event by the Fausto family at the SM Aura Convention Center.



FAMILY FQ



ROADSHOW HK

June

COL Financial was a part of the Chartered Financial Analyst's Philippine Retail Investment Conference at SM Aura's SMX Convention Center. A soft launch of the COL Fund Source Platform was announced during this event.



August

COL's Mid-year Market Briefing entitled "Shifting Gears" was conducted in Meralco Theater. This offered guidance to COL clients on how to manage growth expectations in the latter half of 2015.



COL MID-YEAR MARKET BRIEFING



COL FUND SOURCE ROADSHOW

September

To better help more Filipinos build wealth, COL Financial expanded its services by offering Mutual Funds to its customers through its new platform named COL Fund Source. The new service was launched through a roadshow entitled 'Picking the Right Investments' held in Cebu and Davao together with COL's fund house partners (ATRAM, FAMI, PAMI, PEMI, SLAMCI).



October

COL Financial joined the Asian Development Bank's 2nd Financial and Investment Fair. Being the only stockbrokerage firm in the event, COL held a seminar showcasing its services, focusing on the Easy Investment Program, along with the topic of how to choose the right mutual fund for each investor. The seminar had a total of 80 attendees, making it the most attended one during the 3 day fair.



TGFI FIRSTS GLOBAL SUMMIT



November

COL sponsored Bo Sanchez's Kerygma Conference entitled "Coming Home". This three-day inspirational conference gathered over 20,000 people from all over Metro Manila to attend a series of sessions focusing on different areas of interest ranging from investing to family values.



December

To end the year on a high note, COL's Christmas Party had a hip-hop theme which showcased a wide variety of talents from its employees.



CHRISTMAS PARTY 2015

Corporate Social Responsibility

COL has been a pioneer in advocating financial literacy by consistently providing opportunities for investor education.



POLYTECHNIC UNIVERSITY OF THE PHILIPPINES SEMINAR

The Company being firmly rooted on the belief of its chairman and founder, Edward K. Lee that ‘Every Filipino deserves to be Rich’, has significantly contributed to the growth in the number of Filipinos investing in the Philippine stock market.

FINANCIAL LITERACY AND INVESTOR EDUCATION

COL believes that in order to build genuine wealth, one must be armed with proper education and discipline. COL has devoted its time and resources to deliver seminars covering the different ways on how to make your money work for you through the stock market to practical approaches towards investing.



BLOMEX - AUGUST 2015



COL believes that in order to build genuine wealth, one must be armed with proper education and discipline.



BLOMEX - AUGUST 2015

COL Financial, in partnership with I-remit and TGFI, conducted a series of educational seminars in Singapore and Hong Kong to promote financial literacy to overseas Filipino workers.

In continuation of its advocacy, COL maintained and built new tie-ups with academic institutions such as the University of the Philippine’s Junior Finance Association (UP JFA) and UP’s National College of Public Administration and Governance. Apart from giving seminars, COL Financial held a competition with UP JFA called “Lights. Camera. Invest.”, where the students were asked to create videos based on their learnings from the COL seminars held at their campus. The winners were awarded pre-funded COL accounts to help them get started on investing. COL Financial was also part of the 2015 National Student Investors’ Convention (NSInC) of Ateneo’s Management Economics Organization wherein Mr. Edward Lee, COL’s Chairman and Founder, gave a brief talk on why you need to start investing.

OUTREACH ACTIVITIES

COL has been consistently conducting tree-planting activities since 2012. For 2015, company executives and employees planted trees at Gratchi’s Getaway in Tagaytay.



UPJFA PARTNERSHIP




STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


The management of COL Financial Group, Inc. (formerly CitisecOnline.com, Inc.) and Subsidiary (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2015 and 2014, including the additional components attached therein, in accordance with accounting principles generally accepted in the Philippines. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has examined the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders and Board of Directors, has expressed its opinion on the fairness of presentation upon completion of such examination.


Edward K. Lee
Chairman of the Board


Conrado F. Bate
President and Chief Executive Officer


Catherine L. Ong
Senior Vice President and Chief Financial Officer

Signed this 1st day of March 2016.



SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
COL Financial Group, Inc.

We have audited the accompanying consolidated financial statements of COL Financial Group, Inc. and Subsidiary, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of COL Financial Group, Inc. and Subsidiary as at December 31, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez-Javier
Janeth T. Nuñez-Javier

Partner

CPA Certificate No. 111092

SEC Accreditation No. 1328-A (Group A),

July 1, 2013, valid until June 30, 2016

Tax Identification No. 900-322-673

BIR Accreditation No. 08-001998-69-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 5321671, January 4, 2016, Makati City

March 1, 2016

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

	December 31			
	2015		2014	
	Money Balance	Security Valuation Long Short	Money Balance	Security Valuation Long Short
ASSETS				
Current Assets				
Cash and cash equivalents (Note 4)	₱6,493,600,095		₱4,640,187,892	
Cash in a segregated account (Note 5)	255,596,013		154,129,025	
Financial assets at fair value through profit or loss (FVPL) (Note 6)	1,673,427	₱1,673,427	9,375,564	₱9,375,564
Trade receivables (Notes 7 and 18)	1,075,809,699	3,700,094,576	1,438,423,878	6,792,074,324
Other receivables (Note 7)	8,425,177		12,130,063	
Prepayments	2,097,787		2,267,080	
Total Current Assets	7,837,202,198		6,256,513,502	
Noncurrent Assets				
Property and equipment (Note 8)	44,268,412		35,825,494	
Intangibles (Note 9)	24,413,383		23,338,991	
Deferred tax assets (Note 17)	35,558,643		37,145,366	
Other noncurrent assets (Note 10)	11,388,382		8,581,369	
Total Noncurrent Assets	115,628,820		104,891,220	
TOTAL ASSETS	₱7,952,831,018		₱6,361,404,722	
Securities in box, in Philippine Depository and Trust Corporation and Hong Kong Securities Clearing Company, Limited		₱43,011,188,066		₱55,408,644,059
(Forward)				

	December 31		
	2015	2014	
	Money Balance	Security Valuation Long	Security Valuation Short
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables (Notes 11 and 18)	₱6,539,148,312	₱39,309,420,063	₱48,607,194,171
Other current liabilities (Note 12)	59,026,457		71,836,693
Income tax payable	11,387,517		13,556,314
Fringe benefit tax payable	–		30,437,647
Total Current Liabilities	6,609,562,286		5,056,759,000
Noncurrent Liability			
Retirement obligation (Note 16)	26,277,714		28,192,690
Total Liabilities	6,635,840,000		5,084,951,690
Equity			
Capital stock (Note 13)	475,000,000		474,550,000
Capital in excess of par value	53,219,024		53,219,024
Cost of share-based payment (Note 16)	4,031,571		5,499,602
Accumulated translation adjustment	(5,241,859)		(21,814,947)
Loss on remeasurement of retirement obligation (Note 16)	(4,836,196)		(4,400,783)
Retained earnings:			
Appropriated (Note 13)	169,021,759		140,028,578
Unappropriated	625,796,719		629,371,558
Total Equity	1,316,991,018		1,276,453,032
TOTAL LIABILITIES AND EQUITY	₱7,952,831,018	₱43,011,188,066	₱55,408,644,059

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2015	2014	2013
REVENUES			
Commissions (Note 18)	₱486,883,432	₱503,390,041	₱540,521,647
Others:			
Interest income (Notes 14 and 18)	233,164,409	215,385,753	209,119,905
Trading gains - net (Note 6)	10,852,242	3,407,634	–
Foreign exchange gains	–	–	31,466
Others	6,137,509	1,587,660	1,752,223
	737,037,592	723,771,088	751,425,241
COST OF SERVICES			
Commission expense (Note 18)	83,929,514	85,323,813	111,551,863
Personnel costs - operations (Notes 15 and 18)	64,928,766	63,239,706	65,446,518
Stock exchange dues and fees	11,959,433	12,010,298	12,331,228
Central depository fees	8,385,836	7,702,432	8,257,728
Research	2,031,795	1,513,288	975,429
Others:			
Communications	25,263,922	23,913,982	23,936,890
Depreciation and amortization (Note 8)	154,548	184,511	1,184,374
	196,653,814	193,888,030	223,684,030
GROSS PROFIT	540,383,778	529,883,058	527,741,211
OPERATING EXPENSES			
Administrative expenses:			
Personnel costs (Notes 15 and 18)	32,158,605	30,216,124	26,834,553
Taxes and licenses (Note 17)	28,373,917	4,910,260	4,059,154
Professional fees (Note 18)	27,370,666	23,495,950	19,687,554
Management bonus (Note 18)	13,759,639	13,586,282	16,715,797
Rentals (Note 19)	13,610,309	11,597,494	10,820,260
Advertising and marketing	9,506,605	9,748,647	10,050,888
Bank charges	5,147,896	3,585,008	3,527,755
Security and messengerial services	4,480,432	3,870,683	3,597,811
Power, light and water	4,162,488	4,134,836	3,578,703
Office supplies	3,311,590	2,880,838	2,615,328
Insurance and bonds	2,837,168	2,500,221	2,374,103
Representation and entertainment	2,565,237	3,359,742	2,305,722
Condominium dues and utilities	2,260,213	1,864,854	1,754,120
Repairs and maintenance	1,886,711	1,815,976	1,092,623
Transportation and travel	1,269,358	1,093,392	1,676,007
Communications	941,225	698,485	673,441
Directors’ fees	890,000	740,000	740,000
Membership fees and dues	786,203	991,889	936,294
Trainings, seminars and meetings	723,052	1,253,369	557,316
Fringe benefit tax	–	30,437,647	–
Stock option expense (Notes 16 and 18)	–	1,430,000	572,000
Donations and contributions	–	1,000,000	–
Others	2,826,612	3,352,877	1,074,436
	158,867,926	158,564,574	115,243,865
Depreciation and amortization (Note 8)	17,528,714	15,046,813	14,534,422
Interest expense (Note 16)	1,296,864	1,574,391	1,433,064
Provision for credit losses (Note 7)	–	1,184,279	–
Miscellaneous expense	878,247	273,409	82,312
	178,571,751	176,643,466	131,293,663
INCOME BEFORE INCOME TAX	361,812,027	353,239,592	396,447,548
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 17)			
Current			
Regular corporate income tax	82,823,973	84,630,826	88,160,210
Final income tax	22,086,975	12,255,530	10,464,636
Deferred	(5,792,263)	(5,913,824)	(5,767,191)
	99,118,685	90,972,532	92,857,655
NET INCOME	₱262,693,342	₱262,267,060	₱303,589,893

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2015	2014	2013
NET INCOME	₱262,693,342	₱262,267,060	₱303,589,893
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX			
Item that will not be reclassified to consolidated statements of income:			
Gain (loss) on remeasurement of retirement obligation - net of tax (Note 16)	(435,413)	3,842,860	813,144
Item that may be reclassified subsequently to consolidated statements of income:			
Translation adjustments - net of tax	16,573,088	1,161,553	23,268,903
	16,137,675	5,004,413	24,082,047
TOTAL COMPREHENSIVE INCOME	₱278,831,017	₱267,271,473	₱327,671,940
Earnings Per Share (Note 24)			
Basic	₱0.55	₱0.56	₱0.65
Diluted	₱0.55	₱0.55	₱0.64

See accompanying Notes to Consolidated Financial Statements.

COL FINANCIAL GROUP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014, and 2013

	Capital Stock	Capital In Excess of Par Value	Cost of Share-Based Payment	Accumulated Translation Adjustment	Gain (loss) on Remeasurement of Retirement Obligation	Retained Earnings		Total
						Appropriated	Unappropriated	
Balances at January 1, 2015	₱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
Net income	-	-	-	-	-	-	262,693,342	262,693,342
Other comprehensive income	-	-	-	16,573,088	(435,413)	-	-	16,137,675
Total comprehensive income	-	-	-	16,573,088	(435,413)	-	262,693,342	278,831,017
Appropriation of retained earnings (Note 13)	-	-	-	-	-	28,993,181	(28,993,181)	-
Issuance of shares upon exercise of stock options (Notes 16 and 26)	450,000	-	-	-	-	-	-	450,000
Cost of share-based payment (Note 16)	-	-	(1,468,031)	-	-	-	-	(1,468,031)
Declaration of cash dividend (Note 13)	-	-	-	-	-	-	(237,275,000)	(237,275,000)
Balances at December 31, 2015	₱475,000,000	₱53,219,024	₱4,031,571	(₱5,241,859)	(₱4,836,196)	₱169,021,759	₱625,796,719	₱1,316,991,018
Balances at January 1, 2014	₱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
Net income	-	-	-	-	-	-	262,267,060	262,267,060
Other comprehensive loss	-	-	-	1,161,553	3,842,860	-	-	5,004,413
Total comprehensive income	-	-	-	1,161,553	3,842,860	-	262,267,060	267,271,473
Appropriation of retained earnings (Note 13)	-	-	-	-	-	32,508,195	(32,508,195)	-
Issuance of shares upon exercise of stock options (Note 16)	5,900,000	5,720,000	(5,720,000)	-	-	-	-	5,900,000
Cost of share-based payment (Note 16)	-	-	(18,547,949)	-	-	-	-	(18,547,949)
Declaration of cash dividend (Note 13)	-	-	-	-	-	-	(281,190,000)	(281,190,000)
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

(Forward)

	Capital Stock	Capital In Excess of Par Value	Cost of Share-Based Payment	Accumulated Translation Adjustment	Gain (loss) on Remeasurement of Retirement Obligation	Retained Earnings		Total
						Appropriated	Unappropriated	
Balances at January 1, 2013	₱467,810,000	₱47,499,024	₱33,263,658	(₱46,245,403)	(₱9,056,787)	₱75,458,201	₱704,524,482	₱1,273,253,175
Net income	-	-	-	-	-	-	303,589,893	303,589,893
Other comprehensive income	-	-	-	23,268,903	813,144	-	-	24,082,047
Total comprehensive income	-	-	-	23,268,903	813,144	-	303,589,893	327,671,940
Appropriation of retained earnings (Note 13)	-	-	-	-	-	32,062,182	(32,062,182)	-
Issuance of shares upon exercise of stock options (Note 16)	840,000	-	-	-	-	-	-	840,000
Cost of share-based payment (Note 16)	-	-	(3,496,107)	-	-	-	-	(3,496,107)
Declaration of cash dividend (Note 13)	-	-	-	-	-	-	(295,249,500)	(295,249,500)
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

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱361,812,027	₱353,239,592	₱396,447,548
Adjustments for:			
Interest income (Notes 14 and 18)	(233,164,409)	(215,385,753)	(209,119,905)
Depreciation and amortization (Note 8)	17,683,262	15,231,324	15,718,796
Contribution to the retirement fund (Note 16)	(8,190,778)	-	-
Retirement costs under 'Personnel costs' (Notes 15 and 16)	4,356,919	4,487,206	4,235,529
Interest expense (Note 16)	1,296,864	1,574,391	1,433,064
Unrealized trading loss (gain) - net (Note 6)	1,233,669	(1,028,340)	-
Dividend income (Note 6)	(20,932)	(29,651)	(156,803)
Loss (gain) on disposal of property and equipment (Note 8)	(1,069)	56,898	-
Stock option expense (Notes 16 and 18)	-	1,430,000	572,000
Provision for credit losses (Note 7)	-	1,184,279	-
Operating income before working capital changes	145,005,553	160,759,946	209,130,229
Decrease (increase) in:			
Cash in a segregated account	(101,466,988)	(41,535,600)	(48,393,050)
Financial assets at FVPL	6,468,468	(1,110,610)	(4,269,624)
Trade receivables	396,784,593	(85,359,331)	154,821,033
Other receivables	809,290	356,005	185,905
Prepayments	212,819	(97,289)	322,273
Other noncurrent assets	(11,272,707)	(9,570,913)	(10,713,428)
Increase (decrease) in:			
Trade payables	1,589,010,275	1,541,543,509	510,883,058
Fringe benefit tax payable	(30,437,647)	30,437,647	-
Other current liabilities	(15,660,966)	6,996,831	(3,668,816)
Net cash generated from operations	1,979,452,690	1,602,420,195	808,297,580
Interest received	235,340,332	209,673,357	207,180,438
Income taxes paid	(98,464,491)	(88,088,143)	(84,480,252)
Dividends received	20,932	29,651	156,803
Net cash flows from operating activities	2,116,349,463	1,724,035,060	931,154,569
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment (Note 8)	(26,113,336)	(12,109,102)	(16,307,767)
Proceeds from disposal of property and equipment (Note 8)	1,076	62,730	-
Net cash flows used in investing activities	(26,112,260)	(12,046,372)	(16,307,767)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends declared and paid (Note 13)	(237,275,000)	(281,190,000)	(295,249,500)
Issuance of additional shares (Notes 13 and 16)	450,000	5,900,000	840,000
Net cash flows used in financing activities	(236,825,000)	(275,290,000)	(294,409,500)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,853,412,203	1,436,698,688	620,437,302
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,640,187,892	3,203,489,204	2,583,051,902
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱6,493,600,095	₱4,640,187,892	₱3,203,489,204

See accompanying Notes to Consolidated Financial Statements.

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COL FINANCIAL GROUP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

COL Financial Group, Inc. (the 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), the Subsidiary, a wholly-owned foreign subsidiary, is domiciled and incorporated in Hong Kong (HK), primarily to act as a stockbroker and to 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, Central, Hong Kong.

The Parent Company is a public company listed in the Philippine Stock Exchange (PSE).

On August 15, 2006, the Board of Directors (BOD) of the Parent Company approved the acquisition of the Trading Right of Mark Securities Corporation for the purpose of making the Parent Company a PSE Trading Participant. On December 13, 2006, the BOD of PSE approved the application of the Parent Company as a Corporate Trading Participant in PSE through the transfer of the Trading Right registered in the name of Mark Securities Corporation and the designation of Mr. Conrado F. Bate as its Nominee Trading Participant (Note 9).

On October 20, 2008, the Parent Company made an initial contribution to the Clearing and Trade Guaranty Fund (CTGF) of the Securities Clearing Corporation of the Philippines (SCCP) as a prerequisite to its accreditation as a clearing member of SCCP. On August 20, 2009, the Parent Company made a top-up contribution six (6) months after it started operating its own seat in the PSE on February 16, 2009.

Pursuant to a special resolution passed at an extraordinary general meeting of the Subsidiary held on May 19, 2011 and approved by the Companies Registry of the Securities and Futures Commission (SFC), the name of the Subsidiary was changed from CitisecOnline.com Hong Kong Limited to COL Securities (HK) Limited.

On February 21, 2012, SEC approved the Parent Company's application for the change in company name from CitisecOnline.com, Inc. to COL Financial Group, Inc.

In various dates in 2014, the Parent Company was registered and authorized by SEC to act as mutual fund distributor of various funds.

The accompanying consolidated financial statements of the Group as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015 were authorized for issue in accordance with a resolution by the BOD on March 1, 2016.

2. Basis of Preparation, Basis of Consolidation and Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value (FVPL) which have been measured at fair value. The Group's consolidated financial statements are presented in Philippine peso (PHP), which is the presentation currency under 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 PHP and HK dollar (HK\$), respectively. All values are rounded to the nearest peso, except when otherwise indicated.

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 Group 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. Specifically, the Group controls an investee if and only if Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of 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.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Changes in Accounting Policies and Disclosures

The Group applied for the first time certain standards and amendments. Unless otherwise indicated, these standards and amendments have no impact to the Group. Except for these standards and amended PFRS which were adopted as of January 1, 2015, the accounting policies adopted are consistent with those of the previous financial year.

- Amendments to Philippine Accounting Standards (PAS) 19, *Defined Benefit Plans: Employee Contributions*
- Annual Improvements to PFRSs (2010 - 2012 cycle)
 - PFRS 2, *Share-based Payment - Definition of Vesting Condition*
 - PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
 - PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
 - PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*.
 - PAS 24, *Related Party Disclosures - Key Management Personnel*
- Annual Improvements to PFRSs (2011 - 2013 cycle)
 - PFRS 3, *Business Combinations - Scope Expectations for Joint Arrangements*
 - PFRS 13, *Fair Value Measurement - Portfolio Exception*
 - PAS 40, *Investment Property*

Standards and Interpretations Issued but not yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective. Adoption of these standards and interpretations are not expected to have any significant impact on the consolidated financial statements of the Group unless otherwise stated.

No definite adoption date prescribed by the SEC and Financial Reporting Standards Council (FRSC)

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

Effective January 1, 2016

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements*
- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
- PAS 1, *Presentation of Financial Statements - Disclosure Initiative (Amendments)*
- PFRS 14, *Regulatory Deferral Accounts*
- PAS 16, *Property, Plant and Equipment* and PAS 41, *Agriculture - Change in Financial Reporting for Bearer Plants*
- PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization*

Annual Improvements to PFRSs (2012 - 2014 cycle)

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
- PFRS 7, *Financial Instruments: Disclosures - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
- PAS 19, *Employee Benefits - Regional Market Issue regarding Discount Rate*
- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*

Effective January 1, 2018

- PFRS 9, *Financial Instruments* (2014 or final version)

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application is before February 1, 2015. The Group did not early adopt PFRS 9.

The adoption of PFRS 9 will have an effect on the classification and measurements of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurements of the Group's financial liabilities. The Group is currently assessing the impact of adopting this standard.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers* (effective January 1, 2018)

IFRS 15 which was issued in May 2014 by the IASB establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring good or services to a customer. The principles on IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard in the required effective date once adopted locally.

- IFRS 16, *Leases* (effective January 1, 2019)

On January 13, 2016, the IASB issued its new standard, IFRS 16, *Leases*, which replaces IAS 17, the current leases standard and the related Interpretations.

Under the new standard, lessees will no longer reclassify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and the related liabilities for most leases in their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with the term of twelve (12) months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standards carried forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15, *Revenue from Contracts with Customers*. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

Summary of Significant Accounting Policies

Foreign Currency Translation

Transactions in foreign currencies are initially recorded in the prevailing functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the closing functional currency rate of exchange at the reporting period. All differences are taken to the consolidated statement of income.

On consolidation, the assets and liabilities of the consolidated foreign subsidiary are translated into Philippine Peso at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the average exchange rates for the year. The exchange differences arising on translation for consolidation are recognized in equity (under accumulated translation adjustment). Upon disposal of the foreign subsidiary, the component of OCI relating to the foreign subsidiary is recognized in the consolidated statement of income.

Current versus Non-current Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in a normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve (12) months after reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in a normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets are classified as non-current assets.

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 financial assets 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, held-to-maturity (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 include financial assets at FVPL and loans and receivables. As at December 31, 2015 and 2014, the Group has no HTM investments and AFS financial assets.

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 December 31, 2015 and 2014 are in 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.

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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 'Trading gains - 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 December 31, 2015 and 2014, the Group has no financial assets and financial liabilities that have been designated as at FVPL. As at December 31, 2015 and 2014, the Group has financial assets which are held for trading purposes that are classified as financial assets at FVPL.

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 receivables', '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 effective interest 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 effective interest rate (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 effective interest method. Amortized cost is calculated by taking into account any discount or

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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 the Group's statutory liabilities).

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 estimated 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 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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 statements 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 equity financial instruments that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business 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 and settled 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 and settled 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.

Financial 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 Assets and Liabilities

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal 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.

Prepayments and Other Noncurrent Assets

The Group’s prepayments are composed of prepaid insurance, prepaid taxes, prepaid rent 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 losses, if any. Such cost includes the cost of replacing part of such property and equipment, if the recognition criteria are met.

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

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

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

Category	Number of Years
Online trading equipment and facilities	3-10
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.

Software cost

Costs related to software purchased by the Group for use in operations are included in the ‘Property and equipment’ account and are amortized on a straight-line basis over the estimated life of three (3) to ten (10) years.

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 assessment of indefinite life is reviewed annually to determine whether the indefinite useful life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. 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

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.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders. Appropriated retained earnings represent that portion which has been restricted and, therefore, not available for dividend declaration.

Cash Dividend

The Group recognizes a liability to make cash distributions to equity holders of the parent when distribution is authorized and the distribution is no longer at the discretion of the Group. A corresponding amount is recognized in equity.

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, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue 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 for every trade transaction based on a flat rate or a percentage of the amount of trading transaction whichever is higher.

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 rendered. 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

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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 (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) (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.

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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 cost, 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 'Gain (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.

Taxes*Current Income Tax*

Current income tax assets and liabilities 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 in the countries where the Group operates and generates taxable income.

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. 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.

Deferred income tax assets are recognized for all deductible temporary differences including net loss carry-over 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.

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.

Deferred income tax relating to items recognized directly in equity is also recognized in equity. 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.

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.

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 25. The Group operates in one business segment, being stockbrokerage services; therefore, business segment information is no longer presented.

Events After the End of 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.

3. 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 and assumptions 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. However, actual outcome can differ from these estimates.

Judgments

In the process of applying the Group'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 PHP and

HK\$, respectively. PHP and the HK\$ 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 the Parent Company and COLHK.

Assessing Whether an Agreement is a Finance or Operating Lease

Management assesses at the inception of the lease whether an arrangement is a finance or operating lease based on who bears substantially all risk and benefits incidental to the ownership of the leased item. Based on management's assessment, the risk and rewards of owning the items leased by the Group are retained by the lessor and therefore accounts for as operating lease.

Operating Lease Commitments - Group as a 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. Details of financial assets at FVPL are disclosed in Note 6.

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 reporting period are discussed below.

Estimating Impairment of Trade Receivables 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 December 31, 2015 and 2014, the carrying amounts of trade receivables and other receivables and the allowance for credit losses on trade receivables and other receivables are disclosed in 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. There are no changes in useful lives as at December 31, 2015 and 2014. The net book values of property and equipment are disclosed in Note 8.

HK\$, respectively. PHP and the HK\$ 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 the Parent Company and COLHK.

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Management assesses at the inception of the lease whether an arrangement is a finance or operating lease based on who bears substantially all risk and benefits incidental to the ownership of the leased item. Based on management's assessment, the risk and rewards of owning the items leased by the Group are retained by the lessor and therefore accounts for as operating lease.

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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 reporting period are discussed below.

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As at December 31, 2015 and 2014, the carrying amounts of trade receivables and other receivables and the allowance for credit losses on trade receivables and other receivables are disclosed in Note 7.

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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. There are no changes in useful lives as at December 31, 2015 and 2014. The net book values of property and equipment are disclosed in Note 8.

Assessing Impairment of Prepayments, Property and Equipment and Other Noncurrent Assets

The Group assesses impairment on prepayments, 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 VIU. 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 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.

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 prepayments, property and equipment and other noncurrent assets as at December 31, 2015 and 2014.

No impairment loss was recognized in 2015 and 2014 for prepayments, property and equipment and other noncurrent assets.

As at December 31, 2015 and 2014, the Group has no allowance for impairment losses on prepayments, property and equipment and other noncurrent assets. The net book values of property and equipment and other noncurrent assets are disclosed in Notes 8 and 10, respectively.

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 VIU 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 of the Group's exchange trading rights are further explained in Note 9. The Parent Company does not intend to sell its exchange

trading right in the near future. COLHK's right is nontransferable with an indefinite useful life. As at December 31, 2015 and 2014, the carrying values of intangibles are disclosed in Note 9.

Estimating Recoverability of Deferred Income Tax Assets

The Group reviews the carrying amounts of deferred income tax assets at each end of the reporting period 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 deferred income tax assets as at December 31, 2015 and 2014, are disclosed in Note 17.

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 (Note 23).

Determining Share-Based Payment

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 payment 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 payment are disclosed in Note 16.

Determining Retirement Obligation

The costs of defined retirement obligation as well as the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future retirement increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligation are highly sensitive to changes in these assumptions. All assumptions are reviewed at each end of the reporting period.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

Further details about the assumptions used are provided in Note 16.

Determining Fair Values of Financial Instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments (Note 22).

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4. Cash and Cash Equivalents

	2015	2014
Cash on hand and in banks	₱466,769,391	₱576,094,610
Short-term cash investments	6,026,830,704	4,064,093,282
	₱6,493,600,095	₱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 ranging from 0.69% to 3.00% per annum in 2015 and 2014 and from 1.07% to 2.38% in 2013. Interest income of the Group from cash in banks amounted to ₱110,436,251, ₱61,280,263 and ₱52,323,890 in 2015, 2014 and 2013, respectively (Note 14). The Parent Company has United States dollar (US\$)-denominated cash in banks amounting to US\$16,144 and US\$82,822 as at December 31, 2015 and 2014, respectively, while COLHK has United States dollar (US\$)-denominated cash in banks amounting to US\$39,260 and US\$195,285 as at December 31, 2015 and 2014, respectively.

In compliance with Securities Regulation Code (SRC) Rule 49.2 covering customer protection and custody of securities, the Parent Company maintains special reserve bank accounts for its customers amounting to ₱6,194,973,419 and ₱4,252,919,947 as at December 31, 2015 and 2014, respectively. The Parent Company's reserve requirement is determined based on the SEC's prescribed computations. As at December 31, 2015 and 2014, the Parent Company's reserve accounts are adequate to cover its reserve requirements.

5. Cash in a Segregated Account

COLHK receives and holds money deposited by clients in the 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 at December 31, 2015 and 2014, cash in a segregated account for COLHK amounted to ₱255,596,013 and ₱154,129,025, respectively.

6. Financial Assets at FVPL

Financial assets at FVPL pertain to investments in mutual funds and shares of stock of companies listed in the PSE.

In 2015, 2014 and 2013, realized trading gains from the sale of financial assets at FVPL amounted to ₱12,085,911, ₱2,379,294 and nil, respectively. While, unrealized net trading gain (loss) recognized from changes in the fair value of financial assets at FVPL booked under 'Trading gains - net' amounted to (₱1,233,669), ₱1,028,340 and nil, in 2015, 2014 and 2013, respectively.

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Dividend income included under other revenues amounted to ₱20,932, ₱29,651 and ₱156,803 in 2015, 2014 and 2013, respectively.

Financial assets at FVPL as at December 31, 2015 and 2014 amounted to ₱1,673,427 and ₱9,375,564, respectively.

7. Trade Receivables and Other Receivables

	2015	2014
Trade receivables:		
Customers	₱846,028,233	₱1,413,525,241
Clearing house	96,016,120	13,076,269
Subscription receivables	233,064	168,552
Other brokers	134,806,639	15,064,050
	1,077,084,056	1,441,834,112
Less allowance for credit losses on receivables from customers	1,274,357	3,410,234
	₱1,075,809,699	₱1,438,423,878
Other receivables:		
Accrued interest	₱6,874,758	₱9,050,681
Advances to officers and employees (Note 18)	372,055	280,583
Others	10,138,609	11,759,044
	17,385,422	21,090,308
Less allowance for credit losses on other receivables	8,960,245	8,960,245
	₱8,425,177	₱12,130,063

As at December 31, 2015 and 2014, the Parent Company offered a credit line facility amounting to ₱5,118,001,000 and ₱5,296,333,000, respectively, to its customers who qualified for margin account. The outstanding balance of utilized margin is being charged an interest rate ranging from 1.00% to 1.50% per month. Interest income from customers amounted to ₱122,711,829, ₱154,105,490 and ₱156,796,015 in 2015, 2014 and 2013, respectively (Note 14).

The Group's trade receivables from customers and its security valuation follow:

	2015		2014	
	Money Balance	Security Valuation-Long	Money Balance	Security Valuation-Long
Fully secured accounts:				
More than 250%	₱341,152,360	₱2,908,670,462	₱446,753,436	₱5,207,812,487
Between 200% and 250%	70,434,578	157,862,011	149,439,902	344,207,209
Between 150% and 200%	243,478,049	437,812,936	443,316,145	834,475,645
Between 100% to 150%	106,850,738	115,301,775	313,503,049	351,951,335
Less than 100%	84,112,493	80,447,392	60,510,622	53,627,648
Unsecured accounts	15	-	2,087	-
	846,028,233	3,700,094,576	1,413,525,241	6,792,074,324
Less allowance for credit losses on trade receivables from customers	1,274,357	-	3,410,234	-
	₱844,753,876	₱3,700,094,576	₱1,410,115,007	₱6,792,074,324

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 below 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 December 31, 2015 and 2014, ₱761,915,725 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 December 31, 2015 and 2014, were fully collected subsequently in January 2016 and 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.

Receivables from other brokers pertain to client monies deposited to Interactive Brokers (IB) LLC through COLHK. In March 2014, COLHK opened an account with the said broker to enable retail customers to trade in other foreign markets.

Included in ‘Others’ account as at December 31, 2015 and 2014 are lodgment fees and advances to legal counsels and the amount of ₱8,960,245 representing additional corporate income tax paid under protest by the Parent Company for the taxable year 2009 which was fully provided with allowance for impairment losses. 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 No. 9504 effective July 7, 2008, as implemented by Revenue Regulations (RR) No. 16-08 dated November 26, 2008. 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 (TCC) for the aforementioned amount representing excess income tax paid for taxable year 2009. On April 21, 2014, a decision was issued by the CTA ordering the BIR to issue a TCC in favor of the Parent Company amounting to ₱8,960,245. On December 15, 2015, the CTA En Banc denied the Motion for Reconsideration filed by the Commissioner of Internal Revenue (CIR), effectively affirming the Decision of the Court of Tax Appeals Third Division ordering the CIR to issue a tax credit certificate in favor of the Parent Company in the amount of ₱8,960,245.

On January 27, 2016, the CIR filed a Motion for Extension of Time to File Petition for Review on Certiorari with the Supreme Court En Banc. The case is still pending with the Supreme Court En Banc as at March 1, 2016. Pending the outcome of the case, no reversal of allowance for impairment losses was made.

Movements in the allowance for credit losses follow:

	2015			2014		
	Customers	Others	Total	Customers	Others	Total
Balances at beginning of year	₱3,410,234	₱8,960,245	₱12,370,479	₱2,225,955	₱8,960,245	₱11,186,200
Provision for (recovery from) credit losses	(2,135,877)	—	(2,135,877)	1,184,279	—	1,184,279
Balances at end of year	₱1,274,357	₱8,960,245	₱10,234,602	₱3,410,234	₱8,960,245	₱12,370,479

Recovery from credit losses is lodged under ‘Others’ account in the consolidated statements of income.

8. Property and Equipment

	2015			
	Online Trading Equipment and Facilities	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost				
At beginning of year	₱92,214,633	₱26,804,789	₱26,292,911	₱145,312,333
Additions	21,545,134	2,899,338	1,668,864	26,113,336
Disposals	(3,222,443)	(94,063)	—	(3,316,506)
Translation adjustments	403,837	512,024	48,204	964,065
At end of year	110,941,161	30,122,088	28,009,979	169,073,228
Accumulated depreciation and amortization				
At beginning of year	64,455,912	22,440,517	22,590,410	109,486,839
Depreciation and amortization	12,904,055	2,611,769	2,167,438	17,683,262
Disposals	(3,222,439)	(94,060)	—	(3,316,499)
Translation adjustments	403,610	499,400	48,204	951,214
At end of year	74,541,138	25,457,626	24,806,052	124,804,816
Net book value	₱36,400,023	₱4,664,462	₱3,203,927	₱44,268,412

	2014			
	Online Trading Equipment and Facilities	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost				
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
Accumulated depreciation and amortization				
At beginning of year	54,257,737	19,749,011	20,494,294	94,501,042
Depreciation and amortization	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
Net book value	₱27,758,721	₱4,364,272	₱3,702,501	₱35,825,494

As of December 31, 2015 and 2014, the cost of the Group’s fully depreciated property and equipment still in use amounted to ₱68,041,934 and ₱59,722,758, respectively. Disposal of property and equipment resulted in gain (loss) amounting to ₱1,069, (₱56,898) and nil in 2015, 2014 and 2013, respectively.

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The depreciation and amortization were distributed as follows:

	2015	2014	2013
Cost of services	₱154,548	₱184,511	₱1,184,374
Operating expenses	17,528,714	15,046,813	14,534,422
	₱17,683,262	₱15,231,324	₱15,718,796

9. Intangibles

Philippine Operations

On August 15, 2006, the Parent Company purchased the Trading Right of Mark Securities Corporation amounting to ₱5,000,000. As discussed in Note 1, on December 13, 2006, the BOD of the PSE, in its regular meeting, approved the application of the Parent Company as a PSE Corporate Trading Participant. As at December 31, 2015 and 2014, the market value of the said exchange trading right amounted to ₱8,500,000.

Hong Kong Operations

COLHK's exchange trading right, amounting to HK\$3,190,000, is carried at its cost net of accumulated impairment losses. 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 stock exchange trading right is a non-transferable right with an indefinite useful life. It is closely associated with COLHK's business activities to have a right to trade the shares in the HK Stock Exchange in its continuing operation. As at December 31, 2015 and 2014, the carrying value of COLHK exchange trading right in Philippine peso amounted to ₱19,413,383 and ₱18,338,991, respectively.

The recoverable amount of exchange trading rights of COLHK has been determined based on a VIU calculation. That calculation uses cash from projections based on a financial budget approved by management covering a five (5)-year period, and a discount rate of 9.40%. 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 gross of allowance for impairment losses follow:

	2015	2014
At beginning of year	₱23,338,991	₱23,269,449
Translation adjustment	1,074,392	69,542
At end of year	₱24,413,383	₱23,338,991

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10. Other Noncurrent Assets

	2015	2014
Deposit to CTGF	₱13,724,200	₱13,724,200
Refundable deposits:		
Rental deposits	4,142,089	2,621,174
Other refundable deposits	2,976,766	2,659,828
	7,118,855	5,281,002
Input VAT	4,269,527	3,300,367
	25,112,582	22,305,569
Less allowance for impairment losses on other noncurrent assets	13,724,200	13,724,200
	₱11,388,382	₱8,581,369

As mentioned in Note 1, as a prerequisite to its accreditation as a clearing member of SCCP, the Parent Company made an initial contribution of ₱8,200,000 on October 20, 2008 to the CTGF of the 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 (6) months trading data and a calculation for the ideal fund level using the Value-at-Risk Model. The said amount was recalculated after six (6) months based on the effective rate of eleven percent (11.00%) 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 one percent (1.00%) 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 nonrefundable. However, in consideration of the 100.00% 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 provided an allowance for impairment losses on other noncurrent assets amounting to ₱13,724,200 as at December 31, 2015 and 2014.

Other refundable deposits include statutory deposits made to HK Exchanges, admission fees for HK's SFC and for HK Securities Clearing Company Ltd., and contributions to Central Clearing and Settlement System Guarantee Fund.

11. Trade Payables

	2015	2014
Customers	₱6,479,279,657	₱4,866,109,620
Clearing house	59,868,655	74,818,726
	₱6,539,148,312	₱4,940,928,346

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	2015		2014	
	Money Balance	Security Valuation-Long	Money Balance	Security Valuation-Long
Payable to customers:				
With money balances	₱6,479,279,657	₱38,259,806,585	₱4,866,109,620	₱47,028,983,013
No money balances	—	1,049,613,478	—	1,578,211,158
	₱6,479,279,657	₱39,309,420,063	₱4,866,109,620	₱48,607,194,171

Generally, trade payables to customers are noninterest-bearing and have no specific credit terms.

Payable to customers with money balances amounting to ₱255,596,013 and ₱154,129,025 as at December 31, 2015 and 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 conduct of regulated activities. These balances are payable on demand (Note 5).

Trade payables to clearing house as at December 31, 2015 and 2014 were subsequently paid in January 2016 and 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

	2015	2014
Accrued expenses	₱19,124,581	₱22,914,409
Due to BIR	16,085,261	21,506,162
Accrued management bonus	14,514,857	17,342,782
Trading fees	1,653,463	2,499,072
Others	7,648,295	7,574,268
	₱59,026,457	₱71,836,693

Accrued expenses and accrued management bonus pertain to accruals of operating expenses that were incurred but not yet paid and accruals made for the officers and employees' performance bonus.

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

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

'Others' account consist mainly of 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.

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13. Equity

Capital Stock

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

	2015		2014		2013	
	Shares	Amount	Shares	Amount	Shares	Amount
Common stock - ₱1 per share						
Authorized	1,000,000	₱1,000,000	1,000,000	₱1,000,000	1,000,000	₱1,000,000
Issued and Outstanding						
Balances at beginning of year	474,550	474,550	468,650	468,650	467,810	467,810
Issuance of common shares upon exercise of stock options (Note 16)	450	450	5,900	5,900	840	840
Balances at end of year	475,000	₱475,000	474,550	₱474,550	468,650	₱468,650

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.

On March 19, 2013, the BOD declared a regular and a special dividend amounting to ₱0.12 per share held or ₱56,238,000 (468,650,000 shares multiplied by ₱0.12 cash dividend per share) and ₱0.51 per share held or ₱239,011,500 (468,650,000 shares multiplied by ₱0.51 cash dividend per share), respectively, to stockholders as of record date of April 4, 2013. These dividends were paid on April 19, 2013.

On March 31, 2014, the BOD declared a regular and a special dividend amounting to ₱0.12 per share held or ₱56,238,000 (468,650,000 shares multiplied by ₱0.12 cash dividend per share) and ₱0.48 per share held or ₱224,952,000 (468,650,000 shares multiplied by ₱0.48 cash dividend per share), respectively, to stockholders as of record date of April 14, 2014. These dividends were paid on April 15, 2014.

On March 30, 2015, the BOD declared a regular and a special dividend amounting to ₱0.10 per share held or ₱47,455,000 (474,550,000 shares multiplied by ₱0.10 cash dividend per share) and ₱0.40 per share held or ₱189,820,000 (474,550,000 shares multiplied by ₱0.40 cash dividend per share), respectively, to stockholders as of record date of April 16, 2015. These dividends were paid on May 6, 2015.

14. Interest Income

	2015	2014	2013
Customers (Note 7)	₱122,711,829	₱154,105,490	₱156,796,015
Banks (Note 4)	110,436,251	61,280,263	52,323,890
Others	16,329	—	—
	₱233,164,409	₱215,385,753	₱209,119,905

Interest income consists of interest earned from margin accounts and bank placements.

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15. Personnel Costs

	2015	2014	2013
Salaries and wages	₱85,526,022	₱82,432,482	₱82,448,387
Retirement costs (Note 16)	4,356,919	4,487,206	4,235,529
Other benefits (Note 16)	7,204,430	6,536,142	5,597,155
	₱97,087,371	₱93,455,830	₱92,281,071

Other benefits include monetized leave credits of employees and other regulatory benefits.

The above accounts were distributed as follows:

	2015	2014	2013
Cost of services	₱64,928,766	₱63,239,706	₱65,446,518
Operating expenses	32,158,605	30,216,124	26,834,553
	₱97,087,371	₱93,455,830	₱92,281,071

16. Employee BenefitsStock Options

On July 12, 2000 and July 3, 2006, the Group granted stock options (SOP) shares equal to 27,250,000 and 18,750,000, respectively, 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 at December 31, 2006, a total of 46,000,000 stock options were granted. The agreement provides for an exercise price of ₱1.00 per share. These options will be settled in equity once exercised. All options are exercisable one and a half (1½) years from July 12, 2006, the effective date of listing of the Parent Company's shares at the PSE, and will terminate ten (10) years from the said date. There was no new SOP granted in 2015, 2014 and 2013.

There have been no cancellations or modifications to the plan in 2015, 2014 and 2013.

The following tables illustrate the number of and movements in stock options:

1st Tranche

	2015	2014	2013
Outstanding at beginning of year	1,450,000	1,850,000	2,690,000
Exercised during the year (see Note 13)	(450,000)	(400,000)	(840,000)
Outstanding at end of year	1,000,000	1,450,000	1,850,000

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

2nd Tranche

	2014	2013
Outstanding at beginning of year	5,500,000	5,500,000
Exercised during the year (Note 13)	(5,500,000)	—
Outstanding at end of year	—	5,500,000

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

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All options have a contractual term of ten (10) years. The weighted average remaining contractual life of options outstanding is 1.5 years, 2.5 years and 3.5 years as at December 31, 2015, 2014 and 2013, respectively.

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

The assumptions used to determine the fair value of the 18,750,000 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 24.00%; (4) option life of ten (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 ten (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:

	2015	2014	2013
Balances at beginning of year	₱5,499,602	₱29,767,551	₱33,263,658
Movement on deferred tax asset on intrinsic value of outstanding options	(1,468,031)	(19,977,949)	(4,068,107)
Cost of share-based payment recognized as capital in excess of par value	—	(5,720,000)	—
Stock option expense (Note 18)	—	1,430,000	572,000
Movements during the year	(1,468,031)	(24,267,949)	(3,496,107)
Balances at end of year	₱4,031,571	₱5,499,602	₱29,767,551

Retirement Benefits

The Parent Company has a funded, non-contributory 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 employees. The defined benefit obligation is determined using the projected unit credit method. There was no plan termination, curtailment or settlement for the years ended December 31, 2015, 2014 and 2013.

Under the existing regulatory framework, RA 7641, *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

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The following tables summarize the components of the Parent Company's net retirement costs recognized in the consolidated statements of income and the amounts recognized in the consolidated statements of financial position:

Retirement costs consist of:

	2015	2014	2013
Current service cost (Note 15)	₱4,356,919	₱4,487,206	₱4,235,529
Net interest expense	1,296,864	1,574,391	1,433,064
	₱5,653,783	₱6,061,597	₱5,668,593

Current service cost is shown under 'Personnel costs' while net interest expense is shown under 'Interest expense' in the consolidated statements of income.

Movements in the retirement obligation recognized in the consolidated statements of financial position follow:

	2015	2014
Retirement obligation at beginning of year	₱28,192,690	₱27,620,893
Retirement costs	5,653,783	6,061,597
Contributions	(8,190,778)	—
Net actuarial gains (losses)	622,019	(5,489,800)
	₱26,277,714	₱28,192,690

Retirement obligation is the net of the present value (PV) of retirement obligation and fair value of plan assets computed as follows:

	2015	2014
PV of defined benefit obligation	₱40,298,424	₱34,875,040
Fair value of plan assets	(14,020,710)	(6,682,350)
	₱26,277,714	₱28,192,690

Changes in the PV of defined benefit obligation are as follows:

	2015	2014
Opening PV of defined benefit obligation	₱34,875,040	₱34,399,721
Current service cost	4,356,919	4,487,206
Interest cost	1,604,252	1,960,784
Remeasurement losses (gains) on:		
Financial assumptions	(1,810,843)	(3,146,102)
Experience adjustments	2,209,909	(2,564,444)
Benefits paid	(936,853)	(262,125)
	₱40,298,424	₱34,875,040

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Changes in the fair value of plan assets follow:

	2015	2014
Balances at beginning of year	₱6,682,350	₱6,778,828
Expected interest income	307,388	386,393
Contributions	8,190,778	—
Benefits paid	(936,853)	(262,125)
Remeasurement loss on plan assets	(222,953)	(220,746)
	₱14,020,710	₱6,682,350

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2015	2014
Investment in unit investment trust funds (UITF)	99.98%	99.97%
Cash in bank	0.02%	0.03%
	100.00%	100.00%

The plan assets is exposed to concentration risk since 99.98% of its plan assets is investment in UITF. The maximum exposure is equal to the carrying value of the investment in UITF.

The principal assumptions used in determining retirement obligation for the Parent Company's plan is shown below:

	2015	2014
Discount rate	4.60%	5.70%
Future salary increases	5.00%	5.00%
Mortality rates		
Male	0.06%-0.74%	0.06%-0.74%
Female	0.05%-0.61%	0.05%-0.61%

The sensitivity analysis has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2015 and 2014 assuming all other assumptions were held constant.

	2015	
	Increase (decrease) in significant assumptions	Increase (decrease) in defined benefit obligation
Discount rates	+0.50% -0.50%	(₱2,087,030) 2,284,683
Future salary increases	+0.50% -0.50%	2,102,899 (1,940,960)
Mortality rate	+1 year -1 year	(114,266) 119,419

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	2014	
	Increase (decrease) in significant assumptions	Increase (decrease) in defined benefit obligation
Discount rates	+0.50%	(P1,886,578)
	-0.50%	2,068,187
Future salary increases	+0.50%	1,901,252
	-0.50%	(1,753,174)
Mortality rate	+1 year	(60,451)
	-1 year	59,868

The Parent Company does not perform any asset-liability matching strategy. The overall investment policy and strategy of the retirement plan is based on the client suitability assessment, as provided by its trust bank, in accordance with the Bangko Sentral ng Pilipinas requirements. It does not, however, ensure that there will be sufficient assets to pay the retirement benefits as they fall due while attempting to mitigate the various risks of the plan. The retirement plan assets consist of 99.98% investment in UITF and 0.02% regular savings account as at December 31, 2015.

The Parent Company has no funding policies. As at March 1, 2016, the Parent Company has not yet reasonably determined the amount of the 2016 contributions to the retirement plan.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2015 and 2014:

	2015	2014
Zero (0) to five (5) years	P13,043,528	P11,001,133
Six (6) to ten (10) years	24,321,660	23,079,703
Beyond ten (10) years	243,802,333	198,830,191
	P281,167,521	P232,911,027

COLHK makes monthly contribution to a fund under the mandatory provident fund schemes ordinance enacted by the HK Government. The plan is a defined contribution retirement plan. Under the plan, COLHK should contribute five percent (5%) of the monthly relevant income of all its qualified employees. The contribution recognized as ‘Other benefits’ under ‘Personnel costs’ amounted to P315,685, P315,341 and P277,402 in 2015, 2014 and 2013, respectively.

17. Income Taxes

Current Income Taxes

The breakdown of provision for current income tax is as follows:

	2015	2014	2013
Regular corporate income tax	P82,823,973	P84,630,826	P88,160,210
Final income tax	22,086,975	12,255,530	10,464,636
	P104,910,948	P96,886,356	P98,624,846

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Deferred Income Taxes

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

	2015	2014
Unused tax losses of COLHK	P20,697,886	P12,766,933
Retirement obligation	7,883,314	8,457,807
Cost of share-based payment	4,031,571	5,499,602
Accumulated translation adjustment	2,246,511	9,349,262
Allowance for credit losses on trade receivables from customers	382,307	1,023,070
Unamortized past service cost	265,531	350,334
Unrealized trading loss (gain)	60,590	(309,511)
Unrealized foreign exchange loss (gain)	(9,067)	7,869
	P35,558,643	P37,145,366

Realization of the future tax benefits related to the net deferred tax assets is dependent on many factors, including the Group’s ability to generate taxable income, within the carry-over period. The unused tax losses of COLHK can be carried forward indefinitely to offset future profits.

The Parent Company has temporary difference arising from allowance for impairment losses on deposit to CTGF amounting to P13,724,200 as at December 31, 2015 and 2014, for which no deferred tax asset was recognized since management believes that it is probable that these temporary difference will not be realized in the future (Note 10).

A reconciliation of provision for income tax computed at the statutory income tax rates to net provision for income tax shown in the consolidated statements of income follows:

	2015	2014	2013
Income tax at statutory income tax rate	P108,543,608	P105,971,878	P118,934,264
Additions to (reductions in) income tax resulting from:			
Interest income subjected to final tax	(11,043,878)	(6,128,178)	(5,232,531)
Effect of lower income tax rate in HK	5,666,508	4,016,476	3,455,581
40% OSD	(4,950,700)	(6,725,669)	(22,447,698)
Non-taxable income	(6,279)	(8,736)	(111)
Exercise of stock option	–	(5,821,200)	–
Others	909,426	(332,039)	(1,851,850)
Provision for income tax	P99,118,685	P90,972,532	P92,857,655

In 2015, 2014 and 2013, the Parent Company availed of the OSD method in claiming its deductions.

Deficiency Taxes

In 2015, the Parent Company received and settled tax assessment from the BIR amounting to P23,676,425 (included in ‘Taxes and licenses’ account) for deficiency income tax arising from disallowed cost of services and withholding taxes for the calendar year 2011, including interest and miscellaneous charges.

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	Trade payables	Trade and other receivables	Terms	Conditions
Key management personnel								
2015	₱1,824,079	₱728,588	₱—	₱—	₱76,796,152	₱9,706,066	3-day; noninterest-bearing/ Collectible or payable on demand; interest-bearing	Secured; not guaranteed
2014	2,095,582	492,225	—	—	15,617,120	45,389,054		
2013	4,087,083	3,543,170	—	—	51,109,892	6,378,345		
Other related parties:								
Companies with common officers, directors and stockholders								
2015	₱6,173,808	₱1,605,200	₱3,050	₱4,259,406	₱28,000,372	₱—	3-day; noninterest-bearing/ Collectible or payable on demand; interest-bearing/ Payable upon billing; noninterest-bearing	Secured; not guaranteed
2014	22,470,606	3,834,492	9,440	4,155,700	1,909,816	36,772,900		
2013	29,858,696	1,390,621	279,710	4,516,537	18,464,495	7,560,697		
Directors, officers and employees								
2015	₱19,731,125	₱361,183	₱—	₱—	₱26,717,466	₱372,055	3-day; noninterest-bearing/ Collectible or payable on demand; interest-bearing	Secured; not guaranteed
2014	16,491,004	8,534	—	—	107,035,196	280,583		
2013	20,017,639	25,098	—	—	41,210,586	19,710,226		

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

	2015	2014	2013
Short-term employee benefits			
Personnel costs	₱37,538,691	₱41,572,579	₱42,471,096
Management bonus	13,759,639	13,586,282	16,715,797
Retirement costs (Note 16)	2,160,229	2,007,247	1,896,639
Stock options (Note 16)	—	1,430,000	572,000
	₱53,458,559	₱58,596,108	₱61,655,532

c. The Parent Company’s retirement fund is being held in trust by a trustee bank.

As at December 31, 2015 and 2014, the carrying amount and the fair value of the retirement plan assets amounted to ₱14,020,710 and ₱6,682,350, respectively (Note 16).

In 2015, the Parent Company made a contribution to the retirement fund amounting to ₱8,190,778. In 2014 and 2013, there were no transactions between the retirement fund and the Parent Company.

19. Leases

The Group leases its office premises under separate operating lease agreements expiring on various dates and whose lease terms are negotiated every one (1) to three (3) years. Rental costs charged to operations amounted to ₱13,610,309, ₱11,597,494 and ₱10,820,260 in 2015, 2014 and 2013, respectively.

The future minimum lease payments are as follows:

	2015	2014
Within one (1) year	₱10,727,828	₱12,011,340
After one (1) year but not more than five (5) years	4,239,631	9,242,871
	₱14,967,459	₱21,254,211

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 years ended December 31, 2015, 2014 and 2013.

The Amended Implementing Rules and Regulations of the SRC effective March 6, 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 2.50% 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

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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 one hundred ten percent (110.00%) and a net liquid capital (NLC) of at least ₱5.0 million or five percent (5.00%) of its aggregate indebtedness, whichever is higher. Also, the Aggregated Indebtedness (AI) of every stockbroker should not exceed two thousand percent (2,000.00%) of its NLC. In the event that the minimum RBCA ratio of one hundred ten percent (110.00%) 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 at December 31, 2015 and 2014, the Parent Company is compliant with the foregoing requirements.

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

The RBCA ratio of the Parent Company as at December 31, 2015 and 2014 are as follows:

	2015	2014
Equity eligible for NLC	₱1,029,597,528	₱967,578,520
Less ineligible assets	197,401,134	192,360,547
NLC	₱832,196,394	₱775,217,973
Position risk	₱956,579	₱3,549,916
Operational risk	139,461,571	130,743,519
Counterparty risk	15	—
Total Risk Capital Requirement (TRCR)	₱140,418,165	₱134,293,435
AI	₱6,178,490,687	₱4,864,850,475
5.00% of AI	₱308,924,534	₱243,242,524
Required NLC	308,924,534	243,242,524
Net Risk-Based Capital Excess	₱523,271,860	₱531,975,449
Ratio of AI to NLC	742.00%	628.00%
RBCA ratio (NLC/TRCR)	593.00%	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

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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 the risk a broker dealer is exposed to and arising from securities held by it as a principal or in its proprietary or dealer account.
4. AI
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.

On May 28, 2009, the SEC approved the PSE's Rules Governing Trading Rights and Trading Participants, which supersede the Membership Rules of the PSE. Section 8(c) of Article III of the said rules requires trading participants to have a minimum unimpaired paid-up capital, as defined by the SEC, of ₱20 million effective December 31, 2009, and ₱30 million effective December 31, 2011 and onwards. In 2015 and 2014, the Parent Company is compliant with the new capital requirement.

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 30.00%, 20.00% and 10.00% of profit after tax for brokers/dealers with unimpaired paid up capital of ₱10 million to ₱30 million, between ₱30 million to ₱50 million and more than ₱50 million, respectively (Note 13).

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

COLHK monitors capital using liquid capital as provided for under HK'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 HK\$3,000,000 and computed variable required capital. As at December 31, 2015 and 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 a segregated account, financial assets at FVPL, trade receivables, other receivables, refundable deposits under other noncurrent assets, trade payables and other current liabilities, which arise from operations.

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The main risks arising from the Group’s financial instruments are credit risk, liquidity risk, equity price risk and foreign currency risk. The BOD reviews and agrees on the 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 with a credit line facility by the Parent Company, are required to deposit funds to their accounts and their purchases are limited to their cash deposit. In order to manage the potential credit risk associated with the Parent Company’s margin lending activities, the Group has established policies and procedures in evaluating and approving applications for margin financing as well as the review of credit performance and limits. In addition, the Parent Company requires its margin customers a Two Peso (₱2) security cover for every One Peso (₱1) exposure. The security cover can either be in cash or a combination of cash and marginable stock identified by the Parent Company using a set of criteria.

Aging Analyses of Financial Assets

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

	2015					
	Past due but not impaired					Total
	Neither past due nor impaired	4-14 days	15-31 days	More than 31 days	Impaired	
Loans and receivables:						
Cash and cash equivalents*	₱6,493,556,838	₱–	₱–	₱–	₱–	₱6,493,556,838
Cash in segregated account	255,596,013	–	–	–	–	255,596,013
Trade receivables	281,162,220	63,717,839	60,878,758	671,325,239	–	1,077,084,056
Other receivables	8,425,177	–	–	–	8,960,245	17,385,422
Refundable deposits	7,118,855	–	–	–	–	7,118,855
Financial assets at FVPL	1,673,427	–	–	–	–	1,673,427
	₱7,047,532,530	₱63,717,839	₱60,878,758	₱671,325,239	₱8,960,245	₱7,852,414,611

*Excluding cash on hand

	2014					
	Past due but not impaired					Total
	Neither past due nor impaired	4-14 days	15-31 days	More than 31 days	Impaired	
Loans and receivables:						
Cash and cash equivalents*	₱4,640,150,645	₱–	₱–	₱–	₱–	₱4,640,150,645
Cash in segregated account	154,129,025	–	–	–	–	154,129,025
Trade receivables	356,743,660	157,439,815	267,199,738	660,450,899	–	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
	₱5,177,809,959	₱157,439,815	₱267,199,738	₱660,450,899	₱8,960,245	₱6,271,860,656

*Excluding cash on hand

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Past due accounts pertain to margin accounts of the Parent Company earning interest ranging from 12% to 18%. The account has no due date and becomes demandable only when equity percentage of the customers falls below 33.33%.

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

	2015			
	Neither Past Due nor Specifically Impaired			Total
	High Grade	Standard Grade	Individually Impaired	
Loans and receivables:				
Cash and cash equivalents*	₱6,493,556,838	₱–	₱–	₱6,493,556,838
Cash in a segregated account	255,596,013	–	–	255,596,013
Trade receivables	1,013,366,217	63,717,839	–	1,077,084,056
Other receivables	–	8,425,177	8,960,245	17,385,422
Refundable deposits	7,118,855	–	–	7,118,855
	7,769,637,923	72,143,016	8,960,245	7,850,741,184
Financial assets at FVPL	1,673,427	–	–	1,673,427
	₱7,771,311,350	₱72,143,016	₱8,960,245	₱7,852,414,611

*Excluding cash on hand

	2014			
	Neither Past Due nor Specifically Impaired			Total
	High Grade	Standard Grade	Individually Impaired	
Loans and receivables:				
Cash and cash equivalents*	₱4,640,150,645	₱–	₱–	₱4,640,150,645
Cash in a segregated account	154,129,025	–	–	154,129,025
Trade receivables	1,287,746,965	154,087,147	–	1,441,834,112
Other receivables	–	12,130,063	8,960,245	21,090,308
Refundable deposits	5,281,002	–	–	5,281,002
	6,087,307,637	166,217,210	8,960,245	6,262,485,092
Financial assets at FVPL	9,375,564	–	–	9,375,564
	₱6,096,683,201	₱166,217,210	₱8,960,245	₱6,271,860,656

*Excluding cash on hand

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

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these requirements. As at December 31, 2015 and 2014, ₱846,028,218 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 ₱3,700,094,576 and ₱6,792,074,324, respectively (Note 7). Transactions through the stock exchange are covered by the guarantee fund contributed by member brokers and maintained by the clearing house.

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 December 31, 2015 and 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:

	2015	2014
Cash and cash equivalents (Note 4)*	₱6,493,556,838	₱4,640,150,645
Cash in a segregated account (Note 5)	255,596,013	154,129,025
Financial assets at FVPL (Note 6)	1,673,427	9,375,564
Trade receivables (Note 7)	1,075,809,699	1,438,423,878
Other receivables (Note 7)	8,425,177	12,130,063
Refundable deposits (Note 10)	7,118,855	5,281,002
	7,842,180,009	6,259,490,177
Unutilized margin trading facility	4,478,456,061	4,280,085,476
	₱12,320,636,070	₱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.

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As at December 31, 2015 and 2014, all of the Group's financial liabilities, which consist of trade payables and other current liabilities (except statutory payables), 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 December 31, 2015 and 2014 consist of cash and cash equivalents, financial assets at FVPL and trade receivables.

Market Risk

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

Equity Price Risk

Equity price risk is the risk to earnings or capital arising from changes in stock exchange indices relating to its quoted equity securities. The Group's exposure to equity price risk relates primarily to its financial assets at FVPL which pertain to investments in shares of stock of companies listed in the PSE and in mutual fund shares. 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 for 2015 and 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\$-denominated cash in banks amounting to US\$55,404 and US\$278,107 as at December 31, 2015 and 2014, respectively (Note 4).

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 for 2015 and 2014 is not significant.

Offsetting of Financial Assets and Liabilities

The amendments to PFRS 7 require the Group to disclose information about rights to offset related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar agreements. The effects of these arrangements are disclosed in the succeeding tables:

December 31, 2015						
Financial Instruments Recognized at End of Reporting Period by Type	Gross Carrying Amounts (Before Offsetting)	Gross Amounts Offset in Accordance with the Offsetting Criteria	Net Amount Presented in Statements of Financial Position [a-b]	Effect of Remaining Rights of Set-Off (Including Rights to Set Off Financial Collateral) that do not Meet PAS 32 Offsetting Criteria		Net Exposure
				Financial Instruments	Fair Value of Financial Collateral	
[a]	[b]	[c]	[d]	[e] = [c-d]		
Financial Assets						
Receivable from customers	₱846,028,233	₱–	₱846,028,233	₱10,223,347	₱–	₱835,804,886
Receivable from clearing house	96,016,120	–	96,016,120	58,684,378	–	37,331,742
	₱942,044,353	₱–	₱942,044,353	₱68,907,725	₱–	₱873,136,628
Financial Liabilities						
Payable to customers	₱6,479,279,657	₱–	₱6,479,279,657	₱10,223,347	₱–	₱6,469,056,310
Payable to clearing house	59,868,655		59,868,655	58,684,378	–	1,184,277
	₱6,539,148,312	₱–	₱6,539,148,312	₱68,907,725	₱–	₱6,470,240,587
December 31, 2014						
Financial Instruments Recognized at End of Reporting Period by Type	Gross Carrying Amounts (Before Offsetting)	Gross Amounts Offset in Accordance with the Offsetting Criteria	Net Amount Presented in Statements of Financial Position [a-b]	Effect of Remaining Rights of Set- Off (Including Rights to Set Off Financial Collateral) that do not Meet PAS 32 Offsetting Criteria		Net Exposure
				Financial Instruments	Fair Value of Financial Collateral	
[a]	[b]	[c]	[d]	[e] = [c-d]		
Financial Assets						
Receivable from customers	₱1,413,525,241	₱–	₱1,413,525,241	₱13,002,579	₱–	₱1,400,522,662
Receivable from clearing house	13,076,269		13,076,269	11,954,204	–	1,122,065
	₱1,426,601,510	₱–	₱1,426,601,510	₱24,956,783	₱–	₱1,401,644,727
Financial Liabilities						
Payable to customers	₱4,866,109,620	₱–	₱4,866,109,620	₱13,002,579	₱–	₱4,853,107,041
Payable to clearing house	74,818,726		74,818,726	11,954,204	–	62,864,522
	₱4,940,928,346	₱–	₱4,940,928,346	₱24,956,783	₱–	₱4,915,971,563

22. Fair Value Measurement

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 December 31, 2015 and 2014:

	Carrying Values		Fair Values	
	2015	2014	2015	2014
Financial Assets				
Loans and receivables:				
Refundable deposits	₱7,118,855	₱5,281,002	₱6,200,755	₱4,483,853

The carrying amounts of cash and cash equivalents, cash in a segregated account, trade receivables, other receivables, trade payables and other current liabilities, 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, 2015 and 2014. Fair value of financial assets at FVPL is based on the closing quoted prices of stock investments published by the PSE and the mutual fund providers, respectively.

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 2.80% and 3.33% as at December 31, 2015 and 2014, respectively. There are no changes in the valuation techniques in 2015 and 2014.

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:

	2015		
	Level 1	Level 2	Level 3
<i>Asset measured at fair value:</i>			
Financial assets at FVPL	₱1,673,427	₱—	₱—
<i>Asset for which fair values are disclosed:</i>			
Refundable deposits	—	—	6,200,755

	2014		
	Level 1	Level 2	Level 3
<i>Asset measured at fair value:</i>			
Financial assets at FVPL	₱9,375,564	₱—	₱—
<i>Asset for which fair values are disclosed:</i>			
Refundable deposits	—	—	4,483,853

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

23. Contingency

As discussed in Note 7, on April 21, 2014, a Decision in favor of the Group was issued by the Court of Tax Appeals (CTA) granting the Group’s Petition for the refund and/or issuance of tax credit certificate (TCC) in the amount of ₱8,960,245. On May 8, 2014, the CIR filed its Motion for Review 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. On December 15, 2015, the CTA En Banc denied the Motion for Reconsideration filed by the CIR, effectively affirming the Decision of the CTA Third Division ordering the Commissioner of Internal Revenue (CIR) to issue a TCC in favor of the Parent Company in the amount of ₱8,960,245.

On January 27, 2016, the CIR filed a Motion for Extension of Time to File Petition for Review on Certiorari with the Supreme Court En Banc. The case is still pending with the CTA En Banc as at March 1, 2016.

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24. EPS Computation

	2015	2014	2013
Net income attributable to equity holders of the Parent Company	₱262,693,342	₱262,267,060	₱303,589,893
Weighted average number of shares for basic earnings per share	474,712,500	468,750,000	468,440,000
Dilutive shares arising from stock options	1,204,904	6,799,241	7,152,804
Adjusted weighted average number of common shares for diluted earnings per share	475,917,404	475,549,241	475,592,804
Basic EPS	₱0.55	₱0.56	₱0.65
Diluted EPS	₱0.55	₱0.55	₱0.64

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.

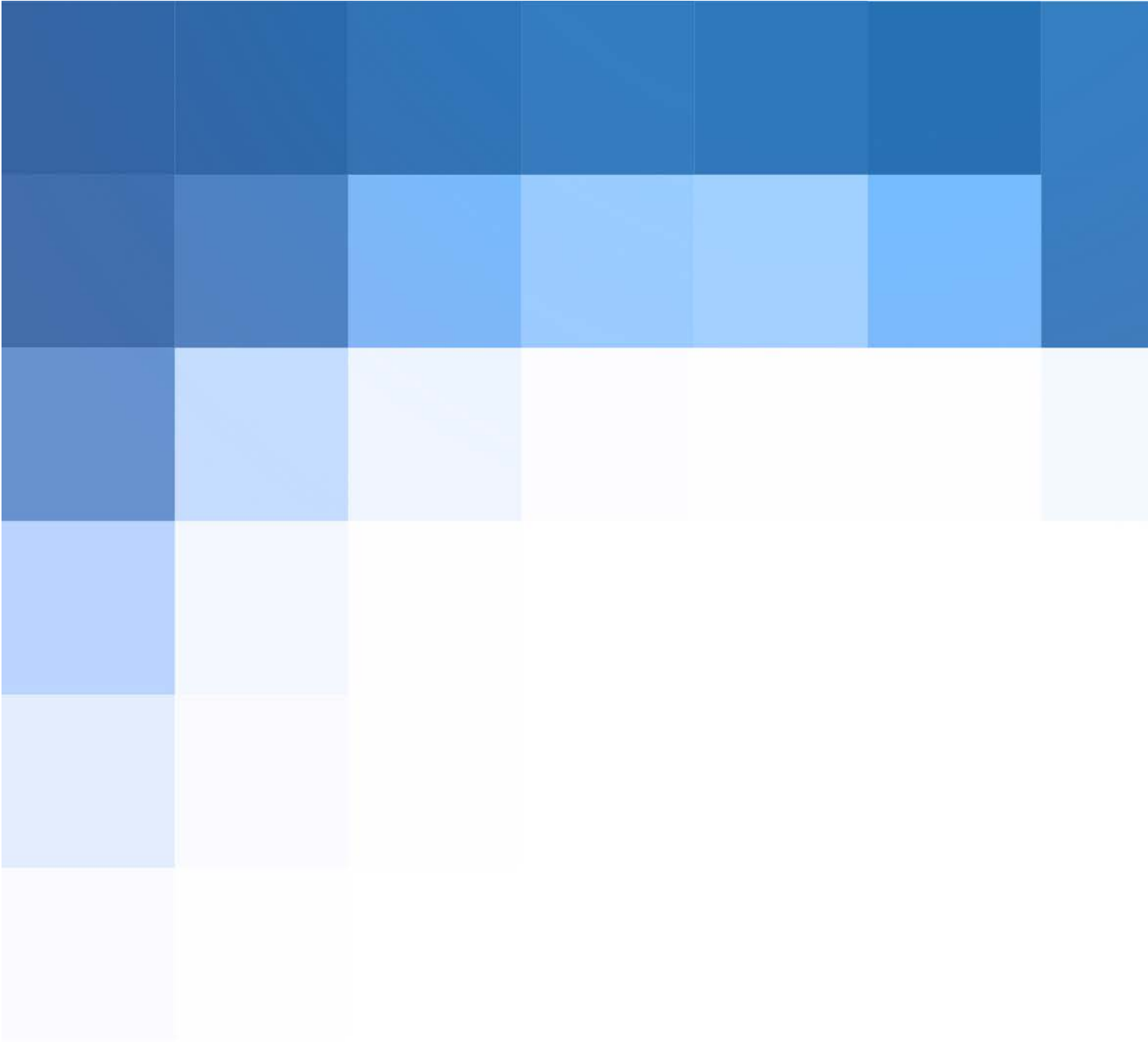
The following tables present certain information regarding the Group’s geographical segments:

	2015			
	Philippines	Hong Kong	Elimination	Total
Revenue from external customers:				
Commissions	₱456,763,490	₱30,119,942	₱–	₱486,883,432
Interest	233,164,336	73	–	233,164,409
Others	16,222,006	767,745	–	16,989,751
Inter-segment revenue	45,923,814	–	(45,923,814)	–
Segment revenue	752,073,646	30,887,760	(45,923,814)	737,037,592
Cost of services	(180,581,144)	(16,072,670)	–	(196,653,814)
Operating expenses	(150,058,761)	(56,752,790)	45,768,514	(161,043,037)
Depreciation and amortization	(17,492,178)	(36,536)	–	(17,528,714)
Income (loss) before income tax	403,941,562	(41,974,236)	(155,300)	361,812,027
Benefit from (provision for) income tax	(106,044,448)	6,925,763	–	(99,118,685)
Net income (loss)	₱297,897,114	(35,048,473)	(155,300)	₱262,693,342
Segment assets	₱7,411,524,095	₱680,109,210	(₱138,802,287)	7,952,831,018
Segment liabilities	6,374,148,517	265,647,180	(3,955,697)	6,635,840,000
Capital expenditures:				
Tangible fixed assets	25,626,480	486,856	–	26,113,336
Cash flows arising from:				
Operating activities	2,257,704,153	(141,354,690)	–	2,116,349,463
Investing activities	(25,625,404)	(486,856)	–	(26,112,260)
Financing activities	(236,825,000)	–	–	(236,825,000)

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	2014			
	Philippines	Hong Kong	Elimination	Total
Revenue from external customers:				
Commissions	₱464,636,005	₱38,754,036	₱–	₱503,390,041
Interest	215,384,518	1,235	–	215,385,753
Others	4,667,387	327,907	–	4,995,294
Inter-segment revenue	44,717,507	–	(44,717,507)	–
Segment revenue	729,405,417	39,083,178	(44,717,507)	723,771,088
Cost of services	(177,415,221)	(16,472,809)	–	(193,888,030)
Operating expenses	(150,736,281)	(55,514,540)	44,654,168	(161,596,653)
Depreciation and amortization	(14,913,322)	(133,491)	–	(15,046,813)
Income (loss) before income tax	386,340,593	(33,037,662)	(63,339)	353,239,592
Benefit from (provision for) income tax	(96,408,776)	5,436,244	–	(90,972,532)
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	(12,046,372)	(85,475)	–	(12,131,847)
Financing activities	(275,290,000)	–	–	(275,290,000)

	2013			
	Philippines	Hong Kong	Elimination	Total
Revenue from external customers:				
Commissions	₱496,054,561	₱44,467,086	₱–	₱540,521,647
Interest	209,119,905	–	–	209,119,905
Others	1,679,451	104,238	–	1,783,689
Inter-segment revenue	42,891,145	–	(42,891,145)	–
Segment revenue	749,745,062	44,571,324	(42,891,145)	751,425,241
Cost of services	(206,360,621)	(17,323,409)	–	(223,684,030)
Operating expenses	(106,771,560)	(52,642,954)	42,655,273	(116,759,241)
Depreciation and amortization	(14,332,569)	(201,853)	–	(14,534,422)
Income (loss) before income tax	422,280,312	(25,596,892)	(235,872)	396,447,548
Benefit from (provision for) income tax	(97,198,365)	4,340,710	–	(92,857,655)
Net income (loss)	₱325,081,947	(₱21,256,182)	(₱235,872)	₱303,589,893
Segment assets	₱4,318,785,171	₱627,600,640	(₱138,593,403)	₱4,807,792,408
Segment liabilities	3,340,514,991	167,980,551	(3,722,642)	3,504,772,900
Capital expenditures:				
Tangible fixed assets	16,307,767	–	–	16,307,767
Cash flows arising from:				
Operating activities	827,420,780	103,733,789	–	931,154,569
Investing activities	(16,307,767)	–	–	(16,307,767)
Financing activities	(294,409,500)	–	–	(294,409,500)



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