



DELIVERING RICHER LIVES

 **COL FINANCIAL**
PHILIPPINES

2014 ANNUAL REPORT



ON CONTENT AND DESIGN

It seemed natural that smiles made their way into the design of a document that visualized not only COL's year but perhaps the entire country's.

After all, 2014 was a year that inspired a lot of them.

Look at the Philippine peso, it would be a challenge to find a currency with wider smiles than ours. Taking cue from our fun-loving Philippine peso, we sought to include smiles everywhere. At the turn of every page, every photo, every inspiring story, we put in what we hope to see more of - smiles. After all, they are free, but invaluable.

Moving forward, we remain dedicated to enriching the lives of both COL customers and employees, lifted by their trust and smiles.

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 achieve their financial goals.

V I S I O N

M I S S I O N

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,

The year 2014 was a huge one for the Philippine stock market, which yielded a return of over 20% to the investing public. The question in your mind, I guess, is "How can I still make money in the stock market in 2015?"

The simple answer is to STAY INVESTED.

Why? The coming years will see the rise of Asian economies, with various indicators supporting a positive market outlook. In the Philippines, the flow of foreign investments is expected to continue, while the equity market is likely to remain bullish. Our country will sustain robust economic growth, driven by higher consumer spending, a young working population, and a boost in infrastructure spending to 5% of gross domestic product.

It has been my strong belief that all Filipinos can lead richer lives with the proper mindset towards investing. This vision is embodied in COL's relationship with each customer. Paying close attention to your needs and goals, we continue to offer financial education, online tools, and quality market research to help you make smart investment decisions.

Throughout the years, I have often said that the key to achieving financial independence is understanding and applying the three basic laws of money. First, pay yourself consciously and invest 20% of what you make. Second, be sure to know the companies or businesses you are investing in. Third, when you make money, do not spend it. Re-invest it.

It is inspiring how many of our customers have remained committed to practicing these laws to achieve their long-term financial goals. We have seen the difference that COL has made in the lives of our customers in the last 15 years - from being able to send their kids to school, to putting up their own businesses, pursuing their life-long dreams, and gaining the ability to help others. These personal milestones inspire us to continuously strive to build a better investing experience for all our customers.

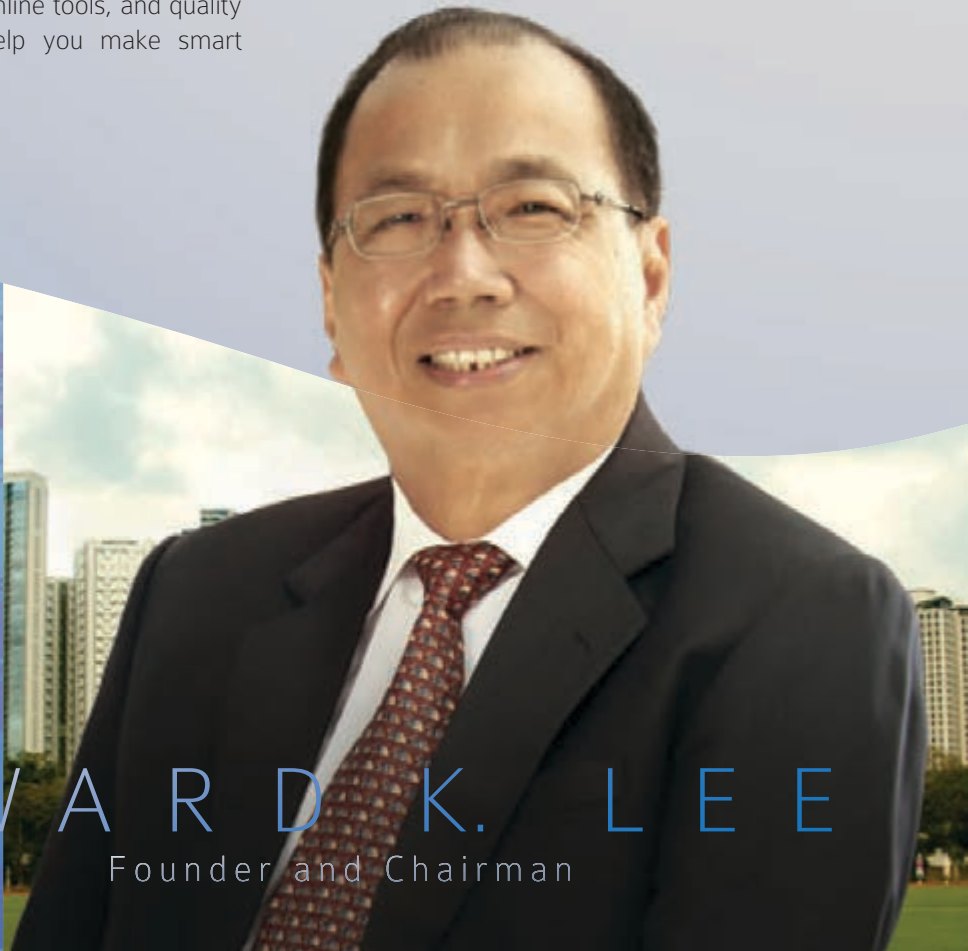
In 2015, we will take our relationship further by being more than just your trusted stockbroker, but also your genuine wealth-building partner. The best is yet to come, so keep smiling!

"The simple answer is to STAY INVESTED."



EDWARD K. LEE

Founder and Chairman



PRESIDENT'S REPORT FOR 2014

2014 continued to be a great year for COL as we celebrated our 15th anniversary. We look back with pride to a decade and a half of sincere dedication to help Filipinos lead richer lives.

We have gone a long way in the past 15 years. We provided a reliable online platform equipped with tools to make it easier for every Filipino to invest in the stock market. We conducted numerous seminars that were open to both COL clients and the public. All these efforts are in line with our advocacy towards improving the level of financial literacy among Filipinos, particularly by helping them understand why and how they should invest in the stock market.

In 2014, we invited all of our customers to share with us how COL has affected

their lives. In a span of only 3 weeks, we received 650 testimonies from clients who shared how COL has helped them in their journey towards richer lives. We in the COL Management Team consider these stories as our greatest reward. They inspire us to work harder every day and to find more ways to make it easier for Filipinos to meet their financial dreams.

After 15 years, it is encouraging to see that our efforts have borne fruit. COL's initiatives to educate investors, big and small, have led to life-changing results. The smiles on the faces of our customers is an affirmation of our commitment to continue **Delivering Richer Lives.**

"Seeing smiles on the faces of our customers is an achievement as we pave the way for our vision to continue **Delivering Richer Lives.**"



CONRADO F. BATE

President and Chief Executive Officer

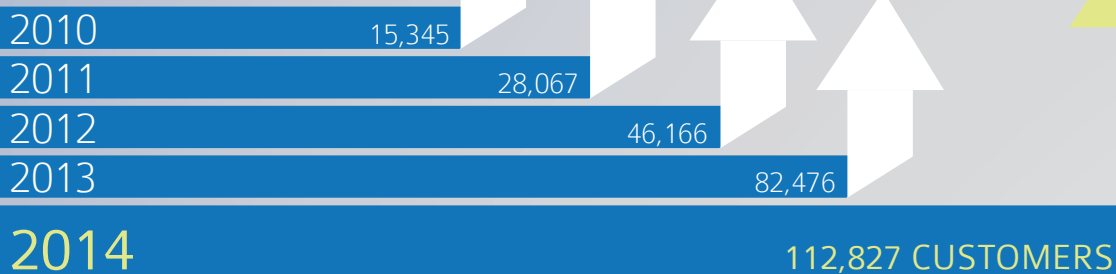
CLIENT BASE HITS 112,000

One of the criteria we use to measure our performance is the growth in the number of customers and their assets. In 2014, we exceeded the 100,000 customer mark as we grew our client base by 37% year-on-year (Y/Y) to end the year with more than 112,000 clients. This is no small feat considering that the number of investors in the stock market is currently less than a million.

While most mutual fund companies suffered from weak sales and net redemptions in 2014, the value of our clients' equity continued to grow, increasing by 18.3% Y/Y to PHP 56.7 billion. In 2014, we saw PHP 12 billion in net new flows from our clients across all segments, a sign of continued trust as they invest more in the stock market through COL.

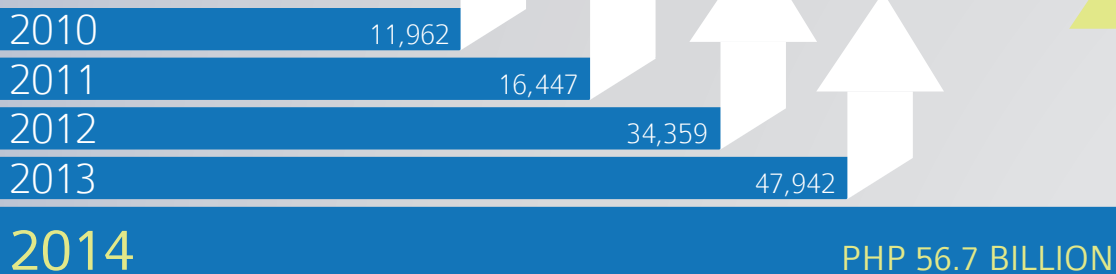
TOUCHING LIVES OF MORE FILIPINOS

CLIENT BASE (NET)



37%

CLIENT EQUITY



18.3%

A RESILIENT PERFORMANCE

Due to the expansion of our client base, COL performed more resiliently compared to other stockbrokers who were hurt significantly by the double-digit drop in value turnover at the Philippine Stock Exchange (PSE).

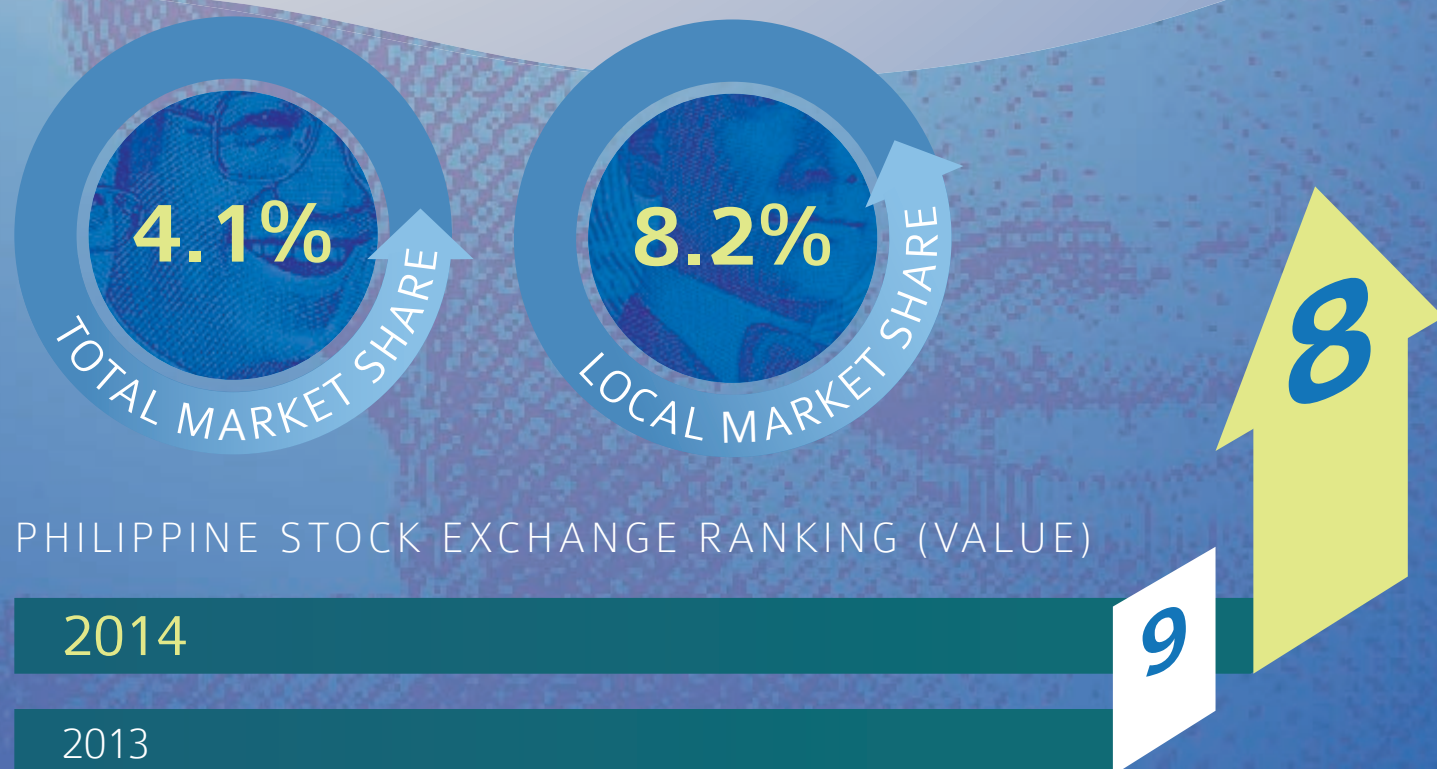
While value turnover in the PSE fell by 16.3% Y/Y, COL's figure slid by just 5.4%. As a result, our market share in terms of total value turnover increased to 4.1% in 2014 from 3.6% in 2013, while our market share in terms of value turnover among local investors reached a new record high of 8.2%. Our ranking among PSE brokers also improved to 8th from 9th the previous year, while we retained our position as the No. 1 online stock broker in terms of transaction volume.

Despite the drop in market turnover, commission revenues declined by only

6.9% Y/Y to PHP 504 million in 2014. Consolidated revenues went down by only 4.0% to PHP 712 million, as the growth in our asset base allowed interest income to increase even as interest rates remained low.

Moreover, we continued to manage cost. In 2014, fixed operating expenses increased by only 5.5% Y/Y to PHP 234 million. As a result, we recorded operating profits of PHP 371 million on a recurring basis, down by only 3.8% despite the highly leveraged nature of the stock brokerage business. Our core net income hit PHP 293 million, down by only 3.6%.

Net income, meanwhile, reached PHP 262 million, representing a decrease of 13.6% Y/Y. This was largely due to the booking of a PHP 30 million one-time expense related to the exercise of stock options.



Our balance sheet remains strong. Total assets grew by 32% Y/Y to PHP 6.4 billion as our cash position increased by 45% to PHP 4.6 billion, making us financially stronger and better equipped to service the needs of Filipino investors. Meanwhile, stockholders' equity was flat at PHP 1.3 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 minimum requirement of Php100 million.

FINANCIALLY STRONG BROKER



TOTAL ASSETS

GREW BY **32%** Y/Y
TO PHP 6.4BIL



CASH POSITION

INCREASED TO
45% TO PHP 4.6BIL



STOCKHOLDERS' EQUITY

FLAT AT PHP 1.3BIL



KEY INITIATIVES

As our business continues to grow, we remain committed to putting the interest of our clients first and foremost year after year. In line with this, we have embarked on a number of initiatives to maintain our position as the market leader, and to deepen our relationship with our customers.

First is our initiative to expand our client base. We remain determined to increase financial literacy through our educational campaigns by establishing strong working relationships with various organizations, companies and universities.

At the same time, our partnership with I-Remit Inc., the largest non-bank Filipino-owned remittance company, has enabled us to participate in several international roadshows. This has allowed us to reach a wider audience of overseas Filipinos and help them invest in Philippine stocks through COL's

platform. We joined I-Remit's Be FIT Forum meant to encourage Filipinos abroad to become financially intelligent. This included visits to Taiwan, Australia, New Zealand, and Singapore.

Leading this effort is, none other than, our Chairman, Mr. Edward Lee, who conducted most of these roadshows with various groups and association almost every week, including weekends.

In 2014, we opened COL's first Investor Center in Makati, making us more accessible to interested market participants. Attending investor seminars and opening accounts are now more convenient for clients based in the Makati central business district and southern Luzon.

I'm pleased to say that because of these efforts, we have helped the stock exchange extend its market reach, making the financial sector more inclusive. Out of the 30,000 new customers we added in 2014, 96% were first-time investors in the stock market.

MORE CUSTOMER TOUCH - POINTS

Secondly, we enhanced our customers' experience by increasing our touch-points with them. 2014 was a year of customer engagement as we put greater focus on our digital channels outside of our website, namely Twitter, Youtube, and Facebook. The number of our followers more than doubled across all platforms. We have launched live Twitter sessions to facilitate direct interaction with our clients and offer further guidance and support to their investments. Social media has also become a platform for COL Research to spread market information and research ideas to our customers without having to log on to our system.

COL's YouTube channel has also been updated with videos of our previous events and market briefings, allowing us to reach a wider audience, particularly those who were unable to attend our live educational events. Our Facebook page has been instrumental in sharing major updates about the company's

activities and developments. As of end-2014, the page has grown to a highly engaged community of over 30,000. These platforms have allowed us to reach out to our growing customer base in a more cost-effective way, while spreading further the wealth of information that has been made readily available to our clients.

With the growing number of smartphone users in the country, we continue to build more infrastructure to make investing easier and more convenient. We launched the COL Mobile App on Apple iOS, providing clients quick access to our trading platform and allowing them to invest anytime, anywhere.

For the first time, COL also brought together leaders of the SM Group to personally discuss the strengths and opportunities of the various SM listed companies to COL clients based in key cities in the country, namely Manila, Cebu and Davao. The event was made possible by a partnership with SM Investments Corp., which provided the venue to host these events.



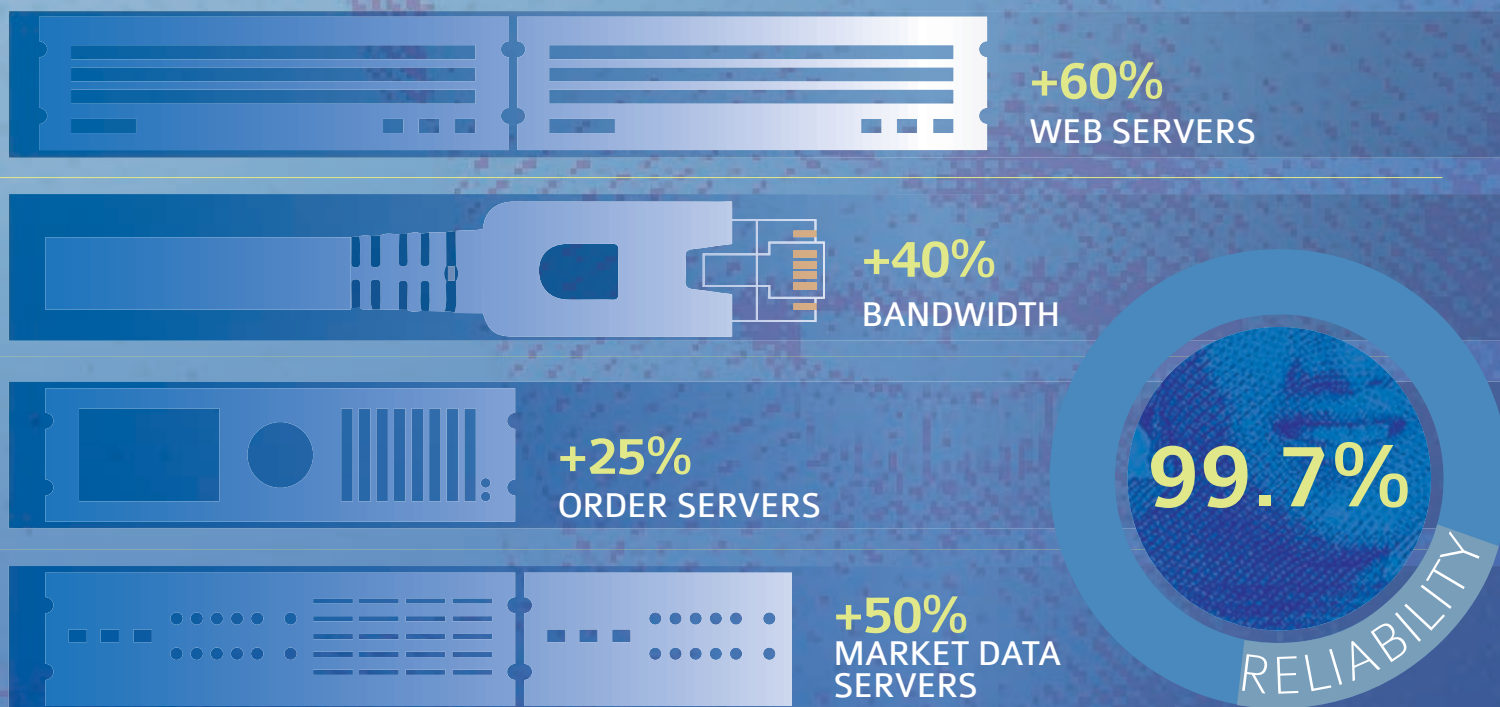
TECHNICAL UPGRADES

In our 15-year history, we have consistently focused on providing great value to our customers, in line with our goal of building lasting relationships which entail, among others, offering a consistently high quality of service.

To address the increase in the volume of orders and demand for market information, several upgrades were undertaken to maintain and enhance the performance of our trading platform. The capacity of our web servers was increased by 60% to handle existing and new users of the site, while our bandwidth was expanded by 40%. The capacity of our order servers was also hiked by 25% while that of

our market data servers was increased by 50%. Our existing equipment was upgraded with the latest technology, accompanied by a newly acquired firewall hardware, to further improve efficiency and intensify overall security.

In 2014, the average number of unique users of COL's website grew by over 50% to 30,000, while the number of log-ins hit a peak of 40,000 in November. Despite massive growth in the number of users, we are proud to say that our platform was able to achieve 99.7% reliability, thanks to the significant investments made on our IT infrastructure.



THE FIRST FUND SUPERMARKET

As we build our long-term relationship with our customers, we are excited to roll out the first fund supermarket in the Philippines, our mutual fund distribution service named "COL Fund Source".

COL clients can now access various professionally managed funds, including money market funds, bond funds, balanced funds, and equity funds, through the COL platform. As of today, a total of six mutual fund companies, which together account for 92.1% of the

assets under management of the mutual fund industry, have agreed to make their funds available on the COL website.

Not only that, we will also provide tools that will allow investors to compare the various available funds while accessing independent research on each fund at the same time. This puts them in a better position to pick and choose funds that will best suit their needs.



RICHER LIVES, HAPPY SMILES

The first 15 years of COL's history have been very rewarding. But we will not stop finding ways to make it easier for more Filipinos to invest.

The strength of our leadership is rooted in the relationships we have built with our stakeholders. Our Richer Life Campaign was a clear testament to how COL has successfully touched the lives of its customers. I'm proud to have been a witness to how far we have come. Not only did we shape

the industry, we also gave people the opportunity to achieve financial freedom through their investments. COL has given Filipinos reason to be all smiles.

As we navigate 2015, our focus remains to be our customers and helping them achieve their financial goals. We are excited to take this company to the next level as we become their partner in building genuine wealth.



MESSAGE FROM THE CHIEF FINANCE OFFICER

At a glance, COL's business performance in 2014 seems less rosy. Behind these figures, however, are stories of triumph as well as encouraging prospects of better days ahead with the surging Philippine market.

COL's top and bottom lines for 2014 were lower compared to 2013, with consolidated revenues down by almost 4% and net income by 13.6%. Consolidated revenues for 2014 hit PHP 711.5 million compared with the previous year's PHP 740.9 million, while net income stood at PHP 262.3 million, also a decline compared with PHP 303.6 million in 2013.

However, the decline in net income was largely due to the booking of a PHP 30 million expense related to the exercise of stock options, and is non-recurring in nature.

Poor market conditions during the first half of the year also dragged full year numbers. However, COL's operating results actually improved during the second half of the year as market conditions improved. For instance, during the fourth quarter of the

year, Philippine revenues essentially increased by a hefty 41.3% to PHP 181.1 million, largely driven by an increase of 63.7% in commissions. Core income also jumped to PHP 43.4 million from PHP 6.6 million.

There were, likewise, a number of positive developments in 2014 that excite us as we look forward to COL's future:

In 2014, we exceeded the 100,000 customer mark; we ended the year at more than 112,000 customers. This is a testament to the strength of our brand among Filipinos looking to achieve financial freedom.

The value of our clients' equity continued to grow, increasing by 18.3% year-on-year to PHP 56.7 billion. In 2014, we saw PHP 12 billion in net new flows from our clients across all segments. Due to the continuous growth of our client base, COL was resilient and performed better compared with other stock-brokers who were significantly hurt by the double-digit drop in value turnover in the PSE.

"Our client's success is our success. This gives us a great reason to keep smiling"



CATHERINE L. ONG

Chief Financial Officer

Despite the substantial growth in our client base, we were able to contain the increase in our fixed operating expenses at 5.5%. In fact, this already includes start-up costs related to our fund distribution business.

While value turnover in the PSE fell by 16.3%, COL's value turnover fell by only 5.4% year-on-year. As a result, our market share in terms of value turnover among local investors reached a new record high of 8.2%.

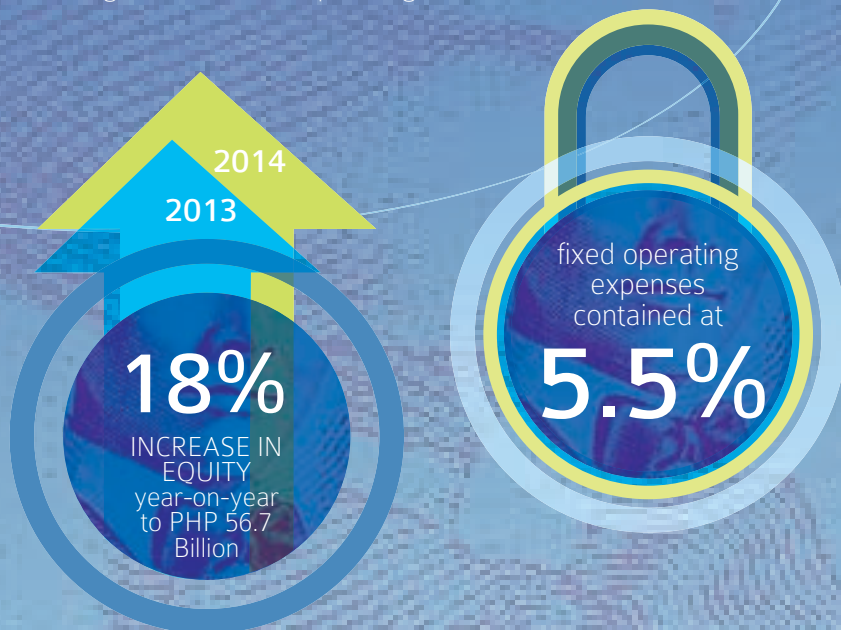
COL's rank in the PSE went up to 8th from 9th in the previous year. We also retained our rank as the No. 1 online stockbroker in terms of transaction volume.

COL's balance sheet also remains very healthy. Total assets grew by 32% to PHP 6.4 billion in 2014 from PHP 4.8 billion the previous year. This was largely due to the growth in our cash position, by 45% to PHP 4.6 billion in 2014 from PHP 3.2 billion in 2013.

All these developments make us very optimistic over the long-term prospects of the company.

Notwithstanding the decline in our profits, we will still distribute PHP 237.3 million in cash dividends equivalent to PHP 0.50 per share to you our loyal shareholders.

Given our increasingly affluent economy, we expect a continued expansion in our client base. This, in our opinion, is a stronger indicator of the sustainability of our profitable operations. As we have always said, "our clients' success is our success." This gives us great reason to keep smiling.





EDWARD K. LEE

Founder and Chairman

Edward K. Lee, 60, Filipino, 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. He has also been the Chairman and Chief Executive Officer of the CWC Group of Companies which include CWC Development, Inc., Barrington Carpets, Inc., Citimex, Inc. and CWC International, Inc. for the past 37 years. Mr. Lee served as a nominee of Citisecurities, Inc. to the Manila Stock Exchange and presently to the Philippine Stock Exchange. He was elected as one of the Governors of the Philippine Stock Exchange and was the Chairman of the Computerization committee of the Manila Stock Exchange 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 to the 2007 Entrepreneur of the Year Philippines by Ernst & Young.

B O A R D

D I R E



CONRADO F. BATE

President and Chief Executive Officer

Conrado F. Bate, 52, Filipino, 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 1995-1997; 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 Philippine Stock Exchange (2005-2006) and served as its Chairman of the 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.

ALEXANDER C. YU

Vice-Chairman

Alexander C. Yu, 59, Filipino, 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.



O F

C T O R S

HERNAN G. LIM

Director

Hernan G. Lim, 62, Filipino, 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 now. 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.





PAULWELL HAN

Director

Paulwell Han, 55, Chinese, 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.



WELLINGTON C. YU

Director

Wellington C. Yu, 71, Filipino, 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 & 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.

RAYMOND C. YU

Director

Raymond C. Yu, 61, Filipino, 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

Director & Treasurer
Chief Financial Officer

Catherine L. Ong, 63, Filipino, 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 now. 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.





JOEL LITMAN

Director

Joel Litman, 44, American, was elected as director on August 12, 2011. 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* and has published in *Harvard Business Review*. Professor Litman is on faculty at 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, a member of the Global CFA Institute, received his B.S. Accountancy at DePaul University and his MBA/MM from the Kellogg Graduate School of Management at Northwestern University.



MANUEL S. ESTACION

Independent Director

Manuel S. Estacion, 70, Filipino, is a Bachelor of Science in Commerce graduate of San Beda College. He is presently engaged by The Hong Kong and Shanghai Banking Corporation (HSBC) as the Bank Representative in the remaining labor related cases pending in Court. He previously served HSBC in various capacities and was Vice President Human Resources from 1996 to 1999 after which he acted as a Consultant to HSBC prior to his present engagement. Mr. Estacion is a Charter Member and a Director of the Rotary Club of Ortigas Center for the Rotary Year 2014-2015. He is at present a Director of Vynex Signs Philippines, Inc.

KHOO BOO BOON

Independent Director

Khoo Boo Boon, 56, Malaysian, has extensive experience in commodities trading, stock trading, advertising, marketing research and corporate management and has held senior executive positions in the Asean region. He currently runs his own management consulting firm, Knowledge-Based Business Intelligence and Consulting (KBBIC) and sits on the Board of Directors of GTF Worldwide Philippines, and Geka Property Holdings Inc., 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.





CAESAR A. GUERZON

Corporate Secretary, SVP and Head of Compliance, Legal, Human Resource and Administration Departments

Caesar A. Guerzon, 65, Filipino, 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.



E X E C U O F F

NIKOS J. BAUTISTA

Vice President and Chief Technology Officer

Nikos J. Bautista, 46, Filipino, is the Chief Technology Officer of COL. He is also a consultant and a committee member for the New 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 1993-1997. 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 and Masteral Courses in Computer Science.

JUAN G. BARREDO

Vice President for Sales and
Customer Support

Juan "Juanis" G. Barredo, 47, Filipino, 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 50,000 people nationwide in the last five 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.



T I V E

I C E R S

LORENA E. VELARDE

Vice President and Financial Controller

Lorena E. Velarde, 44, Filipino, 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 Compliance Officer 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.





APRIL LYNN L. TAN

Vice President and Head of Research
Department

April Lynn L. Tan, 39, Filipino, 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 and the Chair of its Investment Research Challenge committee.



GERALD T. CHUA

General Manager,
COL Hong Kong, Ltd.

Gerald Chua, 38, Filipino, is currently the General Manager of Citiseconline.com Hong Kong, Ltd. In 2001, he was part of the team, which established the COL Hong Kong office. Today, he remains as its manager, overseeing the company's day-to-day operations.

MELISSA O. NG

Assistant Vice President & Head of Operations

Melissa O. Ng, 42, Chinese, 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.



JOHN GATMAYTAN & GEORGE WONG

Heads of Private Clients Group

John Gatmaytan, 49, Filipino, is currently the Joint-Head of the Private Clients Group of COL Financial Group. He has extensive institutional experience in the fields of stock broking, investment banking, fund raising, distribution and portfolio management, having organized and led successful teams in various top-tier financial services companies. Prior to COL, he was a Vice President of ATR-Kim Eng Securities Philippines from 2000 to 2009; Vice President and Head of Sales of DBP-Daiwa Securities Philippines Inc. from 1995-1997; Vice President and Head of Sales of Philippine Asia Equity Securities Inc. (formerly First Pacific Securities) from 1992-1995. He has 25 years of industry experience since he started with Citicorp Vickers in 1986.

George Wong, 43, Filipino, is currently the Joint-Head of the Private Clients Group of COL Financial Group. He has extensive institutional experience in the fields of stock broking, equity sales, fund raising, and portfolio management. Prior to COL, he was Assistant Vice President of JP Morgan Securities Philippines from 1999 to 2003. He also served in the same capacity its forerunner company Jardine Fleming Exchange Capital Securities Inc. from 1997 to 1999. He was also Assistant Vice President of DBP-Daiwa Securities Philippines Inc. from 1995-1997. Mr. Wong has 20 years of equities experience behind him, having started with the firm First Pacific Securities Philippines in 1992. He was rated by Asiamoney magazine in 1999 as one of the Philippines' Best in Equity Sales for that year.



C O R P O R A T E G O V E R N A N C E

The Board of Directors and Management, Officers and Staff of COL Financial Group, Inc. ("COL" or the "Company") adhere to the principles and best practices of good corporate governance and acknowledge that the same shall be a guide for the attainment of its corporate goals. COL believes that good corporate governance is integral to, and goes hand-in-hand with, sound strategic business management. The Company expects all its directors, officers and employees to act with honesty, integrity, transparency, responsibility and accountability, mutual respect, and commitment to do what is best for the organization. COL believes that corporate governance is a reflection of its culture, policies, and relationship with its customers, employees and shareholders, and commitment to these values.

The Company's Manual on Corporate Governance ("Manual") has been designed pursuant to the above objectives and has undergone several revisions to institutionalize the principles of good corporate governance. As a testimony of its advocacy and strong adherence to these principles, COL has been recognized and awarded the PSE Bell Awards for Corporate Governance in the Large Trading Participant Category for two consecutive years (2012-2013) by the Philippine Stock Exchange.

The Manual defines the responsibilities of the Board of Directors, the Board Committees, and Management to the Company's stockholders.

BOARD OF DIRECTORS

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.

It shall be the Board's responsibility to foster the long-term success of the Company and secure its sustained competitiveness and profitability in a manner consistent with its corporate objectives which it shall exercise in the best interest of the Company, its shareholders, and other stakeholders.

The Board's specific responsibilities include, among others, installing a process of selection to ensure a mix of competent directors and officers; ensuring the Company's compliance with relevant laws, regulations and codes of best business practices; identifying and monitoring with due diligence key risk areas and key performance indicators; and developing and implementing an investor relations program or shareholder communications policy for the Company.

BOARD 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 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 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 consider the adoption of 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.

BOARD COMMITTEES

To aid in complying with the principles of good corporate governance, the Board shall constitute three (3) committees, namely: the Nomination Committee, the Audit Committee, and the Compensation or Remuneration Committee.

Below is an overview of the membership and responsibilities of each of the committees.

NOMINATION COMMITTEE

The Nomination Committee shall have at least three (3) members, one of whom shall be an independent director, to review and evaluate the qualifications of all persons nominated to the Board as well as those appointments requiring Board approval. It shall also provide assessment of the Board's effectiveness in directing the process and procedure in the election or replacement of directors.

AUDIT COMMITTEE

The Audit Committee is composed of at least three (3) members who shall preferably have accounting and finance

BOARD OF DIRECTORS



Chairman: Manuel M. Estacion *
Members: Raymond C. Yu
Hernan G. Lim



Chairman: Khoo Boo Boon*
Members: Alexander C. Yu
Caesar A. Guerzon



Chairman: Wellington C. Yu
Members: Alexander C. Yu
Catherine L. Ong
Manuel S. Estacion*

backgrounds,
one of whom must be an
independent director and shall act as the Chair.

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;
- Check all financial reports against their compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements;
- Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company;
- Pre-approve audit plans, scope and frequency; and
- Perform direct interface functions with the internal and external auditors.

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 members, one of whom is an independent director.

Below is a chart showing the chair and respective members of the Board Committees, as elected by the Board of Directors during the organizational meeting held on the 31st of March 2014.

ACCOUNTABILITY TO STOCKHOLDERS

The Board is primarily accountable to the stockholders and shall provide them 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.

COL faithfully complies with the financial reporting and disclosure requirements of the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE). Likewise, the Company's quarterly financial results are promptly disclosed to the SEC and the PSE.

The Company's principal manner of communication with its shareholders is through the annual report and the Annual Stockholder's Meeting. During the Annual Stockholder's Meeting, Company directors are present and shareholders are given the opportunity to address questions to the Chairman, the Board members as well as the Chairpersons of the different Board Committees.

The Company holds the Annual Stockholders' Meeting at a pre-determined venue on any day in March of each year as provided in its By-laws. Special stockholders' meetings can be called at any time by the President, or by order of the Board of Directors at its own instance, or at the written request of the stockholders representing a majority of the outstanding capital stock.

1999

AUGUST

Became licensed by the SEC to conduct business as a broker and seller of Philippine securities

2001-2002

MARCH

The **COL PH online trading platform** became operational

APRIL

CitisecOnline HK Ltd. (COL HK) became a trading participant of the Hong Kong exchange

MAY

The **COL HK platform** was launched.



CITISECONLINE
STOCKBROKERS

2005-2006

NOVEMBER

The **COL PH Trading platform** was officially launched to the public

JULY

COL's IPO for PSE listing

DECEMBER

PSE approved COL's application as a trading participant

2008-2009

AUGUST

Launch of the **COL Easy Investment Program**

FEBRUARY

COL began to operate its PSE seat



eIP
COL EASY
INVESTMENT
PROGRAM



MILESTONES

2010

APRIL

Launch of the full service agency and advisory team called the **COL Private Clients Group (PCG)**

 **COL PRIVATE CLIENTS**



2012

MARCH

Official change of corporate name to **COL Financial Group, Inc.**

APRIL

Launch of the new COL website with streaming data

DECEMBER

COL received its **1st PSE Bell Award in Good Governance**



2013

NOVEMBER

COL received its **2nd PSE Bell Award in Good Governance**

DECEMBER

Signed MOA with **I-Remit** to taps OFWs



2014

JANUARY - OCTOBER

SEC granted COL its **Mutual Funds Distributor License**

Partnered with BPI, Sun Life, PhilamLife, ATRAM & First Metro

JULY

COL launched the **COL Mobile App** on the iOS platform

SEPTEMBER

Opened the **Makati Investor Center**



Using your iPhone, log-on to your COL account and click on the Downloads tab on your homepage to get the COL Mobile App for FREE.





2014

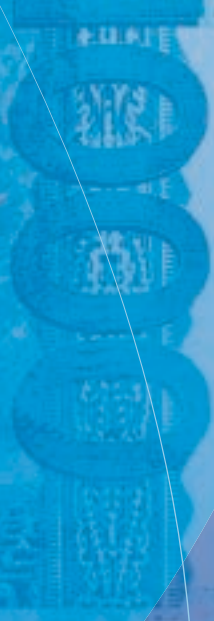
On its 15 year, COL moves forward, grateful and inspired by the Filipino lives that it has enriched. While COL holds true to the mission of helping its customers achieve their financial goals, we look to the future by delivering innovative financial solutions and value-driven products and services, all towards becoming every Filipino investor's trusted wealth-building partner.



A NIGHT OF GRATITUDE



Tubbataha Reefs Natural Park
UNESCO World Heritage Site



Mayon Volcano

YEAR HIGHLIGHTS



Bull Run

JANUARY

To kick start the year, COL joined PSE's annual marathon aimed to facilitate investor education and promote awareness about the values of stock investing and its significant role in the country's economic growth. PSE's "Build Run" also dedicated the event to the victims of Typhoon Yolanda.



CFA Run

FEBRUARY

COL partnered with the CFA Society Philippines in their yearly fun run focused on achieving financial fitness. On its second year, the Financial Fitness Run highlighted key principles and practices to help individual investors reach their retirement goals by introducing the "Essentials of More Secure Retirement."



Company Teambuilding



M A Y

The company held its annual teambuilding in Corregidor, which involved activities and games to help strengthen camaraderie among COL employees.



Philippine Capital Markets Investment Conference

COL participated in the PSE's "Stock Market Investment Conference" in Cebu City to attract new investors from the region. COL experts gave lectures covering various trading strategies and how to use the cost-averaging method through COL's Easy Investment Plan (EIP).



Philippine Retail and Investment Conference



I-Remit Roadshow

MAY

COL partnered with the CFA Society of the Philippines as they held their first Philippine Retail Investment Conference on May 28 at SMX Aura Premiere to increase financial literacy among Filipino investors. The head of COL's Research Department, April Lee Tan, together with other top finance executives shared best practices and recommendations on how to make smart investment decisions.

I-Remit conducted a roadshow named BE F.i.T across Australia & New Zealand to reach more overseas Filipinos and present to them additional options when it comes to their remittances.



Money and Me Seminar

JUNE

COL hosted a seminar by Ms. Sha Nacino, author of "Money & Me" which talks about financial fitness and being able to live the life you want.



Mid Year Market Briefing



JULY

Valued COL clients were invited to attend the company's Mid-year Market Briefing at the Meralco Theater, which highlighted how to best position investments in 2015.



Money Summit Expo

Staged in July as well, the yearly Money Summit Expo at SMX Mall of Asia, successfully gave way for COL to promote its services to new investors and to touch base with existing clients.



A Night of Gratitude



Launch of Live Tweet Sessions

AUGUST

Live Twitter sessions with COL's seasoned market experts were launched as a regular activity to reach out to customers and share market recommendations.

COL celebrated 15 successful years in the industry with a night of gratitude with its employees.



Makati Investor Center Opening



SEPTEMBER

The Makati Investor Center opened its doors to the public, making it easier for people in the central business district to invest with COL.



I-Remit Roadshow - Taiwan



OCTOBER

COL participated in I-Remit's BE F.i.T roadshow across Taiwan to give a series of seminars to overseas Filipino workers on how they can be financially trained and secured for their future.





Sunlife Talk Of Chairman Lee

NOVEMBER

COL Chairman, Edward Lee gave a talk on successful investing for Sun Life Philippines.

COL sponsored a four-day Catholic inspirational event by Bo Sanchez titled "Lifted High". This conference gathered over 18,000 people all over Metro Manila to attend a series of sessions focusing on different areas of interest.



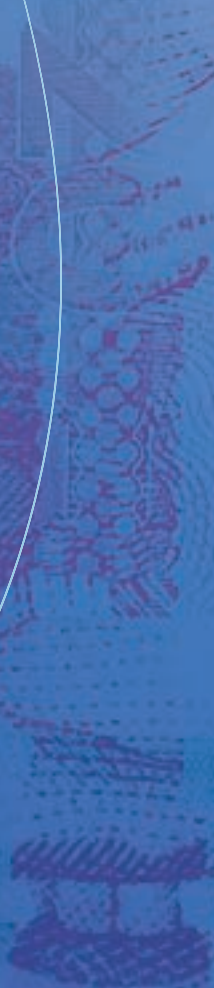
Christmas Party



DECEMBER

In commemoration of its 15 fruitful years in the industry, the theme of COL's Christmas party was "Flashback to the '90s!"

Tubbataha Reefs Natural Park
UNESCO World Heritage Site



Mayon Volcano

R I C H E R
L I F E
T E S T I M O N I A L S



MARINA CRUZ - GARCIA:

RICH IN CREATIVITY

For Marina Cruz-Garcia, a richer life is a life in which you pursue your passion; a life with ample time to spend with the people you love. It also means dedicating life to a cause you believe in. Having this richer life, however, would be difficult without investing and managing your wealth, says Marina, a visual artist, wife, and a mother of two. "Investing helped me have the discipline and the wisdom to manage wealth. Investing is like a vehicle that can help you reach your destination, goals, and dreams on approximate time. It gives a perspective and preview of the future you are aspiring to have," she explains.

It all starts with a plan and a clear vision. "First you have to be clear on how you define real wealth," says Marina, 31. "Then, invest in yourself by being the best you can be in your chosen career, profession, or business ...Create a plan and a system to support the plan and follow it, then repeat the process by reviewing every year the plan and work on the habits of investing."

One also has to invest on knowledge, adds Marina, who has been investing in stocks through COL since 2011. "Invest on your financial education; learn about money, how it works and how you can make it work for you. Don't be afraid to ask and seek advice from competent people."



JUNRY TERRADO:

RICH IN VALUES

Like millions of other talented and well-educated Filipinos, Junry Terrado works as an engineer overseas in the hopes of fulfilling his dreams. His job as a communications engineer in Singapore pays well. But Junry, 38, knows that having an overseas job is no guarantee to financial security.

One has to invest and manage wealth. Junry is all smiles and proud that five years with COL turned him into a millionaire. Thanks to the stock market and the power of compound interest! In 2013, Junry used his investment gains to pay off his condominium unit.

Investing, says Junry, helped him gain a positive financial mindset. There are no real secrets to wealth-building, he claims. "I just live a simple life. I pray

before and after I sleep. I pray before and after I eat. I go to church every Sunday to thank God. Until now I don't have any vices. I think my only passion is eating great food!" according to him, It's the outlook that has changed. "When we buy things, we think of value for money. For example, if we buy a laptop or camera or cellphone, we ask, is it a need or a want? If it's a need, what value we can generate from it?"

Who says priests don't have to be financially savvy? Not Fr. Richmond Nilo, 41, a school administrator in Cabanatuan.

Like the good and faithful servants of the "Parable of the Talents", Fr. Richmond has chosen to invest, with the help of COL, whatever income and monetary assistance he obtains from his ministry. In the next five years, Fr. Richmond hopes to deepen his knowledge and skills in analyzing the stock market, which he calls "The best investment instrument of all time."

Fr. Richmond's investing principles are something other workers in the Lord's vineyard might want to emulate.

"I follow two principles in investing," he says. "The first one is the most conventional. Don't put all your eggs in one basket. Diversify—use two or more investment instruments, like the stock market, bonds, mutual funds."

Thus, for Fr. Richmond, a richer life is being able to share what you have to the marginalized. Nowadays, there's a different smile on Fr. Richmond's face. "You cannot say that you are truly rich if you just acquire and acquire wealth without sharing it. The more money you have the greater responsibility you have towards your neighbor."

FR. RICHMOND NILO:

RICH IN FAITH



Paolo Vasquez loves skateboarding. Fortunately, he was able to harness this passion into an enterprise—not only does he ride the longboards for fun, he gets to earn by doing what he loves most and sharing this experience and craftsmanship with other longboarders.

Longboards are not the only things that make Paolo, 39, all smiles nowadays. He's now a dad to little Lala. He's also a newbie investor, thanks to COL. "Prior to learning about investments, I viewed wealth quite unsophisticatedly. It meant merely having a lot of money to spend. Money, in turn, was viewed simply as something used to buy material goods," Paolo shares.

Paolo is glad to have discovered COL and learn the value of staying invested. Through this he is able to continue his passion without worrying too much about the future, because he knows his money is working for him. Even more, he now knows how it is to live a richer life.

PAOLO VASQUEZ:

RICH IN PASSION





FITZ VILLAFUERTE:

RICH IN FREEDOM

An entrepreneur and a registered financial planner, Fitz Villafuerte knew how money was supposed to work. "Before, investing or being an investor simply meant making your money work for you, that you should invest because you want your money to grow," says Fitz, who's also a personal finance blogger and author.

Fitz, in fact, has been investing elsewhere since 2003. He smiles upon recalling his decision to join COL. He had a realization—investing is not about adding more zeroes to one's bank account. Rather, investing is a life strategy that will help you fulfill your

dreams faster. "Being an investor means realizing that your dreams have deadlines," says Fitz, 38.

Fitz now sees investing as a way to fulfill his dreams faster, not having to wait until retirement. His advice to other investors is not to invest simply to grow money. "Have specific and measurable goals. This will be the key to determining where you should invest and knowing how much wealth you should secure for yourself."

Tubbataha Reefs Natural Park
UNESCO World Heritage Site



Mayon Volcano

CORPORATE SOCIAL RESPONSIBILITY



COL has been a pioneer in advocating financial literacy and providing investor education. 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.

In October 2014, COL conducted free seminars on finance and stock market investing as well as road shows in Taiwan, in partnership with I-Remit, Inc. More than 1,000 overseas Filipino workers attended these events.

Recognizing the role of higher education institutions in spreading its advocacy, COL is initiating tie-ups with academic institutions. COL has sealed a partnership with the University of the Philippines' (UP) Junior Finance Association for the group's INVST program. The yearlong partnership included a donation to renovate the Tambayan Center in the UP Diliman campus.



OUTREACH ACTIVITIES

COL has a two-year sponsorship and participation agreement with the Save the La Mesa Watershed Project of ABS-CBN Foundation, which began in 2013. Company executives and employees

visited the La Mesa Watershed in Quezon City, participating in an environmental awareness lecture as well as educational activities and demonstrations.



OUTREACH ACTIVITIES

On Sept 20, 2014, the COL Private Clients Group invited customers and their families for an exclusive performance of Repertory Philippines' "Pinocchio". Special guests

for the event were orphans from Virланie Foundation, Tahanan ng Pagmamahal Children Homes, Inc., and Quality Life Discoveries.

Tubbataha Reefs Natural Park
UNESCO World Heritage Site



Mayon Volcano

FINANCIAL STATEMENTS



**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, 2014 and 2013, 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.

A handwritten signature in black ink, appearing to read 'E. Lee'.

Edward K. Lee
Chairman of the Board

A handwritten signature in black ink, appearing to read 'Conrado F. Bate'.

Conrado F. Bate
President and Chief Executive Officer

A handwritten signature in black ink, appearing to read 'Catherine L. Ong'.

Catherine L. Ong
Senior Vice President and Chief Financial Officer

Signed this 4th day of March 2015.



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 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

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. (formerly Citiseconline.com, Inc.) and Subsidiary, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, 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, 2014, 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, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.


Eleanore A. Layug

Partner

CPA Certificate No. 0100794

SEC Accreditation No. 1250-A (Group A),

August 9, 2012, valid until August 8, 2015

Tax Identification No. 163-069-453

BIR Accreditation No. 08-001998-97-2015,

January 5, 2015, valid until January 4, 2018

PTR No. 4751289, January 5, 2015, Makati City

March 4, 2015



COL FINANCIAL GROUP, INC. AND SUBSIDIARY
(Formerly CitisecOnline.com, Inc. and Subsidiary)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31					
	2014			2013		
	Money Balance	Security Valuation		Money Balance	Security Valuation	
		Long	Short		Long	Short
ASSETS						
Current Assets						
Cash and cash equivalents (Note 4)	P4,640,187,892			P3,203,489,204		
Cash in a segregated account (Note 5)	154,129,025			112,593,425		
Financial assets at fair value through profit or loss (FVPL; Note 6)	9,375,564	P9,375,564		7,210,678	P7,210,678	
Trade receivables (Note 7)	1,438,423,878	6,792,074,324		1,351,853,823	5,277,924,865	
Other receivables (Note 7)	12,130,063			6,790,722		
Prepayments	2,267,080			2,166,739		
Total Current Assets	6,256,513,502			4,684,104,591		
Noncurrent Assets						
Property and equipment (Note 8)	35,825,494			39,066,499		
Intangibles (Note 9)	23,338,991			23,269,449		
Deferred income tax assets - net (Note 17)	37,145,366			53,303,732		
Other noncurrent assets (Note 10)	8,581,369			8,048,137		
Total Noncurrent Assets	104,891,220			123,687,817		
TOTAL ASSETS	P6,361,404,722			P4,807,792,408		
Securities in box, in Philippine Depository and Trust Corporation and Hong Kong Securities Clearing Company, Limited			P55,408,644,059			P47,265,033,481

(Forward)



	December 31					
	2014			2013		
	Money Balance	Security Valuation		Money Balance	Security Valuation	
		Long	Short		Long	Short
LIABILITIES AND EQUITY						
Current Liabilities						
Trade payables (Note 11)	P4,940,928,346	P48,607,194,171		P3,398,766,516	P41,979,897,938	
Other current liabilities (Note 12)	71,836,693			64,581,008		
Fringe benefit tax payable	30,437,647			—		
Income tax payable	13,556,314			13,804,483		
Total Current Liabilities	5,056,759,000			3,477,152,007		
Noncurrent Liability						
Retirement obligation (Note 16)	28,192,690			27,620,893		
Total Liabilities	5,084,951,690			3,504,772,900		
Equity (Notes 13 and 16)						
Capital stock	474,550,000			468,650,000		
Capital in excess of par value	53,219,024			47,499,024		
Cost of share-based payment (Note 16)	5,499,602			29,767,551		
Accumulated translation adjustment	(21,814,947)			(22,976,500)		
Loss on remeasurement of retirement obligation	(4,400,783)			(8,243,643)		
Retained earnings:						
Appropriated	140,028,578			107,520,383		
Unappropriated	629,371,558			680,802,693		
Total Equity	1,276,453,032			1,303,019,508		
TOTAL LIABILITIES AND EQUITY	P6,361,404,722	P55,408,644,059	P55,408,644,059	P4,807,792,408	P47,265,033,481	P47,265,033,481

See accompanying Notes to Consolidated Financial Statements.



COL FINANCIAL GROUP, INC. AND SUBSIDIARY
(Formerly Citiseconline.com, Inc. and Subsidiary)
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2014	2013	2012
REVENUES			
Commissions (Note 18)	P503,390,041	P540,521,647	P463,303,501
Others:			
Interest income (Note 14)	203,130,223	198,655,269	184,089,165
Gain on financial assets at FVPL - net (Note 6)	2,379,294	—	1,766,368
Unrealized gain on financial assets at FVPL - net	1,028,340	—	—
Foreign exchange gains - net	35,152	31,466	—
Others	1,587,660	1,752,223	1,733,913
	711,550,710	740,960,605	650,892,947
COST OF SERVICES			
Commission expense (Note 18)	85,323,813	111,551,863	88,863,586
Personnel costs - operations (Note 15)	63,239,706	65,446,518	57,256,553
Stock exchange dues and fees	12,010,298	12,331,228	10,875,141
Central depository fees	7,702,432	8,257,728	5,613,808
Research	1,513,288	975,429	923,224
Others:			
Communications	23,913,982	23,936,890	22,521,749
Others (Note 8)	184,511	1,184,374	2,098,615
	193,888,030	223,684,030	188,152,676
GROSS PROFIT	517,662,680	517,276,575	462,740,271
OPERATING EXPENSES			
Administrative expenses:			
Fringe benefit tax	30,437,647	—	—
Personnel costs (Note 15)	30,216,124	26,834,553	29,782,288
Professional fees (Note 18)	23,495,950	19,687,554	22,758,613
Management bonus	13,586,282	16,715,797	13,021,051
Rentals (Note 19)	11,597,494	10,820,260	10,024,186
Advertising and marketing	9,748,647	10,050,888	4,846,634
Taxes and licenses	4,910,260	4,059,154	3,910,937
Power, light and water	4,134,836	3,578,703	3,746,936
Security and messengerial services	3,870,683	3,597,811	2,465,215
Bank charges	3,585,008	3,527,755	1,757,155
Representation and entertainment	3,359,742	2,305,722	1,306,496
Office supplies	2,880,838	2,615,328	2,039,090
Insurance and bonds	2,500,221	2,374,103	2,198,516
Condominium dues and utilities	1,864,854	1,754,120	1,755,246
Repairs and maintenance	1,815,976	1,092,623	883,137
Stock option expense (Notes 16 and 18)	1,430,000	572,000	1,742,000
Trainings, seminars and meetings	1,253,369	557,316	1,717,408
Transportation and travel	1,093,392	1,676,007	710,934
Donations and contributions	1,000,000	—	—
Membership fees and dues	991,889	936,294	878,018
Directors' fees	740,000	740,000	690,000
Communications	698,485	673,441	658,124
Others	3,352,877	1,074,436	971,488
	158,564,574	115,243,865	107,863,472
Depreciation and amortization (Note 8)	15,046,813	14,534,422	14,259,874
Interest expense (Note 16)	1,574,391	1,433,064	919,511
Provision for credit losses (Note 7)	1,184,279	—	—
Miscellaneous expense	308,561	82,312	82,781
	176,678,618	131,293,663	123,125,638
INCOME BEFORE INCOME TAX	340,984,062	385,982,912	339,614,633
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 17)			
Current	84,630,826	88,160,210	37,260,181
Deferred	(5,913,824)	(5,767,191)	(3,822,538)
	78,717,002	82,393,019	33,437,643
NET INCOME	P262,267,060	P303,589,893	P306,176,990

See accompanying Notes to Consolidated Financial Statements.



COL FINANCIAL GROUP, INC. AND SUBSIDIARY
(Formerly CitisecOnline.com, Inc. and Subsidiary)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2014	2013	2012
NET INCOME	P262,267,060	P303,589,893	P306,176,990
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 effect of P1,646,940 in 2014, P348,490 in 2013 and (P1,651,089) in 2012 (Note 16)	3,842,860	813,144	(3,852,542)
Item that may be reclassified subsequently to consolidated statements of income:			
Translation adjustments - net of tax effect of P497,808 in 2014, P9,972,387 in 2013 and (P8,673,367) in 2012	1,161,553	23,268,903	(20,237,857)
	5,004,413	24,082,047	(24,090,399)
TOTAL COMPREHENSIVE INCOME	P267,271,473	P327,671,940	P282,086,591
Earnings Per Share (Note 24)			
Basic	P0.56	P0.65	P0.66
Diluted	P0.55	P0.64	P0.64

See accompanying Notes to Consolidated Financial Statements.



COL FINANCIAL GROUP, INC. AND SUBSIDIARY
(Formerly Citiseconline.com, Inc. and Subsidiary)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013, and 2012

	Capital Stock	Capital In Excess of Par Value	Cost of Share-Based Payment	Accumulated Translation Adjustment	Loss on Remeasurement of Retirement Obligation	Retained Earnings		Total
						Appropriated	Unappropriated	
Balances at January 1, 2012	P458,550,000	P44,899,024	P63,541,685	(P26,007,546)	(P5,204,245)	P45,004,197	P709,031,496	1,289,814,611
Issuance of shares upon exercise of stock options (Note 16)	9,260,000	2,600,000	—	—	—	—	—	11,860,000
Cost of share-based payment (Note 16)	—	—	(30,278,027)	—	—	—	—	(30,278,027)
Declaration of cash dividend (Note 13)	—	—	—	—	—	—	(280,230,000)	(280,230,000)
Net income	—	—	—	—	—	—	306,176,990	306,176,990
Other comprehensive loss	—	—	—	(20,237,857)	(3,852,542)	—	—	(24,090,399)
Total comprehensive income (loss)	—	—	—	(20,237,857)	(3,852,542)	—	306,176,990	282,086,591
Appropriation of retained earnings (Note 13)	—	—	—	—	—	30,454,004	(30,454,004)	—
Balances at December 31, 2012	467,810,000	47,499,024	33,263,658	(46,245,403)	(9,056,787)	75,458,201	704,524,482	1,273,253,175
Issuance of shares upon exercise of stock options (Note 16)	840,000	—	—	—	—	—	—	840,000
Cost of share-based payment (Note 16)	—	—	(3,496,107)	—	—	—	—	(3,496,107)
Declaration of cash dividend (Note 13)	—	—	—	—	—	—	(295,249,500)	(295,249,500)
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)	—
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
Issuance of shares upon exercise of stock options (Note 16)	5,900,000	5,720,000	—	—	—	—	—	11,620,000
Cost of share-based payment (Note 16)	—	—	(24,267,949)	—	—	—	—	(24,267,949)
Declaration of cash dividend (Note 13)	—	—	—	—	—	—	(281,190,000)	(281,190,000)
Net income	—	—	—	—	—	—	262,267,060	262,267,060
Other comprehensive income	—	—	—	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)	—
Balances at December 31, 2014	P474,550,000	P53,219,024	P5,499,602	(P21,814,947)	(P4,400,783)	P140,028,578	P629,371,558	P1,276,453,032

See accompanying Notes to Consolidated Financial Statements.



COL FINANCIAL GROUP, INC. AND SUBSIDIARY
(Formerly CitisecOnline.com, Inc. and Subsidiary)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P340,984,062	P385,982,912	P339,614,633
Adjustments for:			
Interest income (Note 14)	(203,130,223)	(198,655,269)	(184,089,165)
Fringe benefit tax	30,437,647	—	—
Depreciation and amortization (Note 8)	15,231,324	15,718,796	16,358,489
Retirement costs under 'Personnel costs' (Notes 15 and 16)	4,487,206	4,235,529	3,168,564
Interest expense (Note 16)	1,574,391	1,433,064	919,511
Stock option expense (Notes 16 and 18)	1,430,000	572,000	1,742,000
Provision for credit losses (Note 7)	1,184,279	—	—
Unrealized loss (gain) on financial assets at FVPL	(1,109,791)	78,088	(276,187)
Loss (gain) on disposal of property and equipment (Note 8)	56,898	—	(4,448)
Dividend income (Note 6)	(29,651)	(156,803)	(28,589)
Operating income before working capital changes	191,116,142	209,208,317	177,404,808
Decrease (increase) in:			
Cash in a segregated account	(41,535,600)	(48,393,050)	113,980,196
Financial assets at FVPL	(1,029,159)	(4,347,712)	(1,139,651)
Trade receivables	(85,359,331)	154,821,033	(329,602,454)
Other receivables	356,005	185,905	38,974
Prepayments	(97,289)	322,273	(263,209)
Other noncurrent assets	(9,570,913)	(10,713,428)	(7,432,688)
Increase (decrease) in:			
Trade payables	1,541,543,509	510,883,058	743,606,378
Other current liabilities	6,996,831	(3,668,816)	(8,805,020)
Net cash generated from operations	1,602,420,195	808,297,580	687,787,334
Interest received	197,417,827	196,715,802	183,930,182
Income taxes paid	(75,832,613)	(74,015,616)	(15,293,190)
Dividends received	29,651	156,803	28,589
Net cash flows from operating activities	1,724,035,060	931,154,569	856,452,915
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment (Note 8)	(12,109,102)	(16,307,767)	(13,446,556)
Proceeds from disposal of property and equipment (Note 8)	62,730	—	256,045
Net cash flows used in investing activities	(12,046,372)	(16,307,767)	(13,190,511)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends declared and paid (Note 13)	(281,190,000)	(295,249,500)	(280,230,000)
Issuance of additional shares (Notes 13 and 16)	5,900,000	840,000	9,260,000
Net cash flows used in financing activities	(275,290,000)	(294,409,500)	(270,970,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,436,698,688	620,437,302	572,292,404
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,203,489,204	2,583,051,902	2,010,759,498
CASH AND CASH EQUIVALENTS AT END OF YEAR	P4,640,187,892	P3,203,489,204	P2,583,051,902

See accompanying Notes to Consolidated Financial Statements.



COL FINANCIAL GROUP, INC. AND SUBSIDIARY**(Formerly CitisecOnline.com, Inc. and Subsidiary)****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****1. Corporate Information**

COL Financial Group, Inc. (formerly CitisecOnline.com, Inc.; 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 (formerly CitisecOnline.com Hong Kong Limited; COLHK; 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 (see 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 the Philippine Securities and Exchange Commission to act as mutual fund distributor of various funds.

The accompanying consolidated financial statements of the Group as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 were authorized for issue by the BOD on March 4 2015.



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

Basis of Preparation

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

Statement of Compliance

The accompanying consolidated financial statements of the Group have been prepared in compliance with PFRS.

Basis of Consolidation

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

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

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

The Subsidiary is consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continues to be consolidated until the date that such control ceases. The financial statements of the Subsidiary are prepared for the same reporting year as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) and improvements to PFRS which were adopted as at January 1, 2014.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. The Group is presenting its financial assets and financial liabilities at gross amounts in the consolidated statement of financial position.



- *PAS 36, Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*
 These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units for which impairment loss has been recognized or reversed during the period. The application of the amendments has no impact on the disclosure in the Group's consolidated financial statements.
- *PAS 39, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*
 These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has no derivatives during the current or prior periods.
- *Investment Entities (Amendments to PFRS 10, Consolidated Financial Statements, PFRS 12, Disclosure of Interests in Other Entities, and PAS 27, Separate Financial Statements)*
 These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at FVPL. The amendments must be applied retrospectively, subject to certain transition relief. These amendments have no impact to the Group, since none of the entities within the Group qualifies to be an investment entity under PFRS 10.
- *Philippine Interpretation IFRIC 21, Levies (IFRIC 21)*
 IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group's consolidated financial statements.

Annual Improvements to PFRSs (2010-2012 cycle)

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

Annual Improvements to PFRSs (2011-2013 cycle)

In the 2011-2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards-First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Group as it is not a first-time PFRS adopter.



Standards and Interpretations Issued but not yet Effective

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

Effective Date to be Determined:

- **PFRS 9, Financial Instruments - *Classification and Measurement* (2010 version)**
PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at FVPL. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at FVPL. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

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

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

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

Effective January 1, 2015:

- **PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)**
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the



period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group, since the Parent company does not have a defined benefit contribution plan with contributions from employees and third parties while the subsidiary uses defined contribution plan.

Annual Improvements to PFRSs (2010-2012 cycle)

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

- *PFRS 2, Share-based Payment - Definition of Vesting Condition*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
 - a. A performance condition must contain a service condition.
 - b. A performance target must be met while the counterparty is rendering service.
 - c. A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group.
 - d. A performance condition may be a market or non-market condition.
 - e. If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.
- *PFRS 3, Business Combinations - Accounting for Contingent Consideration in a Business Combination*
The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PAS 39 (or PFRS 9 if early adopted). The Group shall consider this amendment for future business combinations.
- *PFRS 8, Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments are applied retrospectively and clarify that:
 - a. An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
 - b. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.



- *PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.
- *PAS 24, Related Party Disclosures - Key Management Personnel*
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011-2013 cycle)

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

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

Effective January 1, 2016:

- *PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Group does not expect that these amendments will have material impact in the Group's future consolidated financial statements.



- *PAS 16, Property, Plant and Equipment, and PAS 41, Agriculture - Bearer Plants (Amendments)*
 The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.
- *PAS 27, Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments)*
 The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.
- *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*
 These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016. These amendments will not have any impact on the Group's consolidated financial statements.
- *PFRS 11, Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (Amendments)*
 The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group's consolidated financial statements.



- *PFRS 14, Regulatory Deferral Accounts*
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRSs (2012-2014 cycle)

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have material impact on the Group. They include:

- *PFRS 5, Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- *PFRS 7, Financial Instruments: Disclosures - Servicing Contracts*
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.
- *PFRS 7, Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.
- *PAS 19, Employee Benefits - Regional Market Issue Regarding Discount Rate*
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.



- *PAS 34, Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018:

- *PFRS 9, Financial Instruments - Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)*
PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting. PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA. The adoption of PFRS 9 is not expected to have any significant impact on the Group's consolidated financial statements.
- *PFRS 9, Financial Instruments (2014 or final version)*
In July 2014, the final version of PFRS 9 was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, 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 comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015. The adoption of the final version of PFRS 9, however, is still for approval by BOA. The adoption of PFRS 9 is not expected to have any significant impact on the Group's consolidated financial statements.

The following new standard issued by the IASB has not yet been adopted by the FRSC.

- *International Financial Reporting Standards (IFRS) 15, Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 and 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 goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted.



The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

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

Summary of Significant Accounting Policies

Foreign Currency Translation

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

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

Cash and Cash Equivalents

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

Cash in a Segregated Account

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

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of Recognition

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

Initial Recognition and Classification of Financial Instruments

All financial assets, including trading and investment securities and loans and receivables, are initially measured at fair value. Except for securities valued at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, 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 are of the nature of financial assets at FVPL, and loans and receivables. As at December 31, 2014 and 2013, the Group has no HTM investments and AFS financial assets.



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

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

Financial Assets and Financial Liabilities at FVPL

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

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

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

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

As at December 31, 2014 and 2013, the Group has no financial assets and financial liabilities that have been designated as at FVPL. As at December 31, 2014 and 2013, 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 and other receivables' and refundable deposits under 'Other noncurrent assets', which arise primarily from service revenues and other types of receivables.



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

Other Financial Liabilities

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

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

Fair Value Measurement

The Group measures financial instruments, such as, financial assets at FVPL at fair value at each end of the reporting period. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 22.

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

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

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

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



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

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

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

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

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

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

Trade Receivables and Payables

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

Derecognition of Financial Instruments

Financial Assets

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

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



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

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

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

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

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

Financial Liabilities

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

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

Impairment of Financial Assets

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

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



Assets Carried at Amortized Cost

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

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

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

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

Offsetting of Financial Instruments

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

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

Input Value-added Taxes (VAT)

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

Input VAT is stated at its estimated net realizable values.



Prepayments and Other Noncurrent Assets

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

Property and Equipment

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

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

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

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

Category	Number of Years
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.



Intangibles

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

Impairment of Non-financial Assets

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

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

Leases

Determination of Whether an Arrangement Contains a Lease

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

- (a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- (c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- (d) There is a substantial change to the asset.

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



Group as a Lessee

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

Provisions

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

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

Capital Stock and Capital in Excess of Par Value

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

Where the Group purchases the Parent Company's capital stock (treasury shares), the consideration paid, including any directly attributable incremental costs (net of applicable taxes) is deducted from equity attributable to the Parent Company's stockholders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity.

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

Retained Earnings

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

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



Revenue Recognition

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

Commissions

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

Interest

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

Dividend

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

Other Income

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

Cost and Expenses

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

Share-Based Payment Transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, vesting conditions, including performance conditions, other than market conditions (conditions linked to share prices), shall not be taken into account when estimating the fair value of the shares or share options at the measurement date. Instead, vesting conditions are taken into account in estimating the number of equity instruments that will vest. The fair value is determined using an appropriate pricing model, further details of which are given in Note 16 to the notes to consolidated financial statements.

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



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

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

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

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

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

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

Retirement Costs

The Parent Company has a noncontributory defined benefit retirement plan.

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

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

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service 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 'Loss on remeasurement of retirement obligation' under equity.

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

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

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

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

EPS

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

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

Outstanding stock options will have a dilutive effect under the treasury stock method only when the average market price of the underlying common share during the period exceeds the exercise price of the option. Where the effect of the exercise of all outstanding options has anti-dilutive effect, basic and diluted EPS are stated at the same amount.



Income Taxes*Current Income Tax*

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

Deferred Income Tax

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

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

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

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

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

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

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

Contingencies

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



Segment Reporting

The Group's operating businesses are organized and managed separately according to the geographical location of its operations, with each segment representing a unit that offers stockbrokerage services and serves different markets. Financial information on geographical segments is presented in Note 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 Philippine peso and HK\$, respectively. The Philippine peso 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.

Assessment on 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. As at December 31, 2014 and 2013, the Group has financial assets at FVPL amounting to P9,375,564 and P7,210,678, respectively (see 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 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, 2014 and 2013, the allowance for credit losses on trade receivables amounted to P3,410,234 and P2,225,955, respectively. As at December 31, 2014 and 2013, the carrying amounts of trade receivables amounted to P1,438,423,878 and P1,351,853,823, respectively (see Note 7).

As at December 31, 2014 and 2013, the allowance for credit losses on other receivables amounted to P8,960,245. As at December 31, 2014 and 2013, the carrying amounts of other receivables amounted to P12,130,063 and P6,790,722, respectively (see Note 7).

Estimating Useful Lives of Property and Equipment

The Group estimates the useful lives of its property and equipment based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in the Group's estimates brought about by changes in the factors mentioned. There are no changes in useful lives as at December 31, 2014 and 2013. Depreciation and amortization amounted to P15,231,324 and P15,718,796 in 2014 and 2013, respectively. As at December 31, 2014 and 2013, the net book values of property and equipment amounted to P35,825,494 and P39,066,499, respectively (see 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, 2014 and 2013.

No impairment loss was recognized in 2014 and 2013 for prepayments, property and equipment and other noncurrent assets.

As at December 31, 2014 and 2013, the Group has no allowance for impairment losses on prepayments and property and equipment. The carrying amounts of prepayments amounted to P2,267,080 and P2,166,739 as at December 31, 2014 and 2013, respectively. The net book values of property and equipment amounted to P35,825,494 and P39,066,499 as at December 31, 2014 and 2013, respectively (see Note 8). As at December 31, 2014 and 2013, allowance for impairment losses on other noncurrent assets amounted to P13,724,200. The net book values of other noncurrent assets (excluding refundable deposits) amounted to P3,300,367 and P3,127,760 as at December 31, 2014 and 2013, respectively (see Note 10).

Determining Useful Lives and Impairment of the Intangibles

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

The management's impairment test for the Parent Company's exchange trading right is based on the available market value while COLHK's exchange trading right is based on 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, 2014 and 2013, the carrying values of intangibles amounted to P23,338,991 and P23,269,449, respectively (see 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 Group has deferred income tax assets amounting to P37,473,878 and P53,375,182 as at December 31, 2014 and 2013, respectively (see 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 (see 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.

As at December 31, 2014 and 2013, cost of share-based payment in equity amounted to P5,499,602 and P29,767,551, respectively (see 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. As at December 31, 2014 and 2013, the retirement obligation of the Parent Company amounted to P28,192,690 and P27,620,893, respectively. Retirement costs amounted to P6,061,597 and P5,668,593 in 2014 and 2013, respectively.

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

PFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of accounting judgment and estimates. While significant components of fair value measurement are determined using verifiable objective evidence (e.g., foreign exchange rates, interest rates and volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and liabilities would directly affect the consolidated statement of income and the consolidated statement of changes in equity (see Note 22).

4. Cash and Cash Equivalents

	2014	2013
Cash on hand and in banks	P576,094,610	P1,427,104,041
Short-term cash investments	4,064,093,282	1,776,385,163
	P4,640,187,892	P3,203,489,204

Cash in banks earn interest at the respective bank deposit rates. Short-term cash investments are made for varying periods of up to three (3) months depending on the Group's immediate cash requirements, and earn interest at 0.69% to 3.00% per annum in 2014 and 1.07% to 2.38% per annum in 2013. Interest income of the Group from cash in banks amounted to P49,024,733, P41,859,254 and 60,342,514 in 2014, 2013 and 2012, respectively (see Note 14). The Parent Company has United States dollar (US\$)-denominated cash in banks amounting to US\$82,822 and US\$4,792 as at December 31, 2014 and 2013, respectively (see Note 21).

In compliance with SRC Rule 49.2 covering customer protection and custody of securities, the Parent Company maintains special reserve bank accounts for its customers amounting to P4,252,919,947 and P2,800,523,622 as at December 31, 2014 and 2013, respectively. The Parent Company's reserve requirement is determined based on the SEC's prescribed computations. As at December 31, 2014 and 2013, the Parent Company's reserve accounts are adequate to cover its reserve requirements.

5. Cash in a Segregated Account

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

As at December 31, 2014 and 2013, cash in a segregated account for COLHK amounted to P154,129,025 and P112,593,425, 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 and major US Stock Exchanges. Net gain (loss) recognized from fair value changes of these financial instruments amounted to P2,379,294, (P82,312) and P1,766,368 in 2014, 2013 and 2012, respectively. Dividend income included under other revenues amounted to P29,651, P156,803 and P28,589 in 2014, 2013 and 2012 respectively.

Financial assets at FVPL as at December 31, 2014 and 2013 amounted to P9,375,564 and P7,210,678, respectively.

7. Trade and Other Receivables

	2014	2013
Trade receivables:		
Customers	P1,413,525,241	P1,229,452,643
Clearing house	13,076,269	123,005,869
Subscription receivables	168,552	–
Other brokers	15,064,050	1,621,266
	1,441,834,112	1,354,079,778
Less allowance for credit losses on receivables from customers	3,410,234	2,225,955
	P1,438,423,878	P1,351,853,823
Other receivables:		
Accrued interest	P9,050,681	P3,338,285
Advances to officers and employees	280,583	–
Others	11,759,044	12,412,682
	21,090,308	15,750,967
Less allowance for credit losses on other receivables	8,960,245	8,960,245
	P12,130,063	P6,790,722

The Parent Company has a credit line facility (involving margin accounts) for qualified customers with the outstanding balance subject to an interest rate ranging from 1.00% to 1.50% per month. Total credit line offered by the Parent Company amounted to P5,296,333,000 and P5,376,475,000 as at December 31, 2014 and 2013, respectively. Interest income from customers amounted to P154,105,490, P156,796,015 and P123,746,651 in 2014, 2013 and 2012, respectively (see Note 14).



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

	2014		2013	
	Money Balance	Security Valuation-Long	Money Balance	Security Valuation-Long
Cash and fully secured accounts:				
More than 250%	P446,753,436	P5,207,812,487	P517,088,328	P3,981,294,253
Between 200% and 250%	149,439,902	344,207,209	169,609,557	394,350,385
Between 150% and 200%	443,316,145	834,475,645	426,526,656	805,012,268
Between 100% to 150%	313,503,049	351,951,335	58,594,993	66,008,079
Less than 100%	60,510,622	53,627,648	37,922,882	31,259,880
Unsecured accounts	2,087	—	19,710,227	—
	1,413,525,241	6,792,074,324	1,229,452,643	5,277,924,865
Less allowance for credit losses on trade receivables from customers	3,410,234	—	2,225,955	—
	P1,410,115,007	P6,792,074,324	P1,227,226,688	P5,277,924,865

Trade receivables from margin customers have no specific credit terms but customers are required to maintain the value of their collateral within a specific level. Once the value of the collateral falls down this level, customers may either deposit additional collateral or sell stock to cover their account balance. Meanwhile, receivables from post-paid customers are required to be settled on two (2) trading days' term for COLHK and three (3) trading days' term for the Parent Company. The receivable balances become demandable upon failure of the customer to duly comply with these requirements. As at December 31, 2014 and 2013, P1,353,012,532 and P1,171,819,534, respectively, of the total trade receivables from customers are fully covered by collateral.

Trade receivables from clearing house as at December 31, 2014 and 2013, were fully collected subsequently in January 2015 and 2014, respectively. These are noninterest-bearing and are collected on two (2) trading days' term and three (3) trading days' term following the settlement convention of HK and Philippines clearing houses, respectively.

Other receivables as at December 31, 2014 and 2013 include the amount of P8,960,245 representing additional corporate income tax paid under protest by the Parent Company for the taxable year 2009. For the first, second and third quarters of the taxable year 2009, the Parent Company used the itemized method of deduction in determining its income tax payable for the same period. In its final adjusted income tax return, it opted to use the forty percent (40%) optional standard deduction (OSD) to determine the final income tax payable for 2009, pursuant to Republic Act 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 P8,960,245. However, the BIR elevated the case to the Supreme Court. Pending the outcome of the case, a 100% allowance for impairment loss was set up.

Other receivables as at December 31, 2014 and 2013 also include COLHK's provisional tax profits paid amounting to P482,689 and P2,406,950, respectively.

Movements in the allowance for credit losses follow:

	2014			2013		
	Customers	Others	Total	Customers	Others	Total
Balances at beginning of year	P2,225,955	P8,960,245	P11,186,200	P3,504,898	P8,960,245	P12,465,143
Provision	1,184,279	—	1,184,279	—	—	—
Recovery	—	—	—	(1,278,943)	—	(1,278,943)
Balances at end of year	P3,410,234	P8,960,245	P12,370,479	P2,225,955	P8,960,245	P11,186,200

Recovery of allowance for credit losses is included under other revenues.

8. Property and Equipment

2014

	Online Trading Equipment and Facilities	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost:				
At beginning of year	P81,789,836	P25,718,206	P26,059,499	P133,567,541
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 values	P27,758,721	P4,364,272	P3,702,501	P35,825,494

2013

	Online Trading Equipment and Facilities	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost:				
At beginning of year	P66,575,931	P23,508,223	P26,000,432	P116,084,586
Additions	14,693,722	1,614,045	—	16,307,767
Translation adjustments	520,183	595,938	59,067	1,175,188
At end of year	81,789,836	25,718,206	26,059,499	133,567,541
Accumulated depreciation and amortization:				
At beginning of year	43,056,489	16,450,564	18,180,332	77,687,385
Depreciation and amortization	10,753,894	2,710,007	2,254,895	15,718,796
Translation adjustments	447,354	588,440	59,067	1,094,861
At end of year	54,257,737	19,749,011	20,494,294	94,501,042
Net book values	P27,532,099	P5,969,195	P5,565,205	P39,066,499



The depreciation and amortization were distributed as follows:

	2014	2013	2012
Cost of services	P184,511	P1,184,374	P2,098,615
Operating expenses	15,046,813	14,534,422	14,259,874
	P15,231,324	P15,718,796	P16,358,489

9. Intangibles

Philippine Operations

On August 15, 2006, the Parent Company purchased the Trading Right of Mark Securities Corporation amounting to P5,000,000. 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, 2014 and 2013, the market value of the said exchange trading right amounted to P8,500,000.

Hong Kong Operations

COLHK's exchange trading right is carried at its cost of HK\$3,190,000. The carrying value of the exchange trading right is reviewed annually to ensure that this does not exceed the recoverable amount, whether or not an indicator of impairment is present. The 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, 2014 and 2013, the carrying value of COLHK exchange trading right in Philippine peso amounted to P18,338,991 and P18,269,449, 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 ranging from 8.38% to 11.50%. Management believes that any reasonably possible change in the key assumptions on which the exchange trading rights' recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

Movements in exchange trading rights follow:

	2014	2013
At beginning of year	P23,269,449	P21,952,936
Translation adjustment	69,542	1,316,513
At end of year	P23,338,991	P23,269,449



10. Other Noncurrent Assets

	2014	2013
Deposit to CTGF	P13,724,200	P13,724,200
Refundable deposits:		
Rental deposits	2,621,174	2,515,674
Other refundable deposits	2,659,828	2,404,703
	5,281,002	4,920,377
Input VAT	3,300,367	3,127,760
	22,305,569	21,772,337
Less allowance for impairment losses on other noncurrent assets	13,724,200	13,724,200
	P8,581,369	P8,048,137

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 P8,200,000 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 P5,524,200 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 nonrefundability still applies. In view of this, the Parent Company provided an allowance for impairment losses on other noncurrent assets amounting to P13,724,200 as at December 31, 2014 and 2013.

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

	2014	2013
Customers	P4,866,109,620	P3,348,307,648
Clearing house	74,818,726	50,428,911
Dividends	—	29,957
	P4,940,928,346	P3,398,766,516



	2014		2013	
	Money Balance	Security Valuation-Long	Money Balance	Security Valuation-Long
Payable to customers:				
With money balances	P4,866,109,620	P47,028,983,013	P3,348,307,648	P41,232,886,586
No money balances	–	1,578,211,158	–	747,011,352
	P4,866,109,620	P48,607,194,171	P3,348,307,648	P41,979,897,938

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

Payable to customers with money balances amounting to P155,997,727 and P122,070,046 as at December 31, 2014 and 2013, respectively, were payable to COLHK's clients in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. These balances are payable on demand (see Note 5).

Trade payables to clearing house as at December 31, 2014 and 2013 were fully paid subsequently in January 2015 and 2014, respectively. These are noninterest-bearing and are settled on two (2) trading days' term and three (3) trading days' term following the settlement convention of HK and Philippines clearing houses, respectively.

12. Other Current Liabilities

	2014	2013
Accrued expenses	P30,179,314	P27,278,682
Due to BIR	21,506,162	18,916,897
Accrued management bonus	17,342,782	16,444,884
Trading fees	2,499,072	1,671,277
Others	309,363	269,268
	P71,836,693	P64,581,008

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

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

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

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



13. Equity

Capital Stock

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

	2014		2013		2012	
	Shares	Amount	Shares	Amount	Shares	Amount
Common stock - P1 per share						
Authorized	1,000,000	P1,000,000	1,000,000	P1,000,000	1,000,000	P1,000,000
Issued and Outstanding						
Balances at beginning of year	468,650	468,650	467,810	467,810	458,550	458,550
Issuance of common shares upon exercise of stock options (see Note 16)	5,900	5,900	840	840	9,260	9,260
Balances at end of year	474,550	P474,550	468,650	P468,650	467,810	P467,810

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.

In 2012, an appropriation of P30,454,004 was made based on the 2011 previously stated net income of the Parent Company of P304,540,045. In 2013, an appropriation of P32,062,182 was made based on the 2012 previously stated net income of the Parent Company of P320,621,815. In 2014, an appropriation of P32,508,195 was made based on the 2013 audited net income of the Parent Company of P325,081,947. Total unappropriated retained earnings amounted to P629,371,558 and P680,802,693 as at December 31, 2014 and 2013, respectively (see Note 20).

On February 7, 2012, COLHK's BOD declared a scrip dividend of HK\$5,000,000 (78,000,000 shares multiplied by HK\$0.064 scrip dividend per share) to stockholders as of record date of February 7, 2012.

On March 30, 2012, the BOD declared a regular and a special dividend amounting to P0.12 per share held or P56,046,000 (467,050,000 shares multiplied by P0.12 cash dividend per share) and P0.48 per share held or P224,184,000 (467,050,000 shares multiplied by P0.48 cash dividend per share), respectively, to stockholders as of record date of April 18, 2012. These dividends were paid on May 14, 2012.

On March 19, 2013, the BOD declared a regular and a special dividend amounting to P0.12 per share held or P56,238,000 (468,650,000 shares multiplied by P0.12 cash dividend per share) and P0.51 per share held or P239,011,500 (468,650,000 shares multiplied by P0.51 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 P0.12 per share held or P56,238,000 (468,650,000 shares multiplied by P0.12 cash dividend per share) and P0.48 per share held or P224,952,000 (468,650,000 shares multiplied by P0.48 cash dividend per share), respectively, to stockholders as of record date of April 14, 2014. These dividends were paid on April 15, 2014.



14. Interest Income

	2014	2013	2012
Customers (see Note 7)	P154,105,490	P156,796,015	P123,746,651
Banks - net of final tax (see Note 4)	49,024,733	41,859,254	60,342,514
	P203,130,223	P198,655,269	P184,089,165

15. Personnel Costs

	2014	2013	2012
Salaries and wages	P82,432,482	P82,448,387	P78,387,838
Retirement costs (see Note 16)	4,487,206	4,235,529	3,168,564
Other benefits	6,536,142	5,597,155	5,482,439
	P93,455,830	P92,281,071	P87,038,841

The above accounts were distributed as follows:

	2014	2013	2012
Cost of services	P63,239,706	P65,446,518	P57,256,553
Operating expenses	30,216,124	26,834,553	29,782,288
	P93,455,830	P92,281,071	P87,038,841

16. Employee Benefits

Stock 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 P1.00 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 2014, 2013 and 2012.

There have been no cancellations or modifications to the plan in 2014, 2013 and 2012.

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

1st Tranche

	2014	2013	2012
Outstanding at beginning of year	1,850,000	2,690,000	9,450,000
Exercised during the year (see Note 13)	(400,000)	(840,000)	(6,760,000)
Outstanding at end of year	1,450,000	1,850,000	2,690,000

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



2nd Tranche

	2014	2013	2012
Outstanding at beginning of year	5,500,000	5,500,000	8,000,000
Exercised during the year (see Note 13)	(5,500,000)	—	(2,500,000)
Outstanding at end of year	—	5,500,000	5,500,000

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

All options have a contractual term of ten (10) years. The weighted average remaining contractual life of options outstanding is 2.5 years, 3.5 years and 4.5 years as at December 31, 2014, 2013 and 2012, respectively.

The fair value of each option is estimated on the date of grant using the Black-Scholes Merton option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of options granted on July 12, 2000 and July 3, 2006 amounted to P0.89 per share and P1.04 per share, respectively.

The assumptions used to determine the fair value of the 27,250,000 stock options granted on July 12, 2000 were (1) share price of P1.07 obtained through the use of the Discounted Cash Flow model since the stock was not quoted at the time; (2) exercise price of P1.00; (3) expected volatility of 44.00%; (4) option life of ten (10) years; and (5) risk-free interest rate of 15.61%.

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 P1.36 as the latest valuation of stock price at the time of the initial public offering; (2) exercise price of P1.00; (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:

	2014	2013	2012
Balances at beginning of year	P29,767,551	P33,263,658	P63,541,685
Movement on deferred income tax asset on intrinsic value of outstanding options	(19,977,949)	(4,068,107)	(29,420,027)
Cost of share-based payment recognized as capital in excess of par value	(5,720,000)	—	(2,600,000)
Stock option expense (see Note 18)	1,430,000	572,000	1,742,000
Movements during the year	(24,267,949)	(3,496,107)	(30,278,027)
Balances at end of year	P5,499,602	P29,767,551	P33,263,658

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, 2014, 2013 and 2012.



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.

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:

	2014	2013	2012
Current service cost (see Note 15)	P4,487,206	P4,235,529	P3,168,564
Net interest expense	1,574,391	1,433,064	919,511
	P6,061,597	P5,668,593	P4,088,075

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:

	2014	2013
Retirement obligation at beginning of year	P27,620,893	P23,113,934
Retirement costs	6,061,597	5,668,593
Net actuarial gains	(5,489,800)	(1,161,634)
	P28,192,690	P27,620,893

Retirement obligation:

	2014	2013
Present value (PV) of defined benefit obligation	P34,875,040	P34,399,721
Fair value of plan assets	(6,682,350)	(6,778,828)
	P28,192,690	P27,620,893

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

	2014	2013
Opening PV of defined benefit obligation	P34,399,721	P29,526,269
Current service cost	4,487,206	4,235,529
Interest cost	1,960,784	1,830,629
Remeasurement losses (gains) on:		
Financial assumptions	(3,146,102)	1,970,727
Experience adjustments	(2,564,444)	(3,166,302)
Demographic assumptions	—	77,119
Benefits paid	(262,125)	(74,250)
	P34,875,040	P34,399,721



Changes in the fair value of plan assets follow:

	2014	2013
Balances at beginning of year	P6,778,828	P6,412,335
Expected interest income	386,393	397,565
Benefits paid	(262,125)	(74,250)
Remeasurement gain (loss) on plan assets	(220,746)	43,178
	P6,682,350	P6,778,828

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

	2014	2013
Short-term cash investments	99.97%	99.96%
Cash in bank	0.03%	0.04%
	100.00%	100.00%

The plan assets is exposed to concentration risk since 99.97% of its plan assets is investment in common trust funds. The maximum exposure is equal to the carrying value of the investment in common trust funds.

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

	2014	2013
Discount rate	5.70%	6.80%
Future salary increases	5.00%	7.00%
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, 2014 and 2013 assuming all other assumptions were held constant.

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



2013

	Increase (decrease) in significant assumptions	Increase (decrease) in defined benefit obligation
Discount rates	+0.50%	(P2,002,299)
	-0.50%	2,205,131
Future salary increases	+0.50%	2,014,923
	-0.50%	(1,854,558)
Mortality rate	+1 year	(87,480)
	-1 year	80,067

Amounts for the current and previous four (4) years are as follows:

	2014	2013	2012	2011	2010
PV of defined benefit obligation	P34,875,040	P34,399,721	P29,526,269	P20,236,661	P14,368,751
Fair value of plan assets	(6,682,350)	(6,778,828)	(6,412,335)	(6,714,435)	(6,538,937)
Unfunded status	P28,192,690	P27,620,893	P23,113,934	P13,522,226	P7,829,814
Experience adjustments on plan liabilities	(P2,564,444)	(P3,166,302)	P3,361,009	P170,425	P2,501,782
Change in financial assumptions on plan liabilities	(3,146,102)	1,970,727	2,018,442	2,536,603	1,611,469
Change in demographic assumptions on plan liabilities	—	77,119	—	—	—
Actual return on plan assets	165,647	440,743	332,400	490,498	353,068

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 99.97% short-term cash investments and 0.03% cash in regular savings account as at December 31, 2014.

The Parent Company has no funding policies. As at March 4, 2015, the Parent Company has not yet reasonably determined the amount of the 2015 contributions to the retirement plan.



Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2014 and 2013:

	2014	2013
Zero (0) to five (5) years	P11,001,133	P10,972,870
Six (6) to ten (10) years	23,079,703	27,497,231
	P34,080,836	P38,470,101

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 retirement costs under 'Personnel costs' amounted to P315,341, P277,402 and P261,788 in 2014, 2013 and 2012, respectively.

17. Income Taxes

The Group's current provision for income tax represents the regular corporate income tax in 2014 and 2013.

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

	2014	2013
Accumulated translation adjustment	P9,349,262	P9,847,071
Retirement obligation	8,808,141	8,721,405
Cost of share-based payment	5,499,602	25,477,551
Allowance for credit losses on trade receivables from customers	1,023,070	667,786
Unrealized loss (gain) in the valuation of FVPL	(309,511)	23,426
Unrealized foreign exchange loss (gains)	7,869	(689)
Stock option expense	—	1,287,000
Others	12,766,933	7,280,182
	P37,145,366	P53,303,732

Realization of the future tax benefits related to the net deferred income tax assets is dependent on many factors, including the Group's ability to generate taxable income, within the carryover period.

Others pertain to deferred income tax asset recognized on the net loss position of COLHK.

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, 2014 and 2013, for which no deferred income tax asset was recognized since management believes that it is probable that these temporary difference will not be realized in the future (see 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:

	2014	2013	2012
Income tax at statutory income tax rate	P102,295,219	P115,794,874	P101,884,390
Additions to (reductions in) income tax resulting from:			
40% OSD	(7,197,986)	(22,442,235)	—
Interest income subjected to final tax	(14,707,049)	(12,577,776)	(18,102,754)
Loss (income) of COLHK subject to income tax	9,911,299	7,679,068	1,830,527
Exercise of stock option	(5,821,200)	—	(53,310,000)
Provision for (benefit from) income tax of COLHK	(5,436,244)	(4,340,710)	3,195,537
Non-taxable income	(8,736)	(111)	(2,029)
Others	(318,301)	(1,720,091)	(2,058,028)
Provision for income tax	P78,717,002	P82,393,019	P33,437,643

In 2014 and 2013, the Parent Company availed of the OSD method in claiming its deductions. In 2012, the Parent Company availed of the itemized deductions method in claiming its deductions.

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 receivables	Terms	Conditions
<i>Key management personnel</i>								
2014	P2,095,582	P492,225	P-	P-	P15,617,120	P45,389,054	3-day; noninterest-bearing/ Collectible or payable on demand; interest-bearing	Secured; not guaranteed
2013	P4,087,083	P3,543,170	P-	P-	P51,109,892	P6,378,345		
2012	P3,733,575	P1,033,467	P-	P-	P56,709,837	P15,284,711		
<i>Other related parties:</i>								
Affiliates with common officers, directors and stockholders								
2014	22,470,606	3,834,492	9,440	4,155,700	1,909,816	36,772,900	3-day; noninterest-bearing/ Collectible or payable on demand; interest-bearing/ Payable upon billing; noninterest-bearing	Secured; not guaranteed
2013	29,858,696	1,390,621	279,710	4,516,537	18,464,495	7,560,697		
2012	42,923,001	1,879,203	16,585	7,686,867	29,368,151	9,149,278		
Directors								
2014	16,491,004	8,534	-	-	107,035,196	-	3-day; noninterest-bearing/ Collectible or payable on demand; interest-bearing	Secured; not guaranteed
2013	20,017,639	25,098	-	-	41,210,586	19,710,226		
2012	22,487,994	528,747	-	-	23,310,923	34,325,740		
Total	P41,057,192	P4,335,251	P9,440	P4,155,700	P124,562,132	P82,161,954		
Total	P53,963,418	P4,958,889	P279,710	P4,516,537	P110,784,973	P33,649,268		
Total	P69,144,570	P3,441,417	P16,585	P7,686,867	P109,388,911	P58,759,729		



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

	2014	2013	2012
Short-term employee benefits	P54,158,861	P59,186,893	P50,528,506
Retirement costs	2,007,247	1,896,639	2,420,795
Stock options (see Note 16)	1,430,000	572,000	1,742,000
	P57,596,108	P61,655,532	P54,691,301

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

As at December 31, 2014 and 2013, the carrying amount of the retirement fund amounted to P6,682,350 and P6,718,984, respectively. As at December 31, 2014 and 2013, the fair value of the retirement fund amounted to P6,682,350 and P6,778,828, respectively.

The retirement fund consists of the following (see Note 16):

	2014	2013
Short-term cash investments	99.97%	99.96%
Cash in bank	0.03%	0.04%
	100.00%	100.00%

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 P11,597,494, P10,820,260 and P10,024,186 in 2014, 2013 and 2012, respectively.

The future minimum lease payments are as follows:

	2014	2013
Within one (1) year	P12,011,340	P11,697,986
After one (1) year but not more than five (5) years	9,242,871	14,185,388
	P21,254,211	P25,883,374

20. Capital Management

The primary objective of the Group's capital management is to ensure that the Group maintains healthy capital ratios in order to support its business, pay existing obligations and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended December 31, 2014, 2013 and 2012.



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 P2.5 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 P100.0 million for broker dealers, which are either first time registrants or those acquiring existing broker dealer firms and will participate in a registered clearing agency; P10.0 million plus a surety bond for existing broker dealers not engaged in market making transactions; and P2.5 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 P5.0 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, 2014 and 2013, the Parent Company is compliant with the foregoing requirements.

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

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

	2014	2013
Equity eligible for NLC	P967,578,520	P950,337,344
Less ineligible assets	192,360,547	190,706,380
NLC	P775,217,973	P759,630,964
Position risk	P3,549,916	P128,588
Operational risk	130,743,519	105,862,204
Counterparty risk	—	3,814
Total Risk Capital Requirement (TRCR)	P134,293,435	P105,994,606
AI	P4,864,850,475	P3,256,492,851
5.00% of AI	P243,242,524	P162,824,643
Required NLC	243,242,524	162,824,643
Net Risk-Based Capital Excess	P531,975,450	P596,806,321
Ratio of AI to NLC	628.00%	429.00%
RBCA ratio (NLC/TRCR)	577.00%	717.00%



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

1. **Ineligible assets**
These pertain to fixed assets and assets which cannot be readily converted into cash.
2. **Operational risk requirement**
The amount required to cover a level of operational risk which is the exposure associated with commencing and remaining in business arising separately from exposures covered by other risk requirements. It is the risk of loss resulting from inadequate or failed internal processes, people and systems which include, among others, risks of fraud, operational or settlement failure and shortage of liquid resources, or from external events.
3. **Position risk requirement**
The amount necessary to accommodate a given level of position risk which is 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 P20 million effective December 31, 2009, and P30 million effective December 31, 2011 and onwards. In 2014 and, 2013, 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 P10 million to P30 million, between P30 million to P50 million and more than P50 million, respectively (see Note 13).

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

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, 2014 and 2013, COLHK is compliant with the said requirement.



21. Financial Risk Management Objectives and Policies

The main purpose of the Group's financial instruments is to fund its operations. The Group's principal financial instruments consist of cash and cash equivalents, cash in 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.

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 by a credit line facility by the Parent Company, are required to deposit funds to their accounts and their purchases are limited to their cash deposit. In order to manage the potential credit risk associated with the Parent Company's margin lending activities, the Group has established policies and procedures in evaluating and approving applications for margin financing as well as the review of credit performance and limits. In addition, the Parent Company requires its margin customers a Two Peso (P2) security cover for every One Peso (P1) exposure. The security cover can either be in cash or a combination of cash and marginable stock identified by the Parent Company using a set of criteria.

Aging Analyses of Financial Assets

The aging analyses of the Group's financial assets as at December 31, 2014 and 2013 are summarized in the following tables:

2014

	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		4-14 days	15-31 days	More than 31 days		
Loans and receivables:						
Cash and cash equivalents	P4,640,187,892	P-	P-	P-	P-	P4,640,187,892
Cash in segregated account	154,129,025	-	-	-	-	154,129,025
Trade receivables	353,422,136	157,429,815	267,121,027	660,450,900	3,410,234	1,441,834,112
Other receivables	12,130,063	-	-	-	8,960,245	21,090,308
Refundable deposits	5,281,002	-	-	-	-	5,281,002
Financial assets at FVPL	9,375,564	-	-	-	-	9,375,564
Total	P5,177,935,916	P157,429,815	P267,121,027	P660,450,900	P12,370,479	P6,271,897,903



2013

	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		4-14 days	15-31 days	More than 31 days		
Loans and receivables:						
Cash and cash equivalents	P3,203,489,204	P–	P–	P–	P–	P3,203,489,204
Cash in segregated account	112,593,425	–	–	–	–	112,593,425
Trade receivables	261,703,716	111,297,612	149,552,697	829,299,798	2,225,955	1,354,079,778
Other receivables	6,790,722	–	–	–	8,960,245	15,750,967
Refundable deposits	4,920,377	–	–	–	–	4,920,377
Financial assets at FVPL	7,210,678	–	–	–	–	7,210,678
Total	P3,598,934,077	P111,297,612	P149,552,697	P829,299,798	P11,186,200	P4,698,044,429

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

2014

	Neither Past Due nor Specifically Impaired		Substandard Grade	Individually Impaired	Total
	High Grade	Standard Grade			
Loans and receivables:					
Cash and cash equivalents	P4,640,187,892	P–	P–	P–	P4,640,187,892
Cash in a segregated account	154,129,025	–	–	–	154,129,025
Trade receivables	1,438,423,878	–	–	3,410,234	1,441,834,112
Other receivables	–	12,130,063	–	8,960,245	21,090,308
Refundable deposits	5,281,002	–	–	–	5,281,002
	6,238,021,797	12,130,063	–	12,370,479	6,262,522,339
Financial assets at FVPL	9,375,564	–	–	–	9,375,564
	P6,247,397,361	P12,130,063	P–	P12,370,479	P6,271,897,903

2013

	Neither Past Due nor Specifically Impaired		Substandard Grade	Individually Impaired	Total
	High Grade	Standard Grade			
Loans and receivables:					
Cash and cash equivalents	P3,203,489,204	P–	P–	P–	P3,203,489,204
Cash in a segregated account	112,593,425	–	–	–	112,593,425
Trade receivables	1,351,853,823	–	–	2,225,955	1,354,079,778
Other receivables	–	6,790,722	–	8,960,245	15,750,967
Refundable deposits	4,920,377	–	–	–	4,920,377
	4,672,856,829	6,790,722	–	11,186,200	4,690,833,751
Financial assets at FVPL	7,210,678	–	–	–	7,210,678
	P4,680,067,507	P6,790,722	P–	P11,186,200	P4,698,044,429

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

*Loans and Receivables*High grade

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

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



Trade receivables from margin customers have no specific credit terms but customers are required to maintain the value of their collateral within a specific level. Once the value of the collateral falls down this level, customers may either deposit additional collateral or sell stock to cover their account balance. Meanwhile, receivables from post-paid customers are required to be settled on two (2) trading days' term for COLHK and three (3) trading days' term for the Parent Company. The receivable balances become demandable upon failure of the customer to duly comply with these requirements. As at December 31, 2014 and 2013, P1,413,523,154 and P1,209,742,416 of the total receivables from customers is secured by collateral comprising of cash and equity securities of listed companies with a total market value of P6,792,074,324 and P5,277,924,865, respectively (see Note 7). Transactions through the stock exchange are covered by the guarantee fund contributed by member brokers and maintained by the clearing house. There are no past due accounts as at December 31, 2014 and 2013.

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

Standard grade

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

Financial Assets at FVPL

High grade

Companies that are consistently profitable, have strong fundamentals and pays out dividends. As at December 31, 2014 and 2013, the Group's financial assets at FVPL are classified as high grade since these are with listed companies of good reputation.

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

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

	2014	2013
Cash and cash equivalents (see Note 4)*	P4,640,150,645	P3,203,452,023
Cash in a segregated account (see Note 5)	154,129,025	112,593,425
Financial assets at FVPL (see Note 6)	9,375,564	7,210,678
Trade receivables (see Note 7)	1,438,423,878	1,351,853,823
Other receivables (see Note 7)	12,130,063	6,790,722
Refundable deposits (see Note 10)	5,281,002	4,920,377
	6,259,490,177	4,686,821,048
Unutilized margin trading facility	4,280,085,476	4,288,422,787
	P10,539,575,653	P8,975,243,835

*Excluding cash on hand

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



Liquidity Risk

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

The Group manages its liquidity profile to meet the following objectives: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; and c) to be able to access funding when needed at the least possible cost.

As at December 31, 2014 and 2013, 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, 2014 and 2013 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, major US Stock Exchanges and mutual funds. 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 2014 and 2013 is not significant.

Foreign Currency Risk

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

The Group's exposure to foreign currency exchange risk arises from its US\$-denominated cash in banks amounting to US\$82,822 and US\$4,792 as at December 31, 2014 and 2013, respectively (see 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 2014 and 2013 is not significant.



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, 2014 and 2013:

	Carrying Values		Fair Values	
	2014	2013	2014	2013
Financial Assets				
Loans and receivables:				
Refundable deposits	P5,281,002	P4,920,377	P4,483,853	P4,586,488
Intangibles				
Exchange trading right	P5,000,000	P5,000,000	P8,500,000	P8,500,000

Financial Instruments Whose Carrying Amount Approximate Fair Value

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

Refundable Deposits

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

Exchange Trading Right Under Intangibles

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

Fair Value Hierarchy

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

2014	Level 1	Level 2	Level 3
<i>Asset measured at fair value:</i>			
Financial assets at FVPL	P9,375,564	P—	P—
<i>Asset for which fair values are disclosed:</i>			
Intangibles			
Exchange trading right	8,500,000	—	—
Refundable deposits	—	—	4,483,853
	P17,875,564	P—	P4,483,853



2013

	Level 1	Level 2	Level 3
<i>Asset measured at fair value:</i>			
Financial assets at FVPL	P7,210,678	P—	P—
<i>Asset for which fair values are disclosed:</i>			
Intangibles			
Exchange trading right	26,769,449	—	—
Refundable deposits	—	—	4,586,488
Exchange trading right			
	P33,980,127	P—	P4,586,488

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

23. Contingency

As at December 31, 2010, there is a pending case filed against the Parent Company and Citisecurities, Inc., a related party, (the ‘Respondents’) for trademark infringement by Citigroup, Inc. and Citibank N.A. (the ‘Plaintiffs’), who have asked the court for an amount of P8,000,000 for actual damages, P5,000,000 for exemplary damages and P3,975,000 for attorney’s fees. The Parent Company holds the position that the parties are engaged in different lines of business, i.e. Citigroup is in the banking and credit card business while the defendants are stockbrokers.

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

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

On April 15, 2014, a Decision in favor of the Group was issued by the CTA granting the Group’s Petition for the refund and/or issuance of TCC in the amount of P8,960,245. On May 8, 2014, the Commissioner of Internal Revenue (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. The case is still pending with the CTA En Banc as at March 4, 2015.



24. EPS Computation

	2014	2013	2012
Net income	P262,267,060	P303,589,893	P306,176,990
Weighted average number of shares for basic earnings per share	468,750,000	468,440,000	465,205,000
Dilutive shares arising from stock options	6,799,241	7,152,804	10,282,806
Adjusted weighted average number of shares of common shares for diluted earnings per share	475,549,241	475,592,804	475,487,806
Basic EPS	P0.56	P0.65	P0.66
Diluted EPS	P0.55	P0.64	P0.64

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:

2014

	Philippines	Hong Kong	Elimination	Total
Revenue from external customers:				
Commissions	P464,636,005	P38,754,036	P—	P503,390,041
Interest	203,128,988	1,235	—	203,130,223
Others	4,667,387	363,059	—	5,030,446
Inter-segment revenue	44,717,507	—	(44,717,507)	—
Segment revenue	717,149,887	39,118,330	(44,717,507)	711,550,710
Cost of services	(177,415,221)	(16,472,809)	—	(193,888,030)
Operating expenses	(150,736,281)	(55,549,692)	44,654,168	(161,631,805)
Depreciation and amortization	(14,913,322)	(133,491)	—	(15,046,813)
Income (loss) before income tax	374,085,063	(33,037,662)	(63,339)	340,984,062
Benefit from (provision for) income tax	(84,153,246)	5,436,244	—	(78,717,002)
Net income (loss)	P289,931,817	(P27,601,418)	(P63,339)	P262,267,060
Segment assets	P5,904,455,641	P595,504,839	(P138,555,758)	P6,361,404,722
Segment liabilities	4,926,248,733	162,439,713	(3,736,756)	5,084,951,690
Capital expenditures:				
Tangible fixed assets	12,023,627	85,475	—	12,109,102
Cash flows arising from:				
Operating activities	1,711,903,748	12,131,312	—	1,724,035,060
Investing activities	(11,960,897)	(85,475)	—	(12,046,372)
Financing activities	(275,290,000)	—	—	(275,290,000)



2013

	Philippines	Hong Kong	Elimination	Total
Revenue from external customers:				
Commissions	P496,054,561	P44,467,086	P—	P540,521,647
Interest	198,655,269	—	—	198,655,269
Others	1,679,451	104,238	—	1,783,689
Inter-segment revenue	42,891,145	—	(42,891,145)	—
Segment revenue	739,280,426	44,571,324	(42,891,145)	740,960,605
Cost of services	(206,360,621)	(17,323,409)	—	(223,684,030)
Operating expenses	(106,771,560)	(52,642,954)	42,655,273	(116,759,241)
Depreciation and amortization	(14,332,569)	(201,853)	—	(14,534,422)
Income (loss) before income tax	411,815,676	(25,596,892)	(235,872)	385,982,912
Benefit from (provision for) income tax	(86,733,729)	4,340,710	—	(82,393,019)
Net income (loss)	P325,081,947	(P21,256,182)	(P235,872)	P303,589,893
Segment assets	P4,318,785,171	P627,600,640	(P138,593,403)	P4,807,792,408
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)





Design
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Additional Photography
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RATION OF THE THIRD REPUBLIC
4 JULY 1946