

COVER SHEET

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SEC Registration Number

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

D I A R Y

(Company's Full Name)

2 4 0 1 B P h i l i p p i n e S t o c k E x c h a n g e C

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

t e r , P a s i g C i t y

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

Ms. Catherine L. Ong

(Contact Person)

636-54-11

(Company Telephone Number)

1 2

Month Day

(Calendar Year)

17-Q

(Form Type)

**September 30,
2015**

Month Day

(Annual Meeting)

Broker

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/section

32

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q**

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

1. For the quarterly period ended: **September 30, 2015**
2. Commission identification number **A199910065**
3. BIR Tax Identification No. **203-523-208-000**
4. Exact name of issuer as specified in its charter: **COL FINANCIAL GROUP, INC.**
5. Province, country or other jurisdiction of incorporation or organization: **Pasig City, Philippines**
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office: **2401-B East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City** Postal Code: **1605**
8. Issuer's telephone number, including area code: **(632) 636-5411**
9. Former name, former address and former fiscal year, if changed since last report: **Not Applicable**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA:

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	475,000,000 shares

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

Yes No

12. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

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

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

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

Company Overview

COL Financial Group, Inc. is the leading online financial services provider in the Philippines. It aims to be the most trusted wealth-building partner of every Filipino. During the past 15 years, it has fulfilled its mission of empowering individual investors to take control of their financial lives by providing them expert guidance, innovative solutions and value-driven products and services.

As of end September 30, 2015, COL had more than 152,000 customers and ₱47.8 billion in consolidated net customer assets. It has also been the number one brokerage in the Philippine Stock Exchange (PSE) in terms of number of transactions executed since 2008.

COL's main offering is its proprietary online trading platform. Through www.colfinancial.com, COL offers real-time market information and execution, superior investing tools and functionalities, and comprehensive stock market research and analysis to guide independent investors make well informed investment decisions. In 2006, COL started offering margin financing to active investors with client equity of at least ₱200,000. In 2010, COL also set up agency and advisory groups (AAG). The said groups are headed by seasoned professionals with close to 20 years of experience in the industry. Today, these groups have more than 30 accredited independent advisors that offer specialized guidance and personal attention.

During the first quarter of 2015, COLHK launched its new trading platform called “COL Global Access”. This new service aims to improve and expand the online trading experience of its clients in Hong Kong by giving them direct market access to trade global equities in a single platform and universal account.

In July 2015, COL formally opened to all its customers its online mutual fund distribution platform, formally known as COL Fund Source (CFS). It is the first and only online mutual fund supermarket in the Philippines which provides investors access to a wide selection of mutual funds. This new service allows COL to further strengthen its existing relationship with its customers as well as expand its reach to more Filipino investors, particularly those who either do not have the time to actively manage their investments or are looking for a professionally managed diversified portfolio of stocks, bonds and other fixed income instruments.

Aside from giving access to a wide selection of mutual funds, COL also provides guidance to its

customers in choosing the right investments for them. The CFS platform offers online tools and resources to help its clients make the smart choice in selecting the right funds that best suit their investment objectives. Through CFS, clients are able to organize, compare funds side-by-side, and monitor their investment in various mutual funds using a single account.

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

Business Model

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

COL also derives revenues from its stock brokerage business in Hong Kong through its wholly owned subsidiary COL HK. COL HK generates revenues not only from commissions generated from trades by its customers in the HK stock market but also from the global markets.

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

Industry and Economic Review

The Philippine stock market had a mixed performance during the first nine months of 2015. From 7,230.57 as of end 2014, the PSEi rose by as much as 12.5% to a new record high of 8,134.38, before closing the first nine months of the year down by 5.6% to 6,893.98.

Sentiment for Philippine stocks turned negative in April of 2015 after listed companies reported disappointing first quarter earnings results. Sentiment was also hurt by the announcement of a weaker than expected first quarter GDP growth of only 5.2%, way below the consensus growth forecast of 6.6%. The depreciation of the Chinese yuan, the poor performance of the Philippines' closest peers – the Thai and Indonesian stock markets –and concerns of an eventual Fed rate hike also prompted foreign funds to shift out of the Philippine market. Due to the said factors, foreign investors turned into net sellers, with total net selling reaching ₱92.1 billion from April to September. This is almost double the ₱47.5 billion net buying registered during the first three months of the year. Average daily value turnover also weakened. After increasing by 47.6% during the first quarter of the year, average daily value turnover fell by 1.9% during the April to September period to only ₱8.8 billion.

The HK stock market also had a mixed performance during the first nine months of the year. Several factors boosted sentiment for HK stocks in early 2015. These included looser monetary policy and accelerated reforms in China, the launch of the Shanghai Hong Kong stock connect scheme in November last year, and China's move to allow Chinese mutual funds without Qualified Domestic Institutional Investor or QDII quotas to invest in HK equities.

However, the strength of the HK stock market could not be sustained as the Chinese economy remained weak. For example, China's third quarter 2015 GDP growth decelerated to only 6.9%, the slowest pace of growth in six years. China's manufacturing sector also continued to contract as

implied by the Caixin Manufacturing PMI which stayed below the critical 50 level after exceeding it momentarily in February this year. As a result, by end September, the Hang Seng index (HSI), the Hang Seng China Affiliate Corp. Index (HSCCI) and the Hang Seng China Enterprise Index (HSCEI) were already down by 11.7%, 10.3% and 21.5% respectively compared to their end 2014 levels. On the positive side, average daily turnover remained elevated, rising to HKD116.4 billion during the first nine months of 2015 from an average of HKD68.7 billion for the whole of 2014.

Business Review

Key Performance Indicators

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

	September 30, 2015	September 30, 2014
Number of Customer Accounts	152,979	105,163
Customers' Net Equity (in millions)	₱47,768.9	₱57,869.8
Net Revenues (in millions)	₱568.3	₱524.3
Annualized Return on Equity	25.5%	25.8%
Risk Based Capital Adequacy Ratio*	575.0%	555.0%
Liquid Capital** (in millions)	HKD32.6	HKD60.7

*Parent Company only

**HK Subsidiary

In line with the growing popularity of stock market investments, the number of **new accounts** for COL's Philippine operations continued to expand in 2015 reaching 39,582 for the first nine months of the year. As a result, COL ended September with 152,409 accounts, higher by 35.1% from its end 2014 level of 112,827. This implies an average monthly addition of 4,398 accounts during the first nine months of the year, above the average monthly addition of 2,500 accounts in 2014.

Net equity of retail customers also continued to grow on a year-on-year basis, increasing to ₱46.0 billion as of end September this year from ₱42.2 billion as of end September last year and ₱43.3 billion as of end 2014. Although **consolidated net equity** fell by 17.5% on a year-on-year basis, the drop was due to the net outflow of one of COL's institutional clients who used to employ COL as a custodian. Excluding the said transaction, COL still incurred a net new cash inflow of ₱5.1 billion during the first nine months of the year.

Net revenues during the first nine months of 2015 increased by 8.4% year-on-year to ₱568.3 million. Growth was largely driven by the strength of COL's Philippine operations which benefited from higher trading activity and its growing cash position. Commission revenues from the Philippines climbed by 8.6% to ₱364.0 million. Meanwhile interest income increased by 6.6% to ₱162.0 million largely due to the 37% rise in COL's average cash position which in turn boosted interest income from cash placements. Other income reached ₱15.2 million as COL generated trading gains from selling shares arising from clients' unexercised stock rights offering.

Despite the growth in revenues, the Group's **net income** for the first nine months of 2015 fell by 1.1% to ₱246.4 million. The main reason for the drop was the booking of ₱23.7 million worth of taxes and related expenses that are non-recurring in nature. Excluding the said expenses, recurring profits were higher by 8.4% to ₱270.1 million.

Annualized **return on equity (ROE)** was flattish at 25.5%.

Both COL (Parent Company) and its HK subsidiary continued to meet the stringent rules of regulators in the Philippines and Hong Kong. As of end September, the Parent Company's **Risk Based Capital Adequacy Ratio (RBCA)** reached 575%, well above the minimum requirement of 110%. Meanwhile, COL HK had HKD32.6 million of liquid capital. This is also well above the minimum requirement of HKD3.0 million or 5% of adjusted liabilities.

Material Changes in the Financial Position (September 30, 2015 vs December 31, 2014)

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

COL's **assets** continued to grow, increasing by 33.1% to ₱8.5 billion compared to its end 2014 level of ₱6.4 billion. The growth was largely funded by non-interest bearing liabilities as **trade payables** jumped by 43.3% to ₱7.1 billion. Note that trade payables rose largely due to the increase in customers' cash balance which in turn is a result of the significant growth in COL's client base.

Cash and cash equivalents composed mainly of cash in banks and short-term placements increased by 49.2% to ₱6.9 billion for the year to date period, also largely due to COL's growing client base and the resulting increase in their cash balances. As discussed earlier, net inflow of funds amounted to ₱5.1 billion during the first nine months of the year.

Cash in a segregated account booked by COL's HK Subsidiary increased by 79.2% to ₱276.1 million coming from the proceeds of the customers' liquidated positions.

Trade receivables fell by 20.2% to ₱1.1 billion largely due to diminishing receivable from margin customers. Average margin receivable fell to ₱1.0 billion during the first nine months of 2015.

Financial assets at fair value through profit or loss decreased by 81.2% to ₱1.8 million due to the sale of financial assets held by the Parent Company.

On the other hand, **prepayments** went up by 149.3% or ₱3.4 million to ₱5.7 million due to the Parent Company's unamortized portion of business taxes which are required to be paid to the local government in January of each year and the premium paid for the annual renewal of the health and insurance coverage of the employees made during the third quarter of this year.

Meanwhile, **deferred tax assets** fell by 8.4% to ₱34.0 million particularly because of the reversal of a big portion of the accumulated translation adjustment booked for the HK investment as a result of the depreciation of peso.

As discussed earlier, **trade payables**, consisting mainly of payable to customers, jumped by 43.3% to ₱7.1 billion due to the continuous growth in COL's client base and their growing cash balances.

Income tax payable rose 35.8% to ₱18.1 million due to the booking of taxes on higher earnings for the first nine months of the year.

Other current liabilities decreased by 42.7% to ₱41.2 million primarily due to the distribution of performance bonuses for 2014 and the payment of corresponding taxes.

Stockholders' equity increased by 1.8% or ₱23.4 million to ₱1.3 billion largely due to the booking of ₱246.4 million in net income during the first nine months of 2015, partly offset by the declaration

of the ₱237.3 million worth of cash dividends to the stockholders of the Parent Company.

Material Changes in the Results of Operations (September 30, 2015 vs September 30, 2014)

COL's **consolidated revenues** during the first nine months of 2015 increased by 8.4% year-on-year to ₱568.3 million. **Cost of services** rose by 8.8% to ₱135.5 million largely due to the increase in direct costs associated with clients' trading activities, higher personnel costs, higher commissions paid to agents for handling client accounts and incentives paid to the sales team for facilitating the opening of accounts. Meanwhile, **operating expenses** increased by 41.0% to ₱120.6 million. **Provision for income taxes** increased by only 1.3% to ₱65.9 million. As a result of the foregoing movements, **net income** fell by 1.1% or ₱2.8 million to ₱246.4 million on a year-on-year basis.

The growth in COL's revenues was driven by the strength of its Philippine operations, particularly due to the continuous growth of its client base. **Commission revenues** from the Philippines increased by 8.6% to ₱364.0 million. In contrast, **commission revenues** from HK fell by 17.9% to ₱27.1 million.

Meanwhile, **interest income** climbed by 6.6% to ₱162.0 million as COL's average cash position increased by 37.0% year-on-year driven by its growing client base.

The increase in cost of services was largely brought about by the 16.2% jump in **central depository fees** to ₱6.5 million and the 12.5% rise in **personnel costs** to ₱32.1 million. The growth in central depository fees is a direct consequence of the increase in trading activity. Meanwhile, personnel costs increased due to additional employees who were hired to service COL's growing client base and due to pay adjustments for existing employees. **Commission expenses** increased by a slower pace of 7.8% to ₱4.9 million as value turnover of agent assisted clients increased by only 4.8%.

Operating expenses grew by 46.7% largely due to the booking of ₱23.7 million worth of taxes and related penalties which are non-recurring in nature. Excluding the said amount, operating expenses increased by a much slower pace of only 13.0% to ₱96.7 million. **Personnel costs and professional fees** climbed by 16.8% to ₱38.1 million as COL set up and launched its mutual fund distribution business while **advertising and marketing expenses** increased by 25.4% to ₱8.0 million due to the launch of COL'S Richer Life campaign aimed at maintaining its leading position in the industry. **Bank charges** which cover mostly fees paid to partner banks for the collection arrangements increased by 61.9% to ₱4.2 million due to the growing service needs of COL's expanding client base. **Depreciation expenses** increased by 10.7% to ₱12.5 million as COL had to accelerate the depreciation of its old trading system in line with the PSE's shift to the new trading system.

Despite the steady growth of COL's revenues, the faster growth of its operating expenses led to the 0.62% drop in **operating profits** to ₱312.3 million. **Net profits** were likewise down by 1.1% to ₱264.4 million.

Other Matters

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

- b. We are not aware of any events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.
- c. We are not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Group with other persons created during the reporting period.
- d. We are not aware of any material commitments for capital expenditures.
- e. We are not aware of any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations of the Group.
- f. We are not aware of any significant elements of income or loss that did not arise from the Group's continuing operations.
- g. We are not aware of any seasonal aspects that had a material effect on the financial condition or results of operations of the Group.

PART II – OTHER INFORMATION

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

SIGNATURES

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

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

By:



Conrado F. Bate
President and Chief Executive Officer
November 17, 2015



Catherine L. Ong
Senior Vice President and Chief Finance Officer
November 17, 2015



Lorena E. Velarde
Vice President and Financial Controller
November 17, 2015

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

	<u>September 30, 2015 (Unaudited)</u>			<u>December 31, 2014 (Audited)</u>		
	<u>Money Balance</u>	<u>Security Valuation</u>		<u>Money Balance</u>	<u>Security Valuation</u>	
		<u>Long</u>	<u>Short</u>		<u>Long</u>	<u>Short</u>
ASSETS						
Current Assets						
Cash and cash equivalents (Note 4)	P6,922,842,025			P4,640,187,892		
Cash in a segregated account (Note 5)	276,127,102			154,129,025		
Financial assets at fair value through profit or loss (FVPL; Note 6)	1,763,703	P1,763,703		9,375,564	P9,375,564	
Trade receivables (Note 7)	1,148,397,701	4,139,217,751		1,438,423,878	6,792,074,324	
Other receivables (Note 7)	8,481,133			12,130,063		
Prepayments	5,652,696			2,267,080		
Total Current Assets	8,363,264,360			6,256,513,502		
Noncurrent Assets						
Property and equipment (Note 8)	37,271,263			35,825,494		
Intangibles (Note 9)	24,316,407			23,338,991		
Deferred income tax assets-net (Note 17)	34,016,137			37,145,366		
Other noncurrent assets (Note 10)	9,530,655			8,581,369		
Total Noncurrent Assets	105,134,462			104,891,220		
TOTAL ASSETS	P8,468,398,822			P6,361,404,722		
Securities in box, in Philippine Depository and Trust Corporation and Hong Kong Securities Clearing Company, Limited			P41,836,133,915			P55,408,644,059

(Forward)

	September 30, 2015 (Unaudited)			December 31, 2014 (Audited)		
	Money Balance	Security Valuation		Money Balance	Security Valuation	
		Long	Short		Long	Short
LIABILITIES AND EQUITY						
Current Liabilities						
Trade payables (Note 11)	₱7,080,788,936	₱37,695,152,461		₱4,940,928,346	₱48,607,194,171	
Other current liabilities (Note 12)	41,166,919			71,836,693		
Fringe benefit tax payable	–			30,437,647		
Income tax payable	18,398,253			13,556,314		
Total Current Liabilities	7,140,354,108			5,056,759,000		
Noncurrent Liability						
Retirement obligation (Note 16)	28,192,690			28,192,690		
Total Liabilities	7,168,546,798			5,084,951,690		
Equity (Notes 13 and 16)						
Capital stock	475,000,000			474,550,000		
Capital in excess of par value	53,219,024			53,219,024		
Cost of share-based payment	4,080,051			5,499,602		
Accumulated translation adjustment	(6,573,248)			(21,814,947)		
Loss on remeasurement of retirement obligation	(4,400,783)			(4,400,783)		
Retained earnings:						
Appropriated	169,021,759			140,028,578		
Unappropriated	609,505,221			629,371,558		
Total Equity	1,299,852,024			1,276,453,032		
TOTAL LIABILITIES AND EQUITY	₱8,468,398,822	₱41,836,133,915	₱41,836,133,915	₱6,361,404,722	₱55,408,644,059	₱55,408,644,059

See accompanying Notes to Consolidated Financial Statements.

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

	For the Nine Months Ended September 30		For the Quarter Ended September 30	
	2015	2014	2015	2014
REVENUES				
Commissions	₱391,128,692	₱368,278,134	₱120,308,075	₱134,920,279
Others:				
Interest (Note 14)	162,005,661	152,025,847	51,030,729	50,399,221
Gain(loss) on financial assets at FVPL - net (Note 6)	10,968,644	3,215,039	(97,426)	831,368
Others	4,231,566	753,383	1,157,984	565,614
	568,334,563	524,272,403	172,399,362	186,716,482
COST OF SERVICES				
Commission expense (Note 18)	67,785,220	62,871,857	19,963,096	23,326,783
Personnel costs - operations (Note 15)	32,147,357	28,566,121	9,299,669	7,996,833
Stock exchange dues and fees	9,270,919	8,687,228	2,911,345	3,205,852
Central depository fees	6,496,051	5,591,203	3,503,821	2,045,741
Others:				
Communications	18,115,730	17,835,810	6,376,748	6,018,644
Others	1,644,084	954,979	613,857	300,664
	135,459,361	124,507,198	42,668,536	42,894,517
GROSS PROFIT	432,875,202	399,765,205	129,730,826	143,821,965
OPERATING EXPENSES				
Administrative expenses:				
Taxes and licenses (Note 17)	27,195,994	3,043,860	24,844,528	1,114,673
Personnel costs (Note 15)	19,327,407	17,118,736	5,880,237	5,052,097
Professional fees (Note 18)	18,808,705	15,537,235	5,662,511	5,423,449
Rentals (Note 19)	10,147,001	8,654,870	4,017,525	2,874,492
Advertising and marketing	7,990,195	6,371,650	1,943,277	2,146,361
Bank charges	4,151,238	3,665,726	1,463,401	1,234,259
Power, light and water	3,169,834	2,911,539	1,106,537	983,993
Security and messengerial services	2,929,553	2,309,371	1,007,804	825,895
Office supplies	2,738,742	2,563,644	744,123	903,626
Insurance and bonds	2,077,237	1,882,648	822,187	676,614
Condominium dues	1,703,755	1,600,551	747,503	307,318
Repairs and maintenance	1,365,721	1,394,182	599,199	469,758
Representation and entertainment	993,348	710,678	317,415	254,512
Membership fees and dues	680,940	524,218	229,177	165,555
Trainings, seminars and meetings	628,295	601,700	49,214	270,320
Transportation and travel	589,074	471,633	166,996	170,902
Communications	465,387	429,000	156,834	143,000
Directors' fees	290,000	377,224	100,000	84,028
Stock option expense (Notes 16 and 18)	–	190,000	–	45,000
Others	2,092,940	2,632,619	631,571	973,969
	107,345,366	72,991,084	50,490,039	24,119,821
Depreciation and amortization (Note 8)	12,530,094	11,320,298	3,707,787	3,738,151
Provision for credit losses	–	1,026,280	–	743,661
Foreign exchange losses-net	745,212	161,677	224,117	–
Others	–	56,898	–	–
	120,620,672	85,556,237	54,421,943	28,601,633
INCOME BEFORE INCOME TAX	312,254,530	314,208,968	75,308,883	115,220,332
PROVISION FOR (BENEFIT FROM) INCOME TAX				
(Note 17)				
Current	69,818,283	68,512,603	20,477,084	19,606,180
Deferred	(3,965,597)	(3,477,842)	(1,948,056)	(263,664)
	65,852,686	65,034,761	18,529,028	19,342,516
NET INCOME	₱246,401,844	₱249,174,207	₱56,779,855	₱95,877,816

See accompanying Notes to Consolidated Financial Statements.

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

	For the Nine Months Ended		For the Quarter Ended	
	September 30		September 30	
	2015	2014	2015	2014
NET INCOME	₱246,401,844	₱249,174,207	₱56,779,855	₱95,877,816
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that may be reclassified subsequently to profit or loss:				
Translation adjustments- net of tax	15,241,699	3,406,700	2,709,203	7,591,234
TOTAL COMPREHENSIVE INCOME	₱261,643,543	₱252,580,907	₱59,489,058	₱103,469,050
Earnings Per Share (Note 24)				
Basic	₱0.52	₱0.53	₱0.12	₱0.20
Diluted	0.52	0.52	0.12	0.20

See accompanying Notes to Consolidated Financial Statements.

COL FINANCIAL GROUP, INC. AND SUBSIDIARY

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

(With Comparative Figures for the Nine Months Ended September 30, 2014)

	Capital Stock	Capital in Excess of Par Value	Cost of Share-Based Payment	Accumulated Translation Adjustment	Loss on Remeasurement of Retirement Obligation	Retained Earnings		Total
						Appropriated	Unappropriated	
Balances at December 31, 2013	₱468,650,000	₱47,499,024	₱29,767,551	(₱22,976,500)	(₱8,243,643)	₱107,520,383	₱680,802,693	₱1,303,019,508
Cost of share-based payment (Note 16)	–	–	(1,464,860)	–	–	–	–	(1,464,860)
Issuance of shares	200,000	–	–	–	–	–	–	200,000
Declaration of cash dividend (Note 13)	–	–	–	–	–	–	(281,190,000)	(281,190,000)
Net income for the period	–	–	–	–	–	–	249,174,207	249,174,207
Other comprehensive income	–	–	–	3,406,700	–	–	–	3,406,700
Total comprehensive income for the period	–	–	–	3,406,700	–	–	249,174,207	252,580,907
Appropriation of retained earnings (Note 13)	–	–	–	–	–	32,508,195	(32,508,195)	–
Balances at September 30, 2014	₱468,850,000	₱47,499,024	₱28,302,691	(₱19,569,800)	(₱8,243,643)	₱140,028,578	616,278,705	₱1,273,145,555
Balances at December 31, 2014	₱474,550,000	₱53,219,024	₱5,499,602	(₱21,814,947)	(₱4,400,783)	₱140,028,578	₱629,371,558	₱1,276,453,032
Cost of share-based payment (Note 16)	–	–	(1,419,551)	–	–	–	–	(1,419,551)
Issuance of shares	450,000	–	–	–	–	–	–	450,000
Declaration of cash dividend (Note 13)	–	–	–	–	–	–	(237,275,000)	(237,275,000)
Net income for the period	–	–	–	–	–	–	246,401,844	246,401,844
Other comprehensive income	–	–	–	15,241,699	–	–	–	15,241,699
Total comprehensive income for the period	–	–	–	15,241,699	–	–	246,401,844	261,643,543
Appropriation of retained earnings (Note 13)	–	–	–	–	–	28,993,181	(28,993,181)	–
Balances at September 30, 2015	₱475,000,000	₱53,219,024	₱4,080,051	(₱6,573,248)	(₱4,400,783)	₱169,021,759	₱609,505,221	₱1,299,852,024

See accompanying Notes to Consolidated Financial Statements.

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

	For the Nine Months Ended September 30	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱312,254,531	₱314,208,968
Adjustments for:		
Interest income (Note 14)	(162,005,661)	(152,025,847)
Depreciation and amortization (Note 8)	12,666,231	11,496,084
Stock option expense (Note 16)	–	429,000
Unrealized loss (gain) on financial assets at FVPL	1,134,654	(918,349)
Loss (gain) on disposal of property and equipment	(1,069)	56,898
Dividend income (Note 6)	(20,815)	(11,181)
Operating income before working capital changes	164,027,871	173,235,573
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Cash in a segregated account	(121,998,077)	10,453,905
Financial assets at FVPL	6,477,207	4,425,260
Trade receivables	321,230,644	(381,923,749)
Other receivables	4,933,683	(3,173,275)
Prepayments	(3,346,019)	(2,485,762)
Other noncurrent assets	(7,810,307)	(7,278,692)
Increase (decrease) in:		
Trade payables	2,131,482,177	2,010,654,132
Fringe benefits tax payable	(30,437,647)	–
Other current liabilities	(33,089,673)	(26,928,601)
Net cash generated from operations	2,431,469,859	1,776,978,791
Interest received	160,066,194	150,086,381
Dividends received	20,815	11,181
Income taxes paid	(57,979,264)	(55,279,361)
Net cash flows from operating activities	2,533,577,604	1,871,796,992
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment (Note 8)	(14,099,547)	(9,019,962)
Proceeds from disposal of property and equipment	1,076	62,730
Net cash flows used in investing activities	(14,098,471)	(8,957,232)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends declared and paid	(237,275,000)	(281,190,000)
Proceeds from issuance of shares	450,000	200,000
Net cash flows used in financing activities	(236,825,000)	(280,990,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,282,654,133	1,581,849,760
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,640,187,892	3,203,489,204
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	₱6,922,842,025	₱4,785,338,964

See accompanying Notes to Consolidated Financial Statements.

COL FINANCIAL GROUP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

Basis of Preparation

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

Statement of Compliance

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

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, 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. 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 a material effect 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 fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, 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. The amendment has no effect on the Group's financial position or performance.

- **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. The amendments affect disclosures only and have no effect on the Group's financial position or performance.

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 a material effect 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.

- *PAS 40, Investment Property*
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment has no effect on the Group's financial position or performance.

Summary of Significant Accounting Policies

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 intercompany balances and transactions. The financial statements of COLHK is prepared for the same reporting period as the Parent Company using consistent accounting policies

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.

Foreign Currency Translation

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

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

accumulated exchange differences are recognized in the consolidated statement of income as a component of the gain or loss on disposal.

Cash and Cash Equivalents

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

Cash in a Segregated Account

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

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of Recognition

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

Initial Recognition and Classification of Financial Instruments

All financial assets, including trading and investment securities and loans and receivables, are initially measured at fair value. Except for securities valued at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, HTM investments, available-for-sale (AFS) financial assets, and loans and receivables. The classification depends on the purpose for which the financial instruments were acquired and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at each end of the reporting period. The Group's financial assets are of the nature of financial assets at FVPL, and loans and receivables. As at September 30, 2015 and December 31, 2014, the Group has no HTM investments and AFS financial assets.

Also under PAS 39, all financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. Financial liabilities are classified as at FVPL or other financial liabilities. The Group's financial liabilities as at September 30, 2015 and December 31, 2014 are of the nature of other financial liabilities.

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

Financial Assets and Financial Liabilities at FVPL

Financial assets and financial liabilities at FVPL include financial assets and financial liabilities held for trading purposes, financial assets and financial liabilities designated upon by management at initial recognition as at FVPL, and derivative instruments (including bifurcated embedded derivatives).

Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term.

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

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

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

As at September 30, 2015 and December 31, 2014, the Group has no financial assets and financial liabilities that have been designated upon by management at initial recognition as at FVPL. As at September 30, 2015 and December 31, 2014, the Group has financial assets which are held for trading purposes that are classified as financial assets at FVPL.

Loans and Receivables

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

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

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

Loans and receivables are included in current assets if maturity is within twelve (12) months from the end of reporting period. Otherwise, these are classified as noncurrent assets

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.

Other financial liabilities are included in current liabilities if these are expected to be settled within twelve (12) months from the end of reporting period or within the Group's normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent liabilities."

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 statutory or 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.

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

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial 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.

As at September 30, 2015 and December 31, 2014, there were no transfers among levels 1, 2 and 3 of fair value measurements

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.

Financial Assets Carried at Amortized Cost

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

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

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

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

Offsetting of Financial 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 September 30, 2015 and December 31, 2014, the Group is not setting off financial instruments in accordance with PAS 32 and does not have relevant offsetting arrangements. The Group is presenting its financial assets and financial liabilities at gross amounts in the consolidated statement of financial position.

Input Value-added Taxes (VAT)

Input VAT represents VAT imposed on the Parent Company by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is recognized as an asset and will be used to offset against the Group’s current output VAT liabilities and any excess will be claimed as tax credits

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 Clearing and Trade Guaranty Fund (CTGF), refundable deposits and deferred input VAT. These assets are classified as current when it is probable to be realized within one (1) year from the end of the reporting period. Otherwise, these are classified as noncurrent assets.

Property and Equipment

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

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

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

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

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

Depreciation and amortization of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation and amortization ceases when the assets are fully depreciated, or at earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date the item is derecognized.

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).

Operating Lease Commitment - Group as a Lessee

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

Provisions

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

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

Capital Stock and Capital in Excess of Par Value

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

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

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

Retained Earnings

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

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

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

Revenue Recognition

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

Commissions

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

Interest

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

Dividend

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

Other Income

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

Cost and Expenses

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

Share-Based Payment Transactions

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

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

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

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

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

transaction as a result of the modification, measured at the date of modification.

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

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

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

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

Retirement Costs

The Parent Company has a noncontributory defined benefit retirement plan.

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

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

EPS

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

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

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

Income Taxes

Current Income Tax

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

Deferred Income Tax

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

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable income will be available against which the

deductible temporary differences can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor the taxable income or loss.

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

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

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

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

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

Contingencies

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

Segment Reporting

The Group's operating businesses are organized and managed separately according to the geographical location of its operations, with each segment representing a unit that offers stockbrokerage services and serves different markets. Financial information on geographical segments is presented in Note 25. The Group operates in one business segment, being stockbrokerage services; therefore, business segment information is no longer presented.

Events After the Reporting Period

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

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments

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

Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currencies of the Parent Company and COLHK have been determined to be Philippine peso and Hong Kong dollar, respectively. The Philippine peso and the Hong Kong dollar are the currencies of the primary economic environments in which the Parent Company and COLHK, respectively, operate. They are the currencies that mainly influence the revenue and expenses of each of the respective entities of the Group.

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 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 September 30, 2015 and December 31, 2014 the Group has financial assets at FVPL amounting to ₱1,763,703 and ₱9,375,564, 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 financial year are discussed below.

Estimating Recoverability of Deferred Income Tax Assets

The Group reviews the carrying amounts of deferred income tax assets at each reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group has net deferred income tax assets amounting to ₱34,016,137 and ₱37,145,366 as at September 30, 2015 and December 31, 2014, respectively (see Note 17).

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 September 30, 2015 and December 31, 2014, the allowance for credit losses on trade and other receivables amounted to ₱10,719,094 and ₱12,370,479, respectively (Note 7).

The carrying value of trade and other receivables as at September 30, 2015 and December 31, 2014 amounted to ₱1,156,878,834 and ₱1,450,553,941, respectively (see Note 7).

Estimating Useful Lives of Property and Equipment

The Group estimates the useful lives of its property and equipment based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in the Group's estimates brought about by changes in the factors mentioned. Depreciation and amortization amounted to ₱12,666,231 and ₱11,496,084 in September 30, 2015 and 2014, respectively. As at September 30, 2015 and December 31, 2014, the net book values of property and equipment amounted to ₱37,271,263 and ₱35,825,494, respectively (see Note 8).

Assessing Impairment of Property and Equipment and Other Noncurrent Assets

The Group assesses impairment on property and equipment and other noncurrent assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

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

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

Based on management's assessment, there are no indications of impairment on the Group's property and equipment as at September 30, 2015 and December 31, 2014.

No impairment loss was recognized as at September 30, 2015 and December 31, 2014 for property and equipment and other noncurrent assets.

As at September 30, 2015 and December 31, 2014 the Group has no allowance for impairment losses on property and equipment. The net book values of property and equipment amounted to ₱37,271,263 and ₱35,825,494, respectively (see Note 8).

As at September 30, 2015 and December 31, 2014, allowance for impairment losses on other noncurrent assets amounted to ₱13,724,200. The net book values of other noncurrent assets amounted to ₱9,530,655 and ₱8,581,369, respectively (see Note 10).

Determining Useful Lives and Impairment of the Intangibles

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

The management's impairment test for the Parent Company's exchange trading right is based on the available market value while COLHK's exchange trading right is based on value-in-use calculation that uses a discounted cash flow model. The cash flows are derived from the budget for the next five (5) years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used. The key assumptions used to determine the recoverable amount for the cash generating unit are further explained in Note 9. The Group does not intend to sell the exchange trading rights in the near future. As at September 30, 2015 and December 31, 2014, the carrying values of intangibles amounted to ₱24,316,407 and ₱23,338,991, respectively (see Note 9).

Determining Fair Values of Financial Instruments

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

Estimating Contingencies

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

Determining Share-based Payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payments are disclosed in Note 16. As at September 30, 2015 and December 31, 2014, cost of share-based payment in equity amounted to ₱4,080,051 and ₱5,499,602, respectively (see Note 16).

Estimating Retirement Obligation

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

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting dates. As at September 30, 2015 and December 31, 2014, the retirement obligation of the Parent Company amounted to ₱28,192,690.

4. Cash and Cash Equivalents

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Cash on hand and in banks	₱810,710,443	₱576,094,610
Short-term cash investments	6,112,131,582	4,064,093,282
	₱6,922,842,025	₱4,640,187,892

Cash in banks earn interest at the respective bank deposit rates. Short-term cash investments are made for varying periods of up to three (3) months depending on the Group's immediate cash requirements, and earn interest at 0.7% to 2.2% per annum in 2015 and 0.69% to 3.00% per annum in 2014. Interest income of the Group amounted to ₱62,431,678 and ₱31,175,925 in September 30, 2015 and 2014, respectively (see Note 14). The Parent Company has U.S dollar-denominated cash in banks as of September 30, 2015 and December 31, 2014 (see Note 21).

In compliance with SRC Rule 49.2 covering customer protection and custody of securities, the Parent Company maintains special reserve bank accounts for the exclusive benefit of its customers amounting to ₱ 6,709,671,040 and ₱4,252,919,947 as at September 30, 2015 and December 31, 2014, respectively. The Parent Company's reserve requirement is determined based on the SEC's prescribed computations. As at September 30, 2015 and December 31, 2014, the Parent Company's reserve accounts are adequate to cover its reserve requirements.

5. Cash in a Segregated Account

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

As of September 30, 2015 and December 31, 2014, cash in a segregated account for COLHK amounted to ₱276,127,102 and ₱154,129,025, respectively.

6. Financial Assets at FVPL

Financial assets at FVPL pertain to investments in shares of stocks of companies listed in the PSE and major US Stock Exchanges. The Group recognized from fair value changes of these financial instruments a gain of ₱10,968,644 and ₱3,215,039 in September 30, 2015 and 2014, respectively. Dividend income included under other revenues amounted to ₱20,815 and ₱11,181 in September 30, 2015 and 2014, respectively.

Financial assets at FVPL as at September 30, 2015 and December 31, 2014 amounted to ₱1,763,703 and ₱9,375,564, respectively.

7. Trade and Other Receivables

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Trade receivables:		
Customers	₱962,172,854	₱1,413,525,241
Clearing house	11,304,700	13,076,269
Subscription receivables	–	168,552
Other broker	176,678,996	15,064,050
	1,150,156,550	1,441,834,112
Less allowance for credit losses on receivable from customers	1,758,849	3,410,234
	₱1,148,397,701	₱1,438,423,878
Other receivables:		
Accrued interest	₱6,820,051	₱9,050,681
Advances to officers and employees	449,218	280,583
Others	10,172,109	11,759,044
	17,441,378	21,090,308
Less allowance for credit losses on other receivables	8,960,245	8,960,245
	₱8,481,133	₱12,130,063

The Parent Company has a credit line facility (involving margin accounts) for qualified customers with the outstanding balance subject to an interest rate ranging from 1.0% to 1.5% per month. Total credit line offered by the Parent Company amounted to ₱5,119,321,000 and ₱5,296,333,000 as of September 30, 2015 and December 31, 2014, respectively. Interest income from customers amounted to ₱99,557,653 and ₱120,849,922 in September 30, 2015 and 2014, respectively.

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

	September 30, 2015 (Unaudited)		December 31, 2014 (Audited)	
	Money Balance	Security Valuation	Money Balance	Security Valuation
Cash and fully secured accounts:				
More than 250%	₱353,230,435	₱3,211,470,713	₱446,753,436	₱5,207,812,487
Between 200% and 250%	76,267,373	164,631,724	149,439,902	344,207,209
Between 150% and 200%	292,971,205	480,700,172	443,316,145	834,475,645
Between 100% and 150%	179,659,104	224,969,568	313,503,049	351,951,335
Less than 100%	60,039,723	57,445,574	60,510,622	53,627,648
Unsecured accounts	5,014	–	2,087	–
	962,172,854	4,139,217,751	1,413,525,241	6,792,074,324
Less allowance credit losses on receivable from customers	1,758,849	–	3,410,234	–
	₱960,414,005	₱4,139,217,751	₱1,410,115,007	₱6,792,074,324

Trade receivables from margin customers have no specific credit terms but customers are required to maintain the value of their collateral within a specific level. Once the value of the collateral falls 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 September 30, 2015 and December 31, 2014, ₱902,128,117 and ₱1,353,012,532, respectively, of the total trade receivables from customers are fully covered by collateral.

Trade receivables from clearing house as at September 30, 2015 and December 31, 2014 were fully collected subsequently in October and January 2015, respectively. These are noninterest-bearing and are collected on two (2) trading days' term and three (3) trading days' term following the settlement convention of HK and Philippines clearing houses, respectively.

Other receivables as at September 30, 2015 and December 31, 2014 include the amount of ₱8,960,245 representing additional corporate income tax paid under protest by the Parent Company for the taxable year 2009. For the first, second and third quarters of the taxable year 2009, the Parent Company used the itemized method of deduction in determining its income tax payable for the same period. In its final adjusted income tax return, it opted to use the forty percent (40%) optional standard deduction (OSD) to determine the final income tax payable for 2009, pursuant to Republic Act (RA) No. 9504 effective July 7, 2008, as implemented by Revenue Regulations (RR) No. 16-08 dated November 26, 2008. However on March 14, 2010, RR No. 2-2010 became effective and amended Section 7 of RR No. 16-08, which required taxpayers to signify the election to claim either the OSD or itemized deduction during the filing of the first quarter income tax return which must be consistently applied for all succeeding quarterly returns and in the final income tax returns for the taxable year. Likewise, Revenue Memorandum Circular (RMC) No. 16-2010 was issued on February 26, 2010, giving retroactive application to RR No. 2-2010.

The additional income tax paid under protest is for the sole purpose of avoiding any interest or penalty which may be subsequently imposed in erroneously applying RR No. 2-2010 and RMC No. 16-2010 retroactively in violation of Section 246 of the 1997 Tax Code, as amended. Payment of the additional income tax does not constitute an admission of any deficiency tax liability for the taxable year 2009 nor shall the same be construed as a waiver of the right to apply for and secure a refund of the tax erroneously paid for the period. Hence, on April 3, 2012, the Parent Company filed with the Court of Tax Appeals (CTA) a Petition for Review asking the CTA to require the Bureau of Internal Revenue (BIR) to refund or issue a tax credit certificate for the aforementioned amount representing excess income tax paid for taxable year 2009. Pending the outcome of the Petition for Review, a 100% allowance for impairment loss was set up.

Movements in the allowance for credit losses follow:

	September 30, 2015 (Unaudited)			December 31, 2014 (Audited)		
	Customers	Others	Total	Customers	Others	Total
Balances at beginning of period	₱3,410,234	₱8,960,245	₱12,370,479	₱2,225,955	₱8,960,245	₱11,186,200
Provisions (reversal) for the period	(1,651,385)	–	(1,651,385)	1,184,279	–	1,184,279
Balances at end of period	₱1,758,849	₱8,960,245	₱10,719,094	₱3,410,234	₱8,960,245	₱12,370,479

8. Property and Equipment

September 30, 2015 (Unaudited)

	Online Trading Equipment and Facilities	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost:				
At beginning of year	₱92,214,633	₱26,804,789	₱26,292,911	₱145,312,333
Additions	10,163,826	2,266,857	1,668,864	14,099,547
Disposals	(3,222,443)	(94,063)	-	(3,316,506)
Translation adjustments	367,386	465,809	43,853	877,048
At end of year	99,523,402	29,443,392	28,005,628	156,972,422
Accumulated depreciation and amortization:				
At beginning of year	64,455,912	22,440,517	22,590,410	109,486,839
Depreciation and amortization for the year	9,180,957	1,897,137	1,588,137	12,666,231
Disposals	(3,222,439)	(94,060)	-	(3,316,499)
Translation adjustments	368,560	452,175	43,853	864,588
At end of year	70,782,990	24,695,769	24,222,400	119,701,159
Net book values	₱28,740,412	₱4,747,623	₱3,783,228	₱37,271,263

December 31, 2014 (Audited)

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

The above depreciation and amortization were distributed as follows:

	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Cost of services	₱136,137	₱175,786
Operating expenses	12,530,094	11,320,298
	₱12,666,231	₱11,496,084

9. Intangibles

Philippine Operations

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

Hong Kong Operations

COLHK's exchange trading right is carried at its cost of HKD3,190,000. The carrying value of the exchange trading right is reviewed annually to ensure that this does not exceed the recoverable amount, whether or not an indicator of impairment is present. The said exchange trading right is non-

transferable and cannot be sold to any third party independent of the total assets and liabilities of COLHK. As at September 30, 2015 and December 31, 2014, the carrying value of COLHK exchange trading right in Philippine peso amounted to ₱19,316,407 and ₱18,338,991, respectively.

The recoverable amount of exchange trading rights of COLHK has been determined based on a value in use calculation. That calculation uses cash from projections based on a financial budget approved by management covering a five-year period, and a discount rate ranging from 2.8% to 8.38%. 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:

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Beginning balance	₱23,338,991	₱23,269,449
Translation adjustment	977,416	69,542
Ending balance	₱24,316,407	₱23,338,991

10. Other Noncurrent Assets

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Deposit to CTGF	₱13,724,200	₱13,724,200
Refundable deposits:		
Rental deposits	2,816,655	2,621,174
Other refundable deposits	2,319,611	2,659,828
Other assets	853,490	–
	5,989,756	5,281,002
Input VAT	3,540,899	3,300,367
	23,254,855	22,305,569
Less allowance for impairment losses on other noncurrent assets	13,724,200	13,724,200
	₱9,530,655	₱8,581,369

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

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

Under SCCP Rule 5.2, the cash contributions made by the clearing members to the CTGF are non-refundable. However, in consideration of the 100% increase in the CTGF contributions which took effect on August 1, 2007, the BOD of SCCP has approved the full refund of contributions to the CTGF upon cessation of the business of the clearing member and upon termination of its membership with SCCP. Such amendment has been submitted for the further approval of the SEC. Pending the approval

of the SEC, the rule on non-refundability still applies. In view of this, the Parent Company made a full provision for impairment losses amounting to ₱13,724,200 in previous years.

11. Trade Payables

	September 30, 2015 (Unaudited)		December 31, 2014 (Audited)	
	Money Balance	Security Valuation-Long	Money Balance	Security Valuation-Long
Payable to customers:				
With money balances	₱6,896,695,743	₱36,124,000,787	₱4,866,109,620	₱47,028,983,013
No money balances	–	1,571,151,674	–	1,578,211,158
	6,896,695,743	37,695,152,461	4,866,109,620	48,607,194,171
Payable to clearing house	184,091,505	–	74,818,726	–
Dividend payable - customer	1,688	–	–	–
	₱7,080,788,936	₱37,695,152,461	₱4,940,928,346	₱48,607,194,171

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

Payable to customers with money balances amounting to ₱273,773,488 and ₱155,997,727 as at September 30, 2015 and December 31, 2014, respectively, were payable to COLHK's clients in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. These balances are payable on demand (see Note 5).

Trade payables to clearing house as at September 30, 2015 and December 31, 2014 were fully paid subsequently in October and January 2015, respectively. These are noninterest-bearing and are settled on two (2) trading days' term and three (3) trading days' term following the settlement convention of HK and Philippines clearing houses, respectively.

12. Other Current Liabilities

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Accrued expenses	₱27,620,573	₱30,179,314
Due to BIR	10,936,160	21,506,162
Trading fees	2,285,317	2,499,072
Accrued management bonus	–	17,342,782
Others	324,869	309,363
	₱41,166,919	₱71,836,693

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

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

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

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

13. Equity

Capital Stock

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

	September 30, 2015 (Unaudited)		December 31, 2014 (Audited)	
	Shares	Amount	Shares	Amount
Common Stock - ₱1 per share				
Authorized	1,000,000	₱1,000,000	1,000,000	₱1,000,000
Issued and Outstanding				
Balances at beginning of the period	474,550	₱474,550	468,650	₱468,650
Issuance of common shares upon exercise of stock options	450	450	5,900	5,900
Balances at end of the period	475,000	₱475,000	474,550	₱474,550

As of September 30, 2015 and December 31, 2014, the Parent Company has 32 stockholders.

Retained Earnings

In compliance with SRC Rule 49.1 B Reserve Fund, the Parent Company is required to annually appropriate ten percent (10%) of its audited net income and transfer the same to appropriated retained earnings account. On December 11, 2006, the BOD approved the annual appropriation commencing on the year 2006. Total appropriated retained earnings amounted to ₱169,021,759 and ₱140,028,578 as of September 30, 2015 and December 31, 2014, respectively while total unappropriated retained earnings amounted to ₱609,505,221 and ₱629,371,558 as of September 30, 2015 and December 31, 2014, respectively.

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

The table below shows the cash dividends declared from COL's unappropriated retained earnings for the years 2015 and 2014:

2015

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

2014

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

On December 11, 2008, the Hong Kong Securities and Futures Commission (SFC) approved the increase in the authorized capital stock of COLHK from 20,000,000 shares to 50,000,000 shares at

HK\$1 par value. On February 19, 2009, the COLHK's BOD declared a scrip dividend corresponding to 23,000,005 shares at HK\$1 par value to its existing stockholders as of December 31, 2008.

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

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

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

14. Interest Income

	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Customers (Note 7)	₱99,557,653	₱120,849,922
Banks – net (Note 4)	62,431,678	31,175,925
Others	16,330	-
	₱162,005,661	₱152,025,847

15. Personnel Costs

	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Salaries and wages	₱45,901,695	40,788,694
Other benefits	5,573,069	4,896,163
	₱51,474,764	₱45,684,857

Personnel costs were distributed as follows:

	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Cost of services	₱32,147,357	₱28,566,121
Operating expenses	19,327,407	17,118,736
	₱51,474,764	₱45,684,857

16. Employee Benefits

Stock Option Plan (SOP)

On July 12, 2000 and July 3, 2006, the Group granted stock options in favor of directors, senior managers and officers of the Group as well as other qualified individuals determined by a Committee constituted by the BOD to administer the SOP. As of December 31, 2006, a total of 46,000,000 stock options were granted. The agreement provides for an exercise price of ₱1.00 per share. These options will be settled in equity once exercised. All options are exercisable one and a half years from July 12, 2006, the effective date of listing of the Parent Company's shares at the PSE, and will terminate ten years from the said date. There was no new SOP granted as of September 30, 2015.

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

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

1st Tranche

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Outstanding at beginning of period	1,450,000	1,850,000
Exercised during the period (see Note 13)	(450,000)	(400,000)
Outstanding at end of period	1,000,000	1,450,000

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

The options have a contractual term of 10 years. The weighted average remaining contractual life of options outstanding is 2.0 years and 2.5 years as of September 30, 2015 and December 31, 2014, respectively.

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

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

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

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

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

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Balances at beginning of period	₱5,499,602	₱29,767,551
Movement on deferred tax asset on intrinsic value of outstanding options	(1,419,551)	(19,977,949)
Stock option expense	–	1,430,000
Cost of share-based payment recognized as capital in excess of par	–	(5,720,000)
Movements during the period	(1,419,551)	(24,267,949)
Balances at end of period	₱4,080,051	₱5,499,602

Retirement Benefits

The Parent Company has a funded, noncontributory defined benefit retirement plan covering substantially all of its regular employees. The benefits are based on a certain percentage of the final monthly basic salary for every year of credited service of the employees. The defined retirement benefit obligation is determined using the projected unit credit method. There was no plan termination, curtailment or settlement as of September 30, 2015 and December 31, 2014.

COLHK makes monthly contribution to a fund under the mandatory provident fund schemes ordinance enacted by the Hong Kong Government. The plan is defined contribution. Under the plan COLHK

should contribute 5% of the monthly relevant income of all its qualified employees. The contribution recognized as expense amounted to ₱246,257 and ₱232,009 in September 30, 2015 and 2014, respectively.

17. Income Taxes

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

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Cost of share-based payment	₱4,080,051	₱5,499,602
Accumulated translation adjustment	2,817,106	9,349,262
Retirement obligation	8,723,338	8,808,141
Allowance for credit losses on trade receivables from customers	527,655	1,023,070
Unrealized loss (gain) in the valuation of FVPL	30,885	(309,511)
Unrealized foreign exchange (gains) loss	(8,928)	7,869
NOLCO-COLHK	17,846,030	12,766,933
	₱34,016,137	₱37,145,366

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

As of September 30, 2015 and December 31, 2014, the Parent Company has temporary difference arising from allowance for credit losses on other noncurrent assets amounting to ₱13,724,200 for which no deferred tax asset was recognized since management believes that it is probable that this temporary difference will not be realized in the future.

b. In 2015, the Parent Company received and settled tax assessment from the BIR amounting to ₱23,676,425 for deficiency income tax due to disallowed cost of services and withholding taxes for the calendar year 2011, including interest and miscellaneous charges.

18. Related Party Disclosures

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

Category	Commission income	Interest income	Commission expense	Professional fees
Key management personnel				
September 30, 2015	₱1,417,947	₱573,797	₱ –	₱ –
September 30, 2014	1,522,020	348,733	–	–
Other related parties:				
Affiliates with common officers, directors and stockholders				
September 30, 2015	5,461,568	1,598,312	3,090	3,226,468
September 30, 2014	19,774,806	2,533,901	7,740	3,168,219
Directors				
September 30, 2015	17,353,249	360,301	–	–
September 30, 2014	13,376,451	5,794	–	–
Total	₱24,232,764	₱2,532,410	₱3,090	₱3,226,468
Total	₱34,673,277	₱2,888,428	₱7,740	₱3,168,219

Category	Trade payables	Trade receivables	Terms	Conditions
Key management personnel				
September 30, 2015	₱105,912,419	₱10,021,152	3-day; non-interest bearing/Collectible or payable on demand; interest bearing	Secured; no impairment; no guarantee
December 31, 2014	15,617,120	45,389,054		
Other related parties: Affiliates with common officers, directors and stockholders				
September 30, 2015	38,402,444	8,786,007	3-day; non-interest bearing/Collectible or payable on demand; interest bearing/Payable upon billing; non-interest bearing	Secured; no impairment; no guarantee
December 31, 2014	1,909,816	36,772,900		
Directors				
September 30, 2015	85,603,110	–	3-day; non-interest bearing/Collectible or payable on demand; interest bearing	Secured; no impairment; no guarantee
December 31, 2014	107,035,196	–		
Total	₱229,917,973	₱18,807,159		
Total	₱124,562,132	₱82,161,954		

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

	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Short-term employee benefits	₱21,053,536	₱19,949,872
Retirement costs	130,779	121,284
Stock options (see Note 16)	–	429,000
	₱21,184,315	₱20,500,156

19. Leases

The Group leases its office premises under separate operating lease agreements expiring on various dates and whose lease terms are negotiated every 1-3 years. Rental costs charged to operations amounted to ₱10,147,001 and ₱8,654,870 in September 30, 2015 and 2014, respectively.

The future minimum lease payments are as follows:

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Within one (1) year	₱9,619,109	₱12,011,340
After one (1) year but not more than five (5) years	2,395,073	9,242,871
	₱12,014,182	₱21,254,211

20. Capital Management

The primary objective of the Group's capital management is to ensure that the Group maintains healthy capital ratios in order to support its business, pay existing obligations and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the period ended September 30, 2015 and December 31, 2014.

The Amended Implementing Rules and Regulations of the SRC effective February 28, 2004 include, among others, revisions in the terms and conditions for registration and subsequent renewal of license applicable to both exchange trading participants and non-exchange broker dealers as follows: (a) to allow a net capital of ₱2.5 million or 2.5% of aggregate indebtedness, whichever is higher, for broker dealers dealing only in proprietary shares and not holding securities, (b) to allow the SEC to set a different net capital requirement for those authorized to use the Risk-Based Capital Adequacy (RBCA) model, and (c) to require unimpaired paid-up capital of ₱100.0 million for broker dealers, which are either first time registrants or those acquiring existing broker dealer firms and will participate in a registered clearing agency; ₱10.0 million plus a surety bond for existing broker dealers not engaged in market making transactions; and ₱2.5 million for broker dealers dealing only in proprietary shares and not holding securities.

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

The Parent Company being a registered broker in securities is subject to the stringent rules of the SEC and other regulatory agencies with respect to the maintenance of specific levels of RBCA ratios. RBCA is a ratio that compares the broker or dealer's total measured risk to its liquid capital. As a rule, the Parent Company must maintain an RBCA ratio of at least 110% and a net liquid capital (NLC) of at least ₱5.0 million or five percent (5%) of its aggregate indebtedness, whichever is higher. Also, the Aggregated Indebtedness (AI) of every stockbroker should not exceed two thousand percent (2,000%) of its NLC. In the event that the minimum RBCA ratio of 110% or the minimum NLC is breached, the Parent Company shall immediately cease doing business as a broker and shall notify the PSE and SEC. As of September 30, 2015 and December 31, 2014, the Parent Company is compliant with the said requirement.

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

The RBCA ratio of the Parent Company as of September 30, 2015 and December 31, 2014 are as follows:

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Equity eligible for net liquid capital	₱998,865,515	₱967,578,520
Less: Ineligible Assets	191,706,158	192,360,547
NLC	₱807,159,357	₱775,217,973
Position risk	₱952,997	₱3,549,916
Operational risk	139,461,571	130,743,519
Counterparty risk	4,998	—
Total Risk Capital Requirement	₱140,419,566	₱134,293,435

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
AI	₱6,652,692,921	₱4,864,850,475
5% of AI	₱332,634,646	₱243,242,524
Required NLC	332,634,646	243,242,524
Net Risk-Based Capital Excess	474,524,711	531,975,450
Ratio of AI to NLC	824%	628.00%
RBCA ratio	575%	577.00%

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

1. Ineligible assets
These pertain to fixed assets and assets which cannot be readily converted into cash.
2. Operational risk requirement
The amount required to cover a level of operational risk which is the exposure associated with commencing and remaining in business arising separately from exposures covered by other risk requirements. It is the risk of loss resulting from inadequate or failed internal processes, people and systems which include, among others, risks of fraud, operational or settlement failure and shortage of liquid resources, or from external events.
3. Position risk requirement
The amount necessary to accommodate a given level of position risk which is a risk to which a broker dealer is exposed to and arising from securities held by it as a principal or in its proprietary or dealer account.
4. Aggregate indebtedness
Total money liabilities of a broker dealer arising in connection with any transaction whatsoever, and includes, among other things, money borrowed, money payable against securities loaned and securities failed to receive, the market value of securities borrowed to the extent to which no equivalent value is paid or credited (other than the market value of margin securities borrowed from customers and margin securities borrowed from non-customers), customers' and non-customers' free credit balances, and credit balances in customers' and non-customers' account having short positions in securities subject to the exclusions provided in the said SEC Memorandum.

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

The Parent Company's regulated operations have complied with all externally-imposed capital requirements as of September 30, 2015 and December 31, 2014.

COLHK monitors capital using liquid capital as provided for under Hong Kong's Securities and Futures Ordinance (Cap. 571) and Securities and Futures (Financial Resources) Rules (Cap. 571N). COLHK's policy is to keep liquid capital at the higher of the floor requirement of Hong Kong dollar (HK\$) 3,000,000 and computed variable required capital. As of September 30, 2015 and December 31, 2014, COLHK is compliant with the said requirement.

21. Financial Risk Management Objectives and Policies

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

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

Credit risk

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

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

Aging Analyses of Financial Assets

The aging analyses of the Group's financial assets as at September 30, 2015 and December 31, 2014 are summarized in the following tables:

September 30, 2015 (Unaudited)

	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		4-14 days	15-31 days	More than 31 days		
Loans and receivables:						
Cash and cash equivalents	₱6,922,798,860	₱-	₱-	₱-	₱-	₱6,922,798,860
Cash in segregated account	276,127,102	-	-	-	-	276,127,102
Trade receivables	333,937,758	87,942,429	61,798,728	664,718,786	1,758,849	1,150,156,550
Other receivables	8,481,133	-	-	-	8,960,245	17,441,378
Refundable deposits	5,989,756	-	-	-	-	5,989,756
Financial assets at FVPL	1,763,703	-	-	-	-	1,763,703
Total	₱7,549,098,312	₱87,942,429	₱61,798,728	₱664,718,786	₱10,719,094	₱8,374,277,349

December 31, 2014 (Audited)

	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		4-14 days	15-31 days	More than 31 days		
Loans and receivables:						
Cash and cash equivalents	₱4,640,187,892	₱-	₱-	₱-	₱-	₱4,640,187,892
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	₱5,174,525,682	₱157,429,815	₱267,121,027	₱660,450,900	₱12,370,479	₱6,271,897,903

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

September 30, 2015 (Unaudited)

	Neither Past Due nor Specifically Impaired			Individually Impaired	Total
	High Grade	Standard Grade	Substandard Grade		
Loans and receivables:					
Cash and cash equivalents	₱6,922,798,860	₱-	₱-	₱-	₱6,922,798,860
Cash in a segregated account	276,127,102	-	-	-	276,127,102
Trade receivables	1,148,397,701	-	-	1,758,849	1,150,156,550
Other receivables	-	8,481,133	-	8,960,245	17,441,378
Refundable deposits	5,989,756	-	-	-	5,989,756
	8,353,313,419	8,481,133	-	10,719,094	8,372,513,646
Financial assets at FVPL	1,763,703	-	-	-	1,763,703
	₱8,355,077,122	₱8,481,133	₱-	₱10,719,094	₱8,374,277,349

December 31, 2014 (Audited)

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

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 September 30, 2015 and December 31, 2014, ₱962,167,840 and ₱1,413,523,154 of the total receivables from customers is secured by collateral comprising of cash and equity securities of listed companies with a total market value of ₱4,139,217,751 and ₱6,792,074,324, respectively (see Note 7).

Transactions through the stock exchange are covered by the guarantee fund contributed by member

brokers and maintained by the clearing house. There are no past due accounts as at September 30, 2015 and December 31, 2014.

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

Standard grade

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

Financial Assets at FVPL

High grade

Companies that are consistently profitable, have strong fundamentals and pays out dividends.

As at September 30, 2015 and December 31, 2014, the Group's financial assets at FVPL are classified as high grade since these are with listed companies of good reputation.

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

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

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Cash and cash equivalents (see Note 4)*	₱6,922,798,860	₱4,640,150,645
Cash in a segregated account (see Note 5)	276,127,102	154,129,025
Financial assets at FVPL (see Note 6)	1,763,703	9,375,564
Trade receivables (see Note 7)	1,148,397,701	1,438,423,878
Other receivables (see Note 7)	8,481,133	12,130,063
Refundable deposits (see Note 10)	5,989,756	5,281,002
	8,363,558,255	6,259,490,177
Unutilized margin trading facility	4,444,046,378	4,280,085,476
	₱12,807,604,633	₱10,539,575,653

**Excluding cash on hand*

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

Liquidity Risk

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

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

As at September 30, 2015 and December 31, 2014, all of the Group's financial liabilities, which consist of trade payables and other current liabilities, are contractually payable on demand and up to sixty (60) days' term.

Correspondingly, the financial assets that can be used by the Group to manage its liquidity risk as at

September 30, 2015 and December 31, 2014 consist of cash and cash equivalents, cash in a segregated account, financial assets at FVPL and trade receivables.

Market Risk

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

Equity Price Risk

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

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

Since the carrying amount of financial assets subject to equity price risk is immaterial relative to the consolidated financial statements, management believes that disclosure of equity price risk sensitivity analysis as at September 30, 2015 and December 31, 2014 is not significant.

Foreign Currency Risk

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

The Group's exposure to foreign currency exchange risk arises from its US dollar-denominated cash in banks amounting to US\$7,976 and US\$82,822 as at September 30, 2015 and December 31, 2014, respectively.

Since the amount of US\$-denominated cash in bank subject to foreign currency risk is immaterial relative to the consolidated financial statements, management believes that disclosure of foreign currency risk analysis as at September 30, 2015 and December 31, 2014 is not significant.

22. Financial Instruments

The following table shows the carrying values and fair values of the Group's assets and liabilities, whose carrying values does not approximate its fair values as at September 30, 2015 and December 31, 2014:

	Carrying Values		Fair Values	
	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Financial Assets				
Loans and receivables:				
Refundable deposits	₱5,989,756	₱5,281,002	₱5,217,273	₱4,483,853
Intangibles				
Exchange trading right	₱5,000,000	₱5,000,000	₱8,500,000	₱8,500,000

Financial Instruments Whose Carrying Amount Approximate Fair Value

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

Financial Assets at FVPL

The Group's financial assets at FVPL are carried at their fair values as at September 30, 2015 and December 31, 2014. 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 2.8% to 8.38% as at September 30, 2015 and December 31, 2014, respectively. There are no changes in the valuation techniques in 2015 and 2014.

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:

September 30, 2015 (Unaudited)

	Level 1	Level 2	Level 3
Asset measured at fair value			
Financial assets at FVPL	₱1,763,703	₱–	₱–
Asset for which fair values are disclosed			
Intangibles			
Exchange trading right	8,500,000	₱–	₱–
Refundable deposits	–	–	5,217,273
	₱10,263,703	₱–	₱5,217,273

December 31, 2014 (Audited)

	Level 1	Level 2	Level 3
Asset measured at fair value			
Financial assets at FVPL	₱9,375,564	₱–	₱–
Asset for which fair values are disclosed			
Intangibles			
Exchange trading right	8,500,000	₱–	₱–
Refundable deposits	–	–	4,483,853
	₱17,875,564	₱–	₱4,483,853

During the period ended September 30, 2015 and the year ended December 31, 2014, there were no transfers among levels 1, 2 and 3 of fair value measurements.

23. Contingency

In relation to the disclosure made on Note 7 with respect to the case filed by the Parent Company with the CTA, a Decision in favor of the Parent Company was issued by the CTA on April 15, 2014, granting Parent Company's Petition for the refund and/or issuance of Tax Credit Certificate in the amount of 8,960,245. On May 8, 2014, the Commissioner of Internal Revenue (CIR) filed its MR which was later denied for lack of merit in CTA's Resolution dated June 2, 2014. On July 5, 2014, the CIR filed a Petition for Review with the CTA En Banc requesting said Court to reconsider, reverse, and set aside the Decision dated April 15, 2014 and Resolution dated June 2, 2014. The case is still pending with the CTA En Banc as at September 30, 2015.

24. EPS Computation

	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Net income	₱246,401,844	₱ 249,174,207
Weighted average number of shares for basic earnings per share	474,775,000	468,750,000
Dilutive shares arising from stock options	1,000,000	7,150,000
Adjusted weighted average number of shares of common shares for diluted earnings per share	475,775,000	475,900,000
Basic earnings per share	₱0.52	₱0.53
Diluted earnings per share	₱0.52	₱0.52

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:

September 30, 2015 (Unaudited)

	Philippines	Hong Kong	Elimination	Total
Revenue from external customers:				
Commissions	₱364,039,961	₱27,088,731	₱–	₱391,128,692
Interest	162,005,619	42	–	162,005,661
Others	14,403,161	797,049	–	15,200,210
Inter-segment revenue	34,087,579		(34,087,579)	–
Segment revenue	574,536,320	27,885,822	(34,087,579)	568,334,563
Cost of services	(123,687,785)	(11,771,576)	–	(135,459,361)
Operating expenses	(100,388,161)	(41,705,009)	34,002,592	(108,090,578)
Depreciation	(12,530,094)	–	–	(12,530,094)
Total expenses	(236,606,040)	(53,476,585)	34,002,592	(256,080,033)
Income (loss) before income tax	337,930,280	(25,590,763)	(84,987)	312,254,530
(Provision for) benefit from income tax	(70,074,903)	4,222,217	–	(65,852,686)
Net income (loss)	₱267,855,377	(21,368,546)	(₱84,987)	₱246,401,844
Segment assets	₱7,898,184,202	₱708,976,050	(₱138,761,431)	₱8,468,398,821
Segment liabilities	6,890,321,746	282,116,262	(3,935,935)	7,168,502,073
Capital expenditures:				
Tangible fixed assets	13,615,124	484,424	–	14,099,548
Cash flows arising from:				
Operating activities	2,712,846,740	(179,269,136)	–	2,533,577,604
Investing activities	(13,614,047)	(484,424)	–	(14,098,471)
Financing activities	450,000	(237,275,000)	–	(236,825,000)

December 31, 2014 (Audited)

	Philippines	Hong Kong	Elimination	Total
Revenue from external customers:				
Commissions	₱464,636,005	₱38,754,036	₱–	₱503,390,041
Interest	203,128,988	1,235	–	203,130,223
Others	4,667,387	363,059	–	5,030,446
Inter-segment revenue	44,717,507	–	(44,717,507)	–
Segment revenue	717,149,887	39,118,330	(44,717,507)	711,550,710
Cost of services	(177,415,221)	(16,472,809)	–	(193,888,030)
Operating expenses	(150,736,281)	(55,549,692)	44,654,168	(161,631,805)
Depreciation and amortization	(14,913,322)	(133,491)	–	(15,046,813)

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

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

	September 30, 2015	September 30, 2014
Profitability ratios:		
Return on assets	3%	4%
Return on equity (annualized)	26%	26%
Net profit margin	43%	48%
Solvency and liquidity ratios:		
Current ratio	1.17:1	1.22:1
Debt to equity ratio	5.56:1	4.27:1
Quick ratio	1.17:1	1.21:1
Asset to equity ratio	6.57:1	5.26:1