

- 3 -

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
First Metro Securities Brokerage Corporation
18th Floor, PSBank Center
777 Paseo de Roxas corner Sedenio Street
Makati City

We have audited the accompanying financial statements of First Metro Securities Brokerage Corporation, a wholly owned subsidiary of First Metro Investment Corporation, and Subsidiary (the Group), and the parent company financial statements of First Metro Securities Brokerage Corporation (the Parent Company), which comprise the consolidated and the parent company statements of financial condition as of December 31, 2009 and 2008, and the consolidated and the parent company statements of comprehensive income, the consolidated and the parent company statements of changes in equity, and the consolidated and the parent company statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

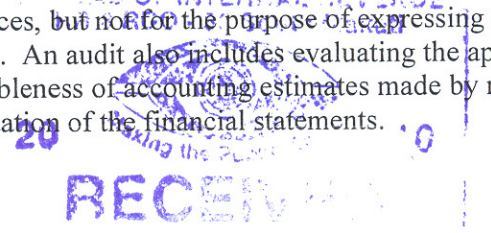
Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Philippines as described in Note 2 to the financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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



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

Opinion

In our opinion, the consolidated and the parent company financial statements present fairly, in all material respects, the financial position of the Group and of the Parent Company as of December 31, 2009 and 2008, and their financial performance and their cash flows for the years then ended in accordance with accounting principles generally accepted in the Philippines as described in Note 2 to the financial statements.

SYCIP GORRES VELAYO & CO.



Vicky B. Lee-Salas

Partner

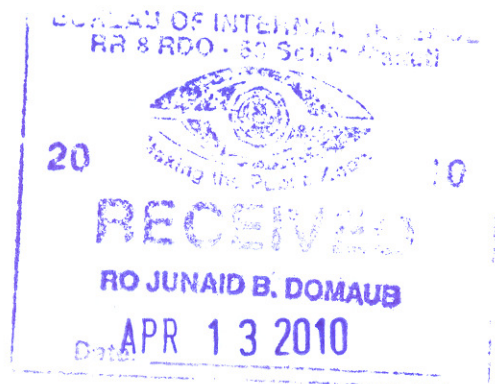
CPA Certificate No. 86838

SEC Accreditation No. 0115-AR-2

Tax Identification No. 129-434-735

PTR No. 2087542, January 4, 2010, Makati City

February 19, 2010



STATEMENTS OF FINANCIAL CONDITION

	Consolidated		Parent Company	
	December 31		December 31	
	2009	2008	2009	2008
ASSETS				
Cash and Cash Equivalents (Note 6)	₱192,624,962	₱181,077,559	₱136,791,396	₱127,393,914
Securities at Fair Value through Profit or Loss (Note 7)	45,521,618	4,644,154	45,521,618	4,644,154
Available-for-sale Investments (Note 7)	32,750,000	24,461,857	32,750,000	24,461,857
Receivable from:				
Clearing house (Note 8)	12,997,304	-	12,997,304	-
Customers (Note 9)	63,619,264	46,170,414	63,619,264	46,170,414
Others (Note 10)	3,914,484	6,796,145	3,850,635	6,796,145
Investment in a Subsidiary (Note 11)	-	-	50,000,000	50,000,000
Property and Equipment (Note 12)	4,451,623	6,904,932	4,451,603	6,904,912
Investment Property (Note 13)	2,167,291	2,355,815	2,167,291	2,355,815
Exchange Trading Right (Note 14)	4,750,000	4,750,000	4,750,000	4,750,000
Other Assets (Note 15)	3,573,099	5,420,616	3,554,279	4,792,871
	<u>₱366,369,645</u>	<u>₱282,581,492</u>	<u>₱360,453,390</u>	<u>₱278,270,082</u>
Securities in Box, Transfer Offices and Philippine Depository and Trust Corp.			₱25,582,965,494	
LIABILITIES AND EQUITY				
Liabilities				
Payable to:				
Clearing house and other brokers (Note 16)	₱43,926	₱14,558,495	₱43,926	₱14,558,495
Customers (Note 17)	147,699,644	40,554,143	147,699,644	40,554,143
Accrued Expenses and Other Liabilities (Note 18)	9,596,643	5,905,521	9,564,145	5,873,023
Dividend Payable (Note 22)	-	50,000,000	-	50,000,000
Deferred Tax Liabilities (Note 19)	7,050,932	1,307,879	7,050,932	1,307,879
Retirement Liability (Note 20)	1,748,641	1,672,888	1,748,641	1,672,888
	<u>166,139,786</u>	<u>113,998,926</u>	<u>166,107,288</u>	<u>113,966,428</u>
Equity				
Capital Stock (Note 22)	130,000,000	130,000,000	130,000,000	130,000,000
Retained Earnings (Note 22):				
Unappropriated	39,311,269	21,917,905	33,427,512	17,638,993
Appropriated	12,543,590	10,627,237	12,543,590	10,627,237
Net Unrealized Gain on Available-for-sale Investments (Note 7)	200,229,859	18,375,000	18,375,000	6,037,424
	<u>₱366,369,645</u>	<u>₱282,581,492</u>	<u>₱360,453,390</u>	<u>₱278,270,082</u>
			₱25,582,965,494	

See accompanying Notes to Financial Statements.



FIRST METRO SECURITIES BROKERAGE CORPORATION
(A Wholly Owned Subsidiary of First Metro Investment Corporation)
AND SUBSIDIARY

STATEMENTS OF COMPREHENSIVE INCOME

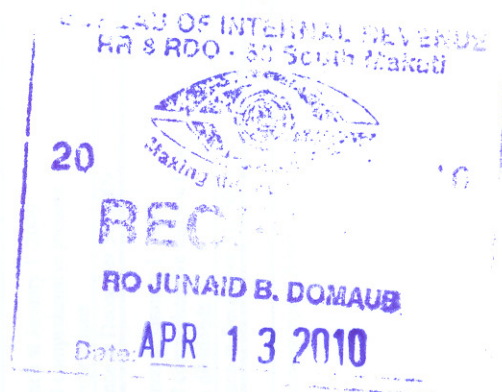
	Consolidated		Parent Company	
	Years Ended December 31			
	2009	2008	2009	2008
INCOME				
Commissions (Note 21)	₱47,945,732	₱28,442,573	₱47,945,732	₱28,442,573
Trading gain (loss) - net (Note 7)	7,881,203	(1,852,593)	7,881,203	(1,852,593)
Interest (Notes 6, 7 and 21)	5,051,868	8,812,727	3,045,812	6,238,557
Dividend	1,372,479	1,048,776	1,372,479	1,048,776
Miscellaneous (Notes 21 and 23)	1,913,463	1,535,335	1,913,463	1,535,335
	64,164,745	37,986,818	62,158,689	35,412,648
EXPENSES				
Employees' compensation and fringe benefits (Notes 20 and 21)	16,851,445	10,961,199	16,851,445	10,961,199
Depreciation and amortization (Notes 12 and 13)	2,992,373	3,852,081	2,992,373	3,852,081
Transfer and exchange fees	2,788,833	1,532,358	2,788,833	1,532,358
Research and other technical costs (Note 21)	2,714,577	1,432,120	2,714,577	1,432,120
Rent, power and light (Notes 21 and 23)	2,534,527	2,074,708	2,534,527	2,074,708
Management and professional fees (Note 21)	1,369,482	3,802,057	1,369,482	3,802,057
Messengerial and clerical services	1,156,961	1,821,789	1,156,961	1,821,789
Communications	1,079,399	1,438,237	1,079,399	1,438,237
Provision for impairment losses (Note 15)	998,030	—	998,030	—
Entertainment, amusement and recreation (Note 19)	737,469	1,498,645	737,469	1,498,645
Transportation and travel	598,548	462,903	598,548	462,903
Office supplies	573,544	517,805	573,544	517,805
Advertising	560,304	594,353	560,304	594,353
Insurance	480,614	335,384	480,614	335,384
Taxes and licenses	416,845	213,741	416,845	213,741
Repairs and maintenance	318,966	417,051	318,966	417,051
Association dues	228,112	274,403	228,112	274,403
Miscellaneous	2,772,680	723,844	2,772,680	723,844
	39,172,709	31,952,678	39,172,709	31,952,678
INCOME BEFORE INCOME TAX	24,992,036	6,034,140	22,985,980	3,459,970
PROVISION FOR INCOME TAX (Note 19)	5,682,319	2,516,146	5,281,108	2,001,313
NET INCOME	19,309,717	3,517,994	17,704,872	1,458,657

(Forward)



	Consolidated		Parent Company	
	Years Ended December 31			
	2009	2008	2009	2008
OTHER COMPREHENSIVE INCOME (LOSS)				
Changes in fair values of available-for-sale investments	₱17,750,000	(₱37,199,649)	₱17,750,000	(₱37,199,649)
Net loss from sale of available-for-sale investments taken to profit or loss	(87,424)	(2,526,586)	(87,424)	(2,526,586)
Changes in deferred tax due to fair value changes of available-for-sale investments	(5,325,000)	13,019,877	(5,325,000)	13,019,877
	12,337,576	(26,706,358)	12,337,576	(26,706,358)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	₱31,647,293	(₱23,188,364)	₱30,042,448	(₱25,247,701)

See accompanying Notes to Financial Statements.



See accompanying Notes to Financial Statements.

FIRST METRO SECURITIES BROKERAGE CORPORATION
(A Wholly Owned Subsidiary of First Metro Investment Corporation)
AND SUBSIDIARY

STATEMENTS OF CASH FLOWS

	Consolidated		Parent Company	
	Years Ended December 31			
	2009	2008	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	₱24,992,036	₱6,034,140	₱22,985,980	₱3,459,970
Adjustments for:				
Depreciation and amortization (Notes 12 and 13)	2,992,373	3,852,081	2,992,373	3,852,081
Provision for impairment losses (Note 15)	998,030	—	998,030	—
Retirement expense (Note 20)	332,462	909,202	332,462	909,202
Unrealized foreign exchange loss (gain) - net	3,636	(22,899)	—	—
Provision for (reversal of) allowance for credit losses (Note 9)	(8,794)	43,301	(8,794)	43,301
Gain on sale of available-for-sale investments	(169,390)	—	(169,390)	—
Unrealized loss (gain) on securities at fair value through profit or loss (Note 7)	(1,255,604)	593,813	(1,255,604)	593,813
Changes in operating assets and liabilities:				
Decrease (increase) in the amounts of:				
Securities at fair value through profit or loss	(41,121,860)	10,050,461	(41,121,860)	10,050,461
Receivables from clearing house	(12,997,304)	41,947,183	(12,997,304)	41,947,183
Receivable from customers	(17,440,056)	5,034,330	(17,440,056)	5,034,330
Other receivables	2,881,661	(3,648,414)	2,945,510	(4,086,872)
Other assets	(1,708,652)	(5,080,195)	(2,317,577)	(4,470,470)
Increase (decrease) in the amounts of:				
Payables to clearing house and other brokers	(14,514,569)	14,558,495	(14,514,569)	14,558,495
Payable to customers	107,145,501	(64,304,144)	107,145,501	(64,304,144)
Accrued expenses and other liabilities	3,691,122	(5,761,018)	3,691,122	(5,761,018)
Retirement liability	(256,709)	—	(256,709)	—
Net cash generated from operations	53,563,883	4,206,336	51,009,115	1,826,332
Income taxes paid	(2,700,877)	(16,884,037)	(2,299,666)	(16,369,204)
Net cash provided by (used in) operating activities	50,863,006	(12,677,701)	48,709,449	(14,542,872)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of available-for-sale investments	11,038,573	78,150,511	11,038,573	78,150,511
Acquisitions of available-for-sale investments	—	(26,706,358)	—	(26,706,358)
Acquisitions of property and equipment (Note 12)	(350,540)	(1,435,270)	(350,540)	(1,435,270)
Net cash provided by investing activities	10,688,033	50,008,883	10,688,033	50,008,883

(Forward)

	Consolidated		Parent Company	
	Years Ended December 31			
	2009	2008	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash dividends paid (Note 21)	(P50,000,000)	P–	(P50,000,000)	P–
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(3,636)	22,899	–	–
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,547,403	37,354,081	9,397,482	35,466,011
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	181,077,559	143,723,478	127,393,914	91,927,903
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	P192,624,962	P181,077,559	P136,791,396	P127,393,914

OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS

	Consolidated		Parent Company	
	Years Ended December 31			
	2009	2008	2009	2008
Interest received	₱5,393,634	₱10,214,229	₱3,451,427	₱7,201,600
Dividends received	1,372,479	1,048,776	1,372,479	1,048,776
	₱6,766,113	₱11,263,005	₱4,823,906	₱8,250,376

See accompanying Notes to Financial Statements.

2. Summary of

Back of Prep

The accounting records as well as the functional currency

Statement of

The financial statements are prepared in accordance with the principles generally accepted in the Philippines for the preparation of PFRS requires the

Basis of Consolidation

The consolidated financial statements of the Company and its subsidiaries are prepared on a consistent accounting

SCHEDULE II

FIRST METRO SECURITIES BROKERAGE CORPORATION
(A Wholly Owned Subsidiary of First Metro Investment Corporation)
RISK-BASED CAPITAL ADEQUACY WORKSHEET
PURSUANT TO SEC MEMORANDUM CIRCULAR NO. 16
DECEMBER 31, 2009

Assets	P360,453,390
Liabilities	166,107,288
Equity as per books	194,346,102
Adjustments to Equity per books	
Add (Deduct):	
Allowance for market decline	-
Subordinated Liabilities	-
Unrealized Gain / (Loss) in proprietary accounts	-
Deferred Income Tax	-
Revaluation Reserves	-
Deposit for Future Stock Subscription (No application with SEC)	
Minority Interest	-
Adjustments to Equity per books	-
Equity Eligible For Net Liquid Capital	194,346,102
Contingencies and Guarantees	
Deduct: <u>Contingent Liability</u>	-
Guarantees or indemnities	-
Ineligible Assets	
a. Trading Right and all Other Intangible Assets (net)	4,750,000
b. Intercompany Receivables	872,933
c. Fixed Assets, net of accumulated and excluding those used as collateral	4,451,603
d. All Other Current Assets	7,284,154
e. Securities Not Readily Marketable	50,000,000
f. Negative Exposure (SCCP)	207,104
g. Notes Receivable (non-trade related)	-
h. Interest and Dividends Receivables outstanding for more than 30 days	-
i. Ineligible Insurance claims	-
j. Ineligible Deposits	-
k. Short Security Differences	-
l. Long Security Differences not resolved prior to sale	-
m. Other Assets including Equity Investment in PSE	38,225,143
Total ineligible assets	105,790,937
Net Liquid Capital (NLC)	88,555,165
Less:	
Operational Risk Reqt (Schedule ORR-1)	10,728,948
Position Risk Reqt (Schedule PRR-1)	10,311,778
Counterparty Risk (Schedule CRR-1 and detailed schedules)	360
Large Exposure Risk (Schedule LERR-1, LERR-2, LERR-3)	
LERR to a single client (LERR-1)	
LERR to a single debt (LERR-2)	
LERR to a single issuer and group of companies (LERR-3)	
Total Risk Capital Requirement (TRCR)	21,041,086
Net RBCA Margin (NLC-TRCR)	67,514,079
Liabilities	166,107,288
Add: Deposit for Future Stock Subscription (No application with SEC)	
Less: Exclusions from Aggregate Indebtedness	
Subordinated Liabilities	
Loans secured by securities	
Loans secured by fixed assets	
Others	7,050,932
Total adjustments to AI	(7,050,932)
Aggregate Indebtedness	159,056,356
5% of Aggregate Indebtedness	7,952,818
Required Net Liquid Capital (> of 5% of AI or P5M)	7,952,818
Net Risk-based Capital Excess / (Deficiency)	80,602,347
Ratio of AI to Net Liquid Capital	180%
RBCA Ratio (NLC / TRCR)	421%



SCHEDULE IV

**FIRST METRO SECURITIES BROKERAGE CORPORATION
(A Wholly Owned Subsidiary of First Metro Investment Corporation)
COMPUTATION FOR DETERMINATION OF
RESERVE REQUIREMENTS UNDER SRC RULE 49.2
DECEMBER 31, 2009**

Particulars	Credits	Debits
1. Free credit balance and other credit balance in customers' security accounts.	₱147,743,570	
2. Monies borrowed collateralized by securities carried for the account of customers.		
3. Monies payable against customers' securities loaned.		
4. Customers' securities failed to receive.		
5. Credit balances in firm accounts, which are attributable to principal sales to customers.		
6. Market value of stock dividends stock splits and similar distribution receivable outstanding over 30 calendar days old.		
7. Market value of the short security count differences over 30 calendar days old.		
8. Market value of short securities and credits (not to be offset by long or by debits) in all suspense accounts over 30 calendar days.		
9. Market value of securities, which are in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the transfer agent or the issuer during the 40 days.		
10. Debit balances in customers' cash or margin accounts excluding unsecured accounts and accounts doubtful of collection.		₱75,850,401
11. Securities borrowed to effectuate short sales by customer and securities borrowed to make deliver on customers' securities failed to delivery.		
12. Failed to delivery customers' securities not older than 30 calendar days.		
13. Others - sales/purchases of marketable securities.		
Total	₱147,743,570	₱75,850,401
Net Credit (Debit)	₱71,893,169	
Required Reserve (100% of net credit if making a weekly computation and 105% if monthly)	₱75,487,827	

