

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
First Union Plans, Inc.
25th Floor, UnionBank Plaza, Meralco Avenue
Cor. Onyx Street, Ortigas Center, Pasig City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of First Union Plans, Inc. (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in capital deficiency and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with accounting principles generally accepted in the Philippines for pre-need companies as described in Note 2 to the financial statements.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the Philippines for pre-need companies as described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



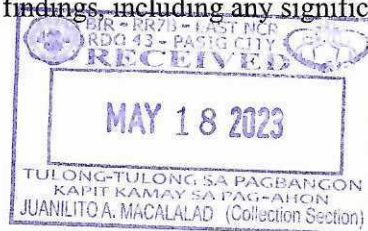
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 17 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of First Union Plans, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Janet A. Paraiso
Janet A. Paraiso

Partner

CPA Certificate No. 92305

Tax Identification No. 193-975-241

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 92305-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-062-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9369768, January 3, 2023, Makati City

May 2, 2023



FIRST UNION PLANS, INC.
(A Wholly Owned Subsidiary of UBP Investments Corporation)
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash (Note 6)	₱17,703,248	₱24,829,322
Prepayments and other current assets (Note 7)	214,958	226,621
	17,918,206	25,055,943
Noncurrent Assets		
Trust funds (Note 8)	71,442,276	79,266,465
Property and equipment (Note 9)	75,974	273,188
	71,518,250	79,539,653
	₱89,436,456	₱104,595,596
LIABILITIES AND CAPITAL		
Current Liabilities		
Accounts payable and accrued expenses (Note 10)	₱13,645,583	₱17,714,279
Pre-need reserves – current	6,213,480	396,288
	19,859,063	18,110,567
Noncurrent Liabilities		
Pre-need reserves - net current portion (Note 11)	6,132,522	15,087,103
Insurance premium reserves (Note 11)	4,822	4,822
Post-employment defined benefit obligation (Note 13)	202,287	1,081,489
	6,339,631	16,173,414
	26,198,694	34,283,981
CAPITAL		
Capital stock (Note 15)	89,828,000	89,828,000
Additional paid-in capital (Note 15)	530,179,784	530,179,784
Remeasurement gains on post-employment defined benefit obligation (Note 13)	1,705,602	583,247
Net unrealized fair value losses on investment securities (Note 8)	(174,175)	(223,155)
Deficit	(558,301,449)	(550,056,261)
	63,237,762	70,311,615
	₱89,436,456	₱104,595,596

See accompanying Notes to Financial Statements.



FIRST UNION PLANS, INC.**(A Wholly Owned Subsidiary of UBP Investments Corporation)****STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31	
	2022	2021
INCOME		
Trust fund income (loss) (Note 8)	(₱1,300,781)	₱211,704
Other income (Notes 6 and 10)	129,291	3,608,663
	(1,171,490)	3,820,367
COSTS AND EXPENSES		
Cost of plan contracts issued:		
Decrease in pre-need and insurance premium reserves (Note 11)	(6,622,389)	(65,086,649)
Plan benefits expense	6,622,389	65,442,883
	—	356,234
Other direct costs and expenses	4,186	4,818
Finance costs (Note 10)	6,389	25,030
General and administrative expenses (Note 12)	7,042,841	7,870,059
	7,053,416	8,256,141
LOSS BEFORE TAX	(8,224,906)	(4,435,774)
PROVISION FOR INCOME TAX (Note 14)	20,282	21,733
NET LOSS	(8,245,188)	(4,457,507)
OTHER COMPREHENSIVE INCOME		
<i>Item that will be reclassified subsequently to profit or loss</i>		
Changes in fair value of financial assets at FVOCI	48,980	(675,856)
<i>Item that will not be reclassified subsequently to profit or loss</i>		
Remeasurement gains (losses) on post-employment defined benefit obligation (Note 13)	1,122,355	(103,993)
	1,171,335	(779,849)
TOTAL COMPREHENSIVE LOSS	(₱7,073,853)	(₱5,237,356)

See accompanying Notes to Financial Statements.



FIRST UNION PLANS, INC.**(A Wholly Owned Subsidiary of UBP Investments Corporation)****STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY****FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	Capital Stock (Note 15)	Additional Paid-in Capital (Note 15)	Remeasurement Gains on Post-Employment Defined Benefit Obligation (Note 13)	Net Unrealized Fair Value Losses on Investment Securities (Note 8)	Deficit (Note 15)		Total
					Appropriated	Unappropriated	
Balances at January 1, 2022	₱89,828,000	₱530,179,784	₱583,247	(₱223,155)	₱1,293,213	(₱551,349,474)	₱70,311,615
Net loss	—	—	—	—	—	(8,245,188)	(8,245,188)
Other comprehensive income	—	—	1,122,355	48,980	—	—	1,171,335
Total comprehensive loss	—	—	1,122,355	48,980	—	(8,245,188)	(7,073,853)
Balances at December 31, 2022	₱89,828,000	₱530,179,784	₱1,705,602	(₱174,175)	₱1,293,213	(₱559,594,662)	(₱63,237,762)
Balances at January 1, 2021	₱89,828,000	₱530,179,784	₱687,240	₱452,701	₱57,078,590	(₱602,677,344)	₱75,548,971
Reversal of previous appropriations (Note 15)	—	—	—	—	(55,785,375)	55,785,375	—
Net income	—	—	—	—	—	(4,457,507)	(4,457,507)
Other comprehensive income	—	—	(103,993)	(675,856)	—	—	(779,849)
Total comprehensive income	—	—	(103,993)	(675,856)	—	(4,457,507)	(5,237,356)
Balances at December 31, 2021	₱89,828,000	₱530,179,784	₱583,247	(₱223,155)	₱1,293,213	(₱551,349,474)	₱70,311,615

See accompanying Notes to Financial Statements.



FIRST UNION PLANS, INC.**(A Wholly Owned Subsidiary of UBP Investments Corporation)****STATEMENTS OF CASH FLOWS**

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(P8,224,906)	(P4,435,774)
Adjustments for:		
Trust fund loss (income) (Note 8)	1,300,781	(211,704)
Depreciation and amortization (Note 12)	197,214	272,318
Interest income	(101,409)	(108,663)
Interest expense	6,389	25,030
Operating loss before working capital changes	(6,821,931)	(4,458,793)
Changes in operating assets and liabilities:		
Decrease in Prepayments and other current assets	11,663	(14,499)
Increase (decrease) in:		
Accounts payable and accrued expenses	(3,875,332)	(131,965,479)
Pre-need reserves	(3,137,389)	(2,191,650)
Pension obligation	243,152	301,676
Net cash used in operations	(13,579,837)	(138,328,745)
Withdrawals from trust fund (Note 8)	6,622,389	65,442,883
Contributions to trust fund (Note 8)	(50,000)	(78,397,882)
Interest paid	(6,389)	(25,030)
Final taxes paid	(20,282)	(21,733)
Net cash used in operating activities	(7,034,119)	(151,330,507)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	101,409	108,663
Acquisition of office equipment	–	(31,541)
Net cash provided by investing activities	101,409	77,122
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of principal of lease liabilities	(193,365)	(261,904)
NET DECREASE IN CASH	(7,126,075)	(151,515,289)
CASH AT BEGINNING OF YEAR	24,829,323	176,344,611
CASH AT END OF YEAR	P17,703,248	P24,829,322

See accompanying Notes to Financial Statements.