

Registered No. 14645212

PRUDENTIAL FUNDING (ASIA) PLC

Annual Report and Accounts

**For the period from incorporation on 7 February 2023 to
31 December 2023**

Annual report and accounts for the period from incorporation on 7 February 2023 to 31 December 2023

Contents

COMPANY INFORMATION	3
STRATEGIC REPORT	4
DIRECTORS' REPORT	7
STATEMENT OF COMPREHENSIVE INCOME	16
STATEMENT OF CHANGES IN EQUITY	16
STATEMENT OF FINANCIAL POSITION.....	17
NOTES TO THE ACCOUNTS.....	18

COMPANY INFORMATION

Directors

K J Devlin (appointed at incorporation on 7 February 2023)
S D Rich (appointed at incorporation on 7 February 2023)
R L Wyatt (appointed at incorporation on 7 February 2023)

Secretary

Prudential Group Secretarial Services Limited

Auditor

Ernst & Young LLP, London

Incorporated and registered in England and Wales. Registered no. 14645212.

Registered office: 1 Angel Court, London EC2R 7AG.

STRATEGIC REPORT

The directors of Prudential Funding (Asia) plc ('the Company') present their strategic report for the period to 31 December 2023.

Principal activities

Prudential Funding (Asia) plc ('the Company') is a public limited company incorporated and registered in England and Wales with registered number 14645212. The ultimate controlling party of the Company is Prudential plc. The principal activity of the Company throughout the period from incorporation was to operate as a finance company.

The objective of the company is to provide funding to Prudential plc and its subsidiaries (the 'Prudential Group').

Developments in the period

The company was incorporated on 7 February 2023. On 2 March 2023 the company assumed primary responsibility for listed borrowings with a fair value of \$3,588 million from Prudential plc, the Company's ultimate parent. In consideration for this transfer the Company obtained loan receivable assets due from Prudential plc which have identical terms and duration to the listed borrowings, except for an additional margin applied to the interest rate receivable for each instrument. As a result of the additional margin applied, the value of the loan receivable assets exceeded the value of the listed borrowings by \$17 million, which was recognised in the statement of changes in equity as a capital contribution to the Company. All of the Company's listed debt liabilities are guaranteed by Prudential plc.

Following initial recognition these financial instruments are subsequently measured at amortised cost, with interest income and expense recognised according to the instruments' effective interest rate.

On 15 June 2023 the Company issued an additional share to Prudential Corporation Asia Limited, the Company's immediate parent, for consideration of \$400 million, resulting in an equivalent increase in share capital and premium. The \$400 million consideration was on-lent to Prudential International Treasury Limited. The Company will earn interest on this loan at current market interest rates.

Key Performance Indicators

The key performance indicators used by the directors to monitor the performance of the business are profit before tax and net assets.

The profit before tax of \$12.7 million in the period reflects finance income from other group companies less the finance cost of borrowing due to external bondholders. The net assets of the company at 31 December 2023 were \$429.5 million.

Principal risks and uncertainties

- **Market Risk**

The Company holds financial assets and liabilities denominated in currencies other than US Dollars, its functional currency. Assets and liabilities denominated in foreign currencies are closely matched in terms of value, timing and duration, with net exposure only arising from the additional margin applied to the interest rate on debt receivables from Prudential plc.

The interest rates on the Company's listed debt liabilities, and backing receivables from Prudential plc are fixed. The interest rate on the Company's loan receivable from Prudential International Treasury Limited reflects current market interest rates.

- **Credit and Liquidity Risk**

The Company's assets consist of amounts due from Prudential plc and other Prudential Group Companies. The Company's financial position, and ability to meet its obligations as they fall due is therefore dependent on the ability of these companies to meet their obligations on a timely basis. At 31 December 2023 Prudential plc had consolidated IFRS shareholders' equity of \$17.8 billion.

- Global economic and geopolitical conditions

The Prudential Group operates in a macroeconomic and global financial market environment that continues to present significant uncertainties and potential challenges. For example, while headline inflation has moved down in 2023, core inflation has remained well above central bank targets and central banks may need to maintain tight monetary policies to rein in inflation, which could exert downward pressures on growth. In the major emerging markets, inflation has generally been less severe and monetary policies have been less restrictive. However, this environment of relatively high global interest rates presents a meaningful recession risk and is putting pressure on banks' balance sheets and margins. This could result in a pullback in both credit supply and credit demand and lead to a sharper tightening in global credit conditions. Challenges in the US and EU banking sector increased risk in the US commercial real estate sector. The weak growth and concerns around the Chinese Mainland property sector put a toll on the Chinese Mainland economy and could weigh on the broader Asian region and the global economy's vitality going forward. Geopolitical tensions between Russia and Ukraine, Israel and Gaza, as well as the Chinese Mainland and countries such as the United States and India, continued to contribute to the slow and/or negative global or regional economic growth in 2023. These conflicts may lead to further realignment among blocs or global polarisation and decoupling. Challenging macroeconomic conditions could also negatively impact the Prudential Group's financial performance.

- Sustainability risks

The sustainability risks of the Prudential Group are set out in the Prudential plc 2023 Annual Report. The activities of the Company, being to provide funding to Prudential plc and other Group companies, are such that its exposure to sustainability risks, including climate change risks, are limited to scenarios in which the sustainability risks of the Prudential Group impact the Company's operations, and hence it is currently not material.

Section 172 and Stakeholder engagement statement

Section 172 of the UK Companies Act requires each Director to act in a way that he or she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing this, Section 172 requires a Director to have regard (among other matters) to the needs of employees, suppliers, customers and other wider stakeholder interests.

The Board received a briefing reminding Directors of their statutory duties under Section 172.

Due to the nature of the Company's principal activity as a finance company within the Prudential Group, the stakeholders and strategic business activities of the Company are aligned with the Prudential Group and engagement occurs at the Group level. Details of how the Group engaged with stakeholders and the outcome of that engagement is detailed in the Prudential plc 2023 Annual Report and Accounts.

In addition to matters handled by the Group, the Directors consider that the principal decisions taken by the board during the year were:

- Approval of the assumption of primary responsibility for listed borrowings from Prudential plc with a fair value of \$3,588 million, in exchange for loan receivable assets from Prudential plc on identical terms and duration to the listed borrowings, except for an additional margin applied to the interest rate receivable for each instrument; and
- Approval of the issue of share capital to Prudential Corporation Asia Limited, the Company's immediate parent, in exchange for consideration of \$400 million and the lending of these proceeds to Prudential International Treasury Limited.

The Company's key stakeholders are set out below, with a summary of engagement in the period:

- Customers and Employees; As the Company's principal activity is to act as a financing company for the Prudential Group it has no external customers or employees and therefore the Directors consider it appropriate that customer and employee engagement is undertaken at a Group level. The Company supports the Group's engagement with these stakeholders through provision of finance for Group entities.

- Investors; The principal decisions were taken considering the interest of the Company's investors, in meeting the Group's overall financial objectives, and the holders of the Company's listed borrowings by ensuring that the Company has the necessary financial resources to meet its payment obligations as they fall due.
- Communities; Direct engagement with wider communities is undertaken at a Group level. However, ensuring compliance with the laws and regulations of the applicable jurisdictions in which the Group and Company operate is a key priority in the Directors' decision making process.

Signed on behalf of the Board of Directors



K J Devlin

Director

27 March 2024

DIRECTORS' REPORT

The directors of Prudential Funding (Asia) plc ('the Company') present their report for the period to 31 December 2023.

Accounts and dividend

The state of affairs of the Company at 31 December 2023 is shown in the statement of financial position on page 17. The statement of comprehensive income is shown on page 16. No dividend was paid in 2023 and the directors do not recommend the payment of a dividend.

Directors

The directors who held office during the period to 31 December 2023 are set out on page 3.

Directors' and officers' protection

Prudential plc has arranged appropriate insurance cover in respect of legal action against directors and senior managers of companies within the Prudential Group. In addition, the Articles of Association of the Company permit the directors, officers and employees of the Company to be indemnified in respect of liabilities incurred as a result of their office.

Risk Management and internal control

The Directors have overall responsibility for the Company's systems of risk management and internal controls. The Company operates within the risk management framework under the policies, procedures and internal controls maintained by the Prudential Group.

The Prudential Group's risk governance comprises the Group board organisational structures, reporting relationships, delegation of authority, roles and responsibilities, and risk and compliance policies that have been established to enable business decision making with respect to control activities and risk-related matters. Risk culture is a strategic priority of the Group board, which recognises its importance in the way the Group conducts business. Prudential's Group Risk Framework and underlying policies support sound risk management practices by requiring a focus on customers, longer-term goals and sustainability, the avoidance of excessive risk-taking, and highlighting acceptable and unacceptable behaviours. This is supported through the inclusion of risk and sustainability considerations in performance management and remuneration for key executives; the building of appropriate skills and capabilities in risk management; and by ensuring that employees understand and care about their role in managing risk through open discussions, collaboration and engagement.

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and that each Director has taken all reasonable steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Political and charitable donations

The Company did not make any political or charitable donations or incur any political or charitable expenditure during the year.

Auditor

The auditor, Ernst & Young LLP ("EY") has expressed their willingness to continue in office until the next annual general meeting ("AGM"). Pursuant to section 489 of the Companies Act 2006, a resolution for the reappointment of EY will be proposed at the forthcoming AGM of the Company.

Signed on behalf of the Board of Directors.

A handwritten signature in black ink, consisting of a stylized 'S' followed by 'E', with a horizontal line underneath.

S Edwards
On behalf of
Prudential Group Secretarial Services Limited
Secretary
27 March 2024

Statement of Director's responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards including FRS 101 'Reduced Disclosure Framework', and applicable law) Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Responsibility statement of the directors in respect of the annual financial report

The directors of Prudential Funding (Asia) plc, whose names are set out on page 3, confirm that to the best of their knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken as a whole; and
- The strategic report includes a fair review of the development and performance of the business and the position of the company taken as a whole, together with a description of the principal risks and uncertainties that it faces.

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF PRUDENTIAL FUNDING (ASIA) PLC

Opinion

We have audited the financial statements of Prudential Funding (Asia) plc (“the Company”) for the period from incorporation on 7 February 2023 to 31 December 2023 which comprise the statement of comprehensive income, statement of changes in equity, statement of financial position and the related notes 1 to 12 including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 “Reduced Disclosure Framework” (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company’s affairs as at 31 December 2023 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors’ assessment of the company’s ability to continue to adopt the going concern basis of accounting included assessing the going concern status and forecast liquidity position of the ultimate parent company Prudential plc as the payment of interest and repayment of principal on the company’s external loan obligations is dependent upon the receipt of corresponding amounts on the related loan to Prudential plc. This assessment included:

- Confirming our understanding of management’s going concern assessment process and obtaining management’s going concern assessment which covers the period to 31 March 2025;
- Making inquiries of management and those charged with governance to identify risks or events that may impact the company’s ability to continue as a going concern;
- Determining the availability of liquid resources in Prudential plc to enable it to meet its loan interest and principal payments to the company under base and stressed positions during the going concern period, and hence ascertaining whether the company will be able to service its external loan obligations;
- Obtaining information regarding post-balance sheet events to determine their impact on the assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the period to 31 March 2025.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	<ul style="list-style-type: none">Initial recognition and subsequent measurement of debt instruments
Materiality	<ul style="list-style-type: none">Overall materiality of \$21 million which represents 0.5% of the Company's total assets.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact companies. The Company has determined that there is no material impact on its operations from climate change.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk disclosed in the Basis of Preparation of the financial statements on page 18. As part of this evaluation, we performed our own risk assessment to determine the risks of material misstatement in the financial statements from climate change and concluded that these are not material.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk
<p>Initial recognition and subsequent measurement of debt instruments</p> <p>(FY23: \$3,647m)</p> <p>Refer to page 19 (accounting policy) and page 22 (financial disclosures)</p> <p>We note there is an opportunity for management override or otherwise make errors in the initial fair value calculation and subsequent measurement of the intercompany loan to Prudential plc that was established when the external borrowings were transferred to the company. These include the calculation of the fair value of the interest rate margin at the transfer date and subsequent application of the effective interest rate to determine movements in the carrying value of the loan.</p>	<p>Our procedures performed in respect of the valuation of the intercompany loan at the date of transfer and at the year-end included:</p> <ul style="list-style-type: none"> • We compared the external debt fair values at the date of transfer to observable market values, considered the reasonableness of the assumptions used to determine the fair value of the interest margin on the loan to Prudential plc and validated that these amounts had been combined appropriately to calculate the overall fair value of the loan to Prudential plc. • As part of our work on the subsequent measurement of debt instruments, we recalculated the carrying value of the loans and accrued interest
<p>Key observations communicated to the those charged with governance</p> <p>Based on our procedures performed, we are satisfied that the initial recognition and subsequent measurement of the loan to Prudential plc are appropriate.</p>	

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the company to be \$21 million, which is 0.5% of Total Assets. The users of the financial statements, including the Parent company, directors, external bondholders and regulators are interested in the assets of the company being the intercompany loans due from Prudential plc and other Prudential Group Companies as the financial position of the entity and its ability to service the external loans are dependent on these companies meeting their obligations on a timely basis. As such we deem Total Assets to be an appropriate materiality basis.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely \$10.5 million. We have set performance materiality at this percentage due to this being an initial audit.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with those charged with governance that we would report to them all uncorrected audit differences in excess of \$1 million, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' reports have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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, the directors are 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 ISAs (UK) 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the financial reporting framework, tax legislation, and permissions and supervisory requirements of the listing authorities in the UK (London Stock Exchange) and US (New York Stock Exchange) where the Company's debt is listed.
- We understood how the Company is complying with those frameworks by making enquiries of management and those responsible for legal and compliance matters.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations.
- The fraud risk was considered to be higher within the valuation of the intercompany loan balances. We considered the risk of management override to be inherently higher on the valuation and accrued interest on intercompany loan balances as covered in the Key Audit Matters above.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

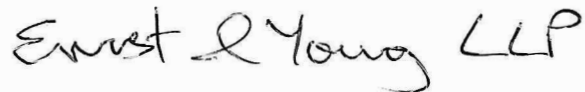
Other matters we are required to address

- We were appointed by the company on 25 May 2023 to audit the financial statements for the year ending 31 December 2023 and subsequent financial periods.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting the audit.

- The audit opinion is consistent with the additional report to those charged with governance.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

John Headley (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory auditor
London
27 March 2024

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 7 FEBRUARY 2023 TO 31 DECEMBER 2023

	Note	Period from 7 February to 31 December 2023 \$000
Finance income from loans to ultimate parent company		170,378
Finance income from loans to other group companies		11,811
Finance Costs		(169,648)
Gain on foreign exchange translation		154
Profit before tax		<u>12,695</u>
Income tax expense	3	(112)
Profit for the period and total comprehensive profit		<u>12,583</u>

All of the above items relate to continuing operations.

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 7 FEBRUARY 2023 TO 31 DECEMBER 2023

	Note	Share capital \$000	Share premium \$000	Profit and loss account \$000	Total \$000
Balance at 7 February 2023		-	-	-	-
New Share Capital Subscribed		60	400,000	-	400,060
Other Capital Contributions	4	-	-	16,863	16,863
Total comprehensive income for the period		-	-	12,583	12,583
Balance at 31 December 2023		<u>60</u>	<u>400,000</u>	<u>29,446</u>	<u>429,506</u>

The notes on pages 18 to 24 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2023

	Notes	31 December 2023 \$000
FIXED ASSETS		
Financial Investments - Loans to ultimate parent company	4	3,609,934
		3,609,934
CURRENT ASSETS		
Amounts owed by fellow group undertakings	5	400,060
Accrued interest on intercompany loans		49,066
		449,126
LIABILITIES: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Payables due to fellow group undertakings	6	114
Interest payable		34,938
		35,052
NET CURRENT ASSETS		414,074
LIABILITIES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Subordinated liabilities	7	2,071,387
Debenture loans	7	1,523,115
		3,594,502
TOTAL NET ASSETS		429,506
CAPITAL AND RESERVES		
Called up share capital	8	60
Share premium		400,000
Profit and loss account		29,446
TOTAL SHAREHOLDERS' FUNDS		429,506

The financial statements on pages 16 to 24 were approved by the Board of Directors on 27 March 2024 and signed on its behalf by



K J Devlin
Director

The notes on pages 18 to 24 form part of these financial statements.

NOTES TO THE ACCOUNTS

1. Accounting policies

A. Basis of presentation

Prudential Funding (Asia) plc (the “Company”) is a public company incorporated, domiciled and registered in England and Wales.

The Company has no subsidiaries. These financial statements therefore present information about the Company as an individual undertaking.

These financial statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS 101”), Part 15 of the Companies Act 2006 and Schedule 1 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements in accordance with international accounting standards adopted for use in the UK but makes amendments where necessary, in order to comply with the Companies Act 2006, and has set out below where advantages of the FRS 101 disclosure exemptions have been taken.

The Company’s ultimate parent undertaking, Prudential plc, includes the Company in its consolidated financial statements. Those consolidated financial statements are prepared in accordance with International Financial Reporting Standards and are available to the public. Copies of the accounts can be obtained from the Company Secretary, 1 Angel Court, London EC2R 7AG.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A cash flow statement and related notes
- Disclosures in respect of transactions between wholly owned subsidiaries within the Prudential Group
- Disclosure in respect of capital management
- The effects of new but not yet effective IFRSs
- Disclosures in respect of the compensation of key management personnel

As the consolidated financial statements of Prudential plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 “Fair Value Measurement” and the disclosures required by IFRS 7 “Financial Instrument Disclosures”

As noted in the strategic report, there is currently no material climate risk exposure for the Company.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The Company’s functional and presentational currency is United States Dollars. Figures are presented to the nearest \$1,000.

B. Going Concern

The directors have made an assessment of the Company’s going concern, considering both its current performance and its outlook using the information available up to the date of issue of the 2023 annual report. This included consideration of the ability of Prudential plc to meet its obligations to the Company, together with the stress and scenario testing conducted by the Prudential Group. As a result of such assessment and after making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from 31 March 2024, the date that this annual report is approved.

NOTES TO THE ACCOUNTS (continued)

1. Accounting policies (Continued)

C. Amounts owed by Group undertakings

Amounts owed by Group undertakings are initially stated at fair value and subsequently measured at amortised cost using the effective interest rate method. Any difference between the value initially recognised and the redemption value is recognised as part of finance income in the Statement of Comprehensive Income over the term of the loan as part of the effective interest rate method.

The Company assesses impairment on its loans and receivables using the expected credit loss approach. The expected credit loss on the Company's loans and receivables, the majority of which represent loans to fellow Group companies, have been assessed by taking into account the probability of defaults on those loans. In all cases, the Group companies are expected to have sufficient resources to repay the loans either now or over time based on projected earnings. For loans recallable on demand, the expected credit loss has been limited to the impact of discounting the value of the loan between the balance sheet date and the anticipated recovery date. For loans with a fixed maturity date the expected credit loss has been determined with reference to the historic experience of loans with equivalent credit characteristics.

Lifetime expected credit losses would be recognised on term loans due from Prudential plc if the credit risk on that financial instrument had increased significantly since initial recognition. Available published credit ratings on Prudential plc Group debt are used as a measure of the credit risk on loans due from Prudential plc. No significant increase in the period has been noted.

D. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs, and subsequently accounted for on an amortised cost basis using the effective interest rate method. Under the effective interest rate method, the difference between the redemption value of the borrowing and the amount initially recognised is amortised as finance costs in the Statement of Comprehensive Income over the term of the loan or, for subordinated debt, over the expected life of the instrument.

E. Interest receivable and payable

Interest receivable and payable are recognised on an accruals basis, in accordance with the effective interest rate method.

F. Administration expenses

Administration expenses for the Company are borne by other Prudential Group companies.

G. Foreign currency translation

Transactions not denominated in the Company's functional currency, US dollars, are initially recorded in the functional currency at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities not denominated in the Company's functional currency are translated to the Company's functional currency at year end spot rates. The impact of these currency translations is recorded within the income statement.

H. Taxation

Current tax expense is charged or credited based upon amounts estimated to be payable or recoverable as a result of taxable amounts for the current year and adjustments made in relation to prior years. Current tax recoverable (payable) recognised in the balance sheet is measured at the amount expected to be either recovered from (paid to) relevant tax authorities or Group undertakings in relation to the surrender (claim) of tax losses.

NOTES TO THE ACCOUNTS (continued)

Deferred taxes are provided under the liability method for all relevant temporary differences. Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates (and laws) that have been enacted or are substantively enacted at the end of the reporting period.

1. Accounting policies (Continued)

On 23 May 2023, the IASB issued amendments to IAS 12 'International Tax Reform – Pillar Two Model Rules', which became effective immediately and were approved for adoption by all members of the UK Endorsement Board on 19 July 2023. On 20 June 2023, legislation was substantively enacted in the UK to introduce the OECD's Pillar Two global minimum tax rules and a UK qualified domestic minimum top-up tax, with effect from 1 January 2024. The Group has applied the IAS 12 mandatory exception from recognising and disclosing information on associated deferred tax assets and liabilities at 31 December 2023.

I. Adoption of new accounting pronouncements

The following standards, interpretations and amendments have been issued by the IASB and have been adopted by the Company. This is not intended to be a complete list as only those standards, interpretations and amendments, and only those most relevant to the Company are presented.

- Amendments to IAS 1 and IFRS Practice Statement 2 'Disclosure of accounting policies' issued in February 2021
- Amendments IAS 8 'Definition of Accounting Estimates' issued in February 2021
- Amendments to IAS 12 noted in (H) above

J. Significant accounting judgement

Valuation of debt transfer

The fair value of the external debt transferred from Prudential plc in March 2023 was determined by reference to the externally observable prices of these quoted instruments.

The intercompany debt assets received as consideration for the transfer of the external debt liabilities are for the same principal amounts and have identical terms to the external debt, with the exception of an additional margin on the interest rate. It is judged that the most appropriate measure of the fair value of these assets is the fair value of the external debt liabilities with an adjustment for the fair value of the additional interest margin, which increased the fair value of the assets by \$16,863 thousand on initial recognition.

Following initial recognition these financial instruments are subsequently measured at amortised cost, with interest income and expense recognised according to the instrument's effective interest rate.

K. Cash and cash equivalents

The company holds a Sterling and US dollar denominated bank account with nil balances at the period end.

NOTES TO THE ACCOUNTS (continued)

2. Segmental Disclosure

The Company has not made any segmental disclosure as its income is wholly attributable to its principal activity and is generated in the UK.

3. Tax

(a) Analysis of tax charge for the year

	2023 \$000
Current tax	<hr/>
UK corporation tax charge on profit for the year	(112)
Total current tax charge	<hr/> (112) <hr/>
Deferred tax	
Origination and deferral of temporary differences	-
Tax charge	<hr/> (112) <hr/>

(b) Factors affecting tax charge for the year

The tax charge assessed in the year is different from the application of the standard rate of corporation tax in the UK and the differences are explained below. The standard rate of tax has been determined by using the UK rate of corporation tax enacted for the period for which the profit of the Company will be taxed.

	Period from 7 February to 31 December 2023 \$000
Profit before tax	<hr/> 12,695 <hr/>
Profit multiplied by standard rate of corporation tax in the UK of 24.43%	(3,101)
Amortisation of debt instruments not tax effective	(8,583)
Group losses claimed for no consideration	11,572
Tax charge	<hr/> (112) <hr/>

(c) Factors that may affect future tax charges

The UK corporation tax rate was 19% up to 31 March 2023, increasing to 25% from 1 April 2023. Aside from this, the only factors that are expected to materially affect the future tax charges of the Company are those detailed in (b) above.

NOTES TO THE ACCOUNTS (continued)

4. Loans to ultimate parent company

	Maturity	Interest	Carrying
	Year	rate	Value
		%	31 December
			2023
			\$000
US\$750m Notes	Perpetual	4.925	664,412
£435m Notes	2031	6.175	558,524
US\$1,000m Notes	2033	3.000	859,365
£250m Notes	2029	5.925	327,001
US\$1,000m Notes	2030	3.175	888,655
US\$350m Notes	2032	3.675	311,977
Total Fixed Assets - Loans to ultimate parent company			3,609,934
Accrued interest			37,254
Total including accrued interest			3,647,188

On 2 March 2023 Prudential plc, the Company's ultimate parent company, transferred certain debt instrument liabilities to the Company, as set out in note 7 below. In consideration for this transfer the company was granted intercompany debt receivable instruments, which matched the terms and value of the debt liability instruments, with an additional margin on the interest rate in excess of the interest payable on the debt liability instruments.

These intercompany receivable instruments were measured at fair value on initial recognition, which totalled \$3,605 million, including accrued interest. The excess of the fair value of the intercompany receivables over the fair value of the debt liability instruments of \$17 million was recognised as an additional capital contribution through the statement of changes in equity and recorded in the profit and loss reserve. The fair value of these instruments was established by reference to the observable market value of the debt liability instruments transferred on the same day, with an adjustment for the additional interest margin.

These debt receivable assets are subsequently measured at amortised cost, applying the effective interest rate method, to amortise the difference between the value initially recognised and redemption value of the assets.

5. Receivables from other Group Companies

	31 December
	2023
	\$000
Loan to Prudential International Treasury Limited	400,000
Loan to Prudential Corporation Asia Limited	60
	400,060

Loans to Prudential International Treasury Limited are callable on demand. Interest receivable on these loans reflects current market interest rates.

NOTES TO THE ACCOUNTS (continued)

6. Payables to fellow group undertakings

	31 December 2023 \$000
Amounts due to Prudential Services Limited	114
	<u>114</u>

Amounts due to Prudential Services Limited represent taxation that has been paid on behalf of the company.

7. Borrowings

	Maturity Year	Interest rate %	Carrying Value 31 December 2023 \$000
US\$750m 4.875%	Perpetual	4.875	657,157
£435m 6.125% Notes 2031	2031	6.125	556,813
US\$1,000m 2.95% Notes 2033	2033	2.950	857,417
Subordinated Liabilities – amounts falling due more than one year			<u>2,071,387</u>
Senior Debt			
£250m 5.875% Notes 2029	2029	5.875	326,278
US\$1,000m 3.125% Notes 2030	2030	3.125	886,013
US\$350m 3.625% Notes 2032	2032	3.625	310,824
Senior Debt – amounts falling due more than one year			<u>1,523,115</u>
Total borrowings			<u>3,594,502</u>
Accrued interest on borrowings			34,938
Total borrowings and accrued interest			<u>3,629,440</u>

On 2 March 2023 Prudential plc, the Company's ultimate parent company, transferred the debt instrument liabilities listed above to the Company. These instruments were measured at fair value on initial recognition. The total fair value of these instruments at initial recognition was \$3,588 million, including accrued interest. The fair value of these instruments was established by reference to their observable quoted market prices on active exchanges on the date of initial recognition.

The value at initial recognition included an amount for Medium Term Notes with a face value of €20 million. On 10 July 2023 the Company redeemed these notes as they fell due, and on the same day the equivalent intercompany loan due from Prudential plc was repaid for an equal amount. The net effect of these transaction did not change the Company's net assets.

These instruments are subsequently measured at amortised cost, applying the effective interest rate method, to amortise the difference between the value initial recognised and their redemption value.

NOTES TO THE ACCOUNTS (continued)

8. Called up share capital

	2023
	\$000
Issued and fully paid: 50,001 ordinary shares of £1 each	<u>60</u>

At incorporation on 7 February 2023, the Company issued 50,000 shares with nominal value of Pounds Sterling 50,000 to Prudential Corporation Asia Limited.

On 15 June the Company issued one ordinary share to Prudential Corporation Asia Limited in consideration for cash of \$400,000,000. \$1 was credited to share capital and \$399,999,999 was credited to the share premium account.

9. Auditor's remuneration

Auditor's remuneration of \$63,000 was borne by the Company's ultimate parent company, Prudential plc. Amounts receivable by the Company's auditor in respect of services rendered to the Prudential Group, other than the audit of the Company's financial statements, have not been disclosed, as the information is required instead to be disclosed on a Group basis in the consolidated financial statements of Prudential plc.

10. Directors' emoluments

The aggregate emoluments, including pension contributions, of the Directors of the Company for the year in respect of services rendered to the Company were \$nil.

11. Immediate and ultimate parent company

The Company's immediate parent company is Prudential Corporation Asia Limited, and the largest group in which the results of the Company are consolidated is that headed by Prudential plc, its ultimate parent company. No other group financial statements include the results of the Company. The consolidated financial statements of the Group are available from the Company Secretary at 1 Angel Court, London EC2R 7AG.

12. Post balance sheet events

There have been no significant events affecting the Company since the balance sheet date.