

Registered No. 14645212

PRUDENTIAL FUNDING (ASIA) PLC

Interim Report

**For the period from incorporation on 7 February 2023 to
30 June 2023**

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

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

Interim report for the period from incorporation on 7 February 2023 to 30 June 2023

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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

EY LLP

DIRECTORS' REPORT

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 \$3,588,159,000 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 \$16,863,000, 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, in exchange for consideration of \$400,000,000, resulting in an equivalent increase in share capital and premium. The \$400,000,000 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 \$469,000 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 30 June 2023 were \$417,131,000.

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 30 June 2023 Prudential plc had consolidated IFRS shareholders' equity of \$17.2 billion.

- Global economic and geopolitical conditions

The macroeconomic landscape and financial markets are expected to remain challenging and highly uncertain. Ad-hoc events can disrupt market conditions unexpectedly. For example, the polarised political landscape in the US raised the prospect that the federal government could be forced into a technical default on its debt if an agreement could not be reached to raise the debt ceiling in May 2023, which temporarily led to heightened volatility in the markets. The capital and liquidity position of the Prudential Group, and consequential implications for the Company, continues to be actively monitored as concerns remain from policymakers and regulators around liquidity and solvency of the financial system. Challenging macroeconomic conditions could also negatively impact the Prudential Group's financial performance.

Statement of Director's responsibilities

The Directors (who are listed on page 3 above) are responsible for preparing the Interim Report in accordance with applicable law and regulations.

Accordingly, the Directors confirm that to the best of their knowledge:

- the condensed financial statements have been prepared in accordance with FRS 104, 'Interim Financial Reporting'; and
- the Half Year Financial Report includes a fair review of information required by DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the period from 7 February to 30 June 2023, and their impact on the condensed consolidated financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year.

Signed on behalf of the Board of directors



S Edwards
On behalf of
Prudential Group Secretarial Services Limited
Secretary
25 September 2023

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 7 FEBRUARY 2023 TO 30 JUNE 2023

	Note	Period from 7 February to 30 June 2023 \$000
Finance income from loans to ultimate parent company		67,871
Finance income from loans to other group companies		891
Finance Costs		(67,570)
Loss on foreign exchange translation		(723)
Profit before tax		469
Tax charge	2	(262)
Profit for the period and total comprehensive profit		208

All of the above items relate to continuing operations.

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 7 FEBRUARY 2023 TO 30 JUNE 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	3	-	-	16,863	16,863
Total comprehensive income for the period		-	-	208	208
Balance at 30 June 2023		60	400,000	17,071	417,131

The notes on pages 8 to 13 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2023

	Notes	30 June 2023 \$000
FIXED ASSETS		
Financial Investments - Loans to ultimate parent company	3	3,586,831
		3,586,831
CURRENT ASSETS		
Financial Investments - Loans to ultimate parent company	3	21,765
Amounts owed by fellow group undertakings	4	400,060
Accrued interest on intercompany loans		108,874
Current tax asset		34
Cash at bank and in hand		-
		530,733
LIABILITIES: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Subordinated liabilities	6	21,765
Payables due to fellow group undertakings	5	64,830
Interest payable		42,983
		129,578
NET CURRENT ASSETS		401,155
LIABILITIES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Subordinated liabilities	6	2,057,101
Debenture loans	6	1,513,754
		3,570,855
TOTAL NET ASSETS		417,131
CAPITAL AND RESERVES		
Called up share capital	7	60
Share premium		400,000
Profit and loss account		17,071
TOTAL SHAREHOLDERS' FUNDS		417,131

The financial statements on pages 6 to 13 were approved by the Board of Directors on 25 September 2023 and signed on its behalf by



K J Devlin
Director

The notes on pages 8 to 13 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’s financial information for the period from incorporation on 7 February 2023 to 30 June 2023 has been prepared in accordance with the Disclosure Guidance and Transparency Rules for the United Kingdom’s Financial Conduct Authority and with FRS 104 Interim Financial Reporting.

In this financial information, the Company has applied the exemptions available under FRS 104 and 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 104 and 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”

This is the first report prepared since incorporation of the Company. The significant accounting policies applied by the Company are presented below.

The financial information contained in this Interim Report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information for the period from incorporation on 7 February 2023 to 30 June 2023 has not been audited or reviewed by the Company’s Auditor.

The Company’s functional currency is United States Dollars.

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 interim report. 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 25 September 2023, the date that this interim report is approved.

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.

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

NOTES TO THE ACCOUNTS (continued)

1. Accounting policies (Continued)

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 expense 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.

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.

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 30 June 2023.

NOTES TO THE ACCOUNTS (continued)

2. Tax

(a) Analysis of tax charge for the year

	2022
	\$000
Current tax	<u> </u>
UK corporation tax charge on profit for the year	(262)
Total current tax charge	<u>(262)</u>
Deferred tax	
Origination and deferral of timing differences	-
Tax charge	<u>(262)</u>

(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 30 June 2023 \$000
	<u> </u>
Profit before tax	469
Profit multiplied by standard rate of corporation tax in the UK of 24.43%	(115)
Amortisation of debt instruments not tax effective	(3,373)
Group losses claimed for no consideration	3,226
Tax charge	<u>(262)</u>

(c) Factors that may affect future tax charges

In the Spring Budget 2023, the Government confirmed that from 1 April 2023 the corporation tax rate will increase to 25% (rather than remaining at 19%). Aside from this, the only factors that are expected to affect the future tax charges of the Company are those detailed in (b) above.

NOTES TO THE ACCOUNTS (continued)

3. Loans to ultimate parent company

	Maturity	Interest	Carrying
	Year	rate	Value
		%	30 June
			2023
			\$000
US\$750m Notes	Perpetual	4.925	664,412
£435m Notes	2031	6.175	557,024
US\$1,000m Notes	2033	3.000	846,835
£250m Notes	2029	5.925	326,966
US\$1,000m Notes	2030	3.175	881,422
US\$350m Notes	2032	3.675	310,172
Total Fixed Assets - Loans to ultimate parent company			3,586,831
€20m Medium Term Notes	2023	2.289	21,765
Current Assets - Loans to ultimate parent company			21,765

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 6 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 \$3,605,022,000, including accrued interest. The excess of the fair value of the intercompany receivables over the fair value of the debt liability instruments of \$16,863,000 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 initial recognised and redemption value of the assets.

4. Receivables from other Group Companies

	30 June
	2023
	\$000
Loan to Prudential International Treasury Limited	400,000
Loan to Prudential Corporation Asia Limited	60
	<u>400,060</u>

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)

5. Payables to fellow group undertakings

	30 June 2023 \$000
Amounts due to Prudential International Treasury Limited	64,534
Amounts due to Prudential Services Limited	296
	<u>64,830</u>

Amounts due to Prudential International Treasury Limited and Prudential Services Limited represent short term trading balances.

6. Borrowings

	Maturity	Interest rate	Carrying Value 30 June 2023 \$000
	Year	%	
Subordinated Liabilities			
€20m Medium Term Notes 2023	2023	2.239	21,765
Subordinated Liabilities – amounts falling due within one year			21,765
Subordinated Liabilities – amounts falling due more than one year			
US\$750m 4.875%	Perpetual	4.875	657,158
£435m 6.125% Notes 2031	2031	6.125	555,236
US\$1,000m 2.95% Notes 2033	2033	2.950	844,707
Subordinated Liabilities – amounts falling due more than one year			2,057,101
Senior Debt			
£250m 5.875% Notes 2029	2029	5.875	326,187
US\$1,000m 3.125% Notes 2030	2030	3.125	878,604
US\$350m 3.625% Notes 2032	2032	3.625	308,963
Senior Debt – amounts falling due more than one year			1,513,754

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 \$3,588,159,000, 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.

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.

7. 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.

NOTES TO THE ACCOUNTS (continued)

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

8. Post balance sheet event

On 10 July 2023 the Company redeemed its €20 million Medium Term 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.