JUST.
www.justgroupplc.co.uk

NEWS RELEASE
8 March 2024

JUST GROUP PLC
RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

CONSISTENTLY BEATING OUR TARGETS

Just Group plc (the "Group", "Just") announces its results for the year ended 31 December 2023.

Profitable and sustainable growth[1]

- **Underlying operating profit[2] up 47% to £377m** (FY 22: £257m), driven by significantly higher new business and in-force profits.
- **Retirement Income sales[2] have grown by 24% to £3.9bn** (FY 22: £3.3bn). Pricing discipline and risk selection in buoyant markets have led to an **increased margin of 9.1%** (FY 22: 8.5%). This has combined to drive a 33% increase in new business profits to £355m (FY 22: £266m).
- **Momentum continues into 2024.** The DB market had a record year in 2023 (c.£50bn), while the GIfL market was at its highest level in a decade, up 46% to £5.3bn. That momentum has carried into 2024 and we expect the strong structural growth drivers of each market to continue well into the future.

Strong Solvency II and IFRS[1]

- **Capital coverage ratio is a very healthy 197%[3] and more resilient** (31 December 2022: 199%[3]). The interest rate sensitivity is significantly reduced, through locking-in interest rate gains. Property sensitivity has further reduced, as we increasingly diversify the investment portfolio.
- **New business strain[2] at 0.9%** (FY 22: 1.9%) is exceptionally low. This outperformance is once again well inside our target of below 2.5% of premium. Underlying capital generation, after new business strain, has grown by 67% to £57m (FY 22: £34m).
- **Adjusted profit before tax[2] was £520m** (FY 22: Adjusted loss before tax £167m), driven by strong growth in underlying operating profit, positive longevity assumption changes, and economic profits. Of this £520m, £348m of profit is deferred to the CSM[4] , leaving an **IFRS profit before tax of £172m** (FY 22: IFRS loss before tax of £494m).

Delivering shareholder value

- **Improved return on equity[2] to 13.5% and tangible net assets per share[2] to 224p** (FY 22: 10.3% and 31 December 2022: 190p respectively). Increasing our target return on equity from greater than 10% to greater than 12%.
- **Dividend of 2.08p per share, 20% growth.** (FY 22: 1.73p, 15% growth) Increased growth driven by confidence in the strong fundamentals and future prospects of the business.
- **Remain confident in our ability to deliver 15% growth in underlying operating profit from this higher base.** Therefore, we are forecasting that 2024 underlying operating profit will be at least double the 2021 level of £211m.

David Richardson, Group Chief Executive Officer, said:

"We are delighted with our financial performance in 2023, a record year for the Group, and are confident of exceeding our medium term profit growth pledge. As such, we now expect to achieve our target of doubling profits in three years instead of the originally intended five. Given the multiple opportunities available and strong structural growth drivers in our chosen markets, we have never been more confident in our ability to deliver sustainable and compounding growth.

We have a growth mindset and we've developed a winning formula - one which will ensure we fulfil our purpose, to help people achieve a better later life, while building substantial value for shareholders."

Notes

[1] All comparatives throughout the document are restated under IFRS 17.

[2] Alternative performance measure ("APM") – In addition to statutory IFRS performance measures, the Group has presented a number of non-statutory alternative performance measures. The Board believes that the APMs used give a more representative view of the underlying performance of the Group. APMs are identified in the glossary at the end of this announcement. Adjusted operating profit is reconciled to IFRS profit before tax in the Business Review.

[3] The 31 December 2023 Solvency II capital coverage ratio includes a formal recalculation of TMTP, and is estimated. At 31 December 2022 the Solvency II figures include a formal TMTP recalculation.

[4] Contractual Service Margin.

Enquiries

Investors / Analysts	Media
Alistair Smith, Investor Relations Telephone: +44 (0) 1737 232 792 alistair.smith@wearejust.co.uk	Stephen Lowe, Group Communications Director Telephone: +44 (0) 1737 827 301 press.office@wearejust.co.uk
Paul Kelly, Investor Relations Telephone: +44 (0) 20 7444 8127 paul.kelly@wearejust.co.uk	*Temple Bar Advisory* Alex Child-Villiers William Barker Telephone: +44 (0) 20 7183 1190

For those analysts who have registered, a presentation will take place today at 1 Angel Lane, London, EC4R 3AB, commencing at 09:30 am. The presentation will also be available via a live webcast.

FINANCIAL CALENDAR	DATE
Ex-dividend date for final dividend	11 April 2024
Record date for final dividend	12 April 2024
Payment of final dividend	15 May 2024

A copy of this announcement, the presentation slides and the transcript will be available on the Group's website www.justgroupplc.co.uk.

JUST GROUP PLC
GROUP COMMUNICATIONS
Enterprise House
Bancroft Road
Reigate
Surrey RH2 7RP

Forward-looking statements disclaimer:

This announcement has been prepared for, and only for, the members of Just Group plc (the “Company”) as a body, and for no other persons. The Company, its Directors, employees, agents and advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

By their nature, the statements concerning the risks and uncertainties facing the Company and its subsidiaries (the “Group”) in this announcement involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. This announcement contains, and we may make other statements (verbal or otherwise) containing, forward-looking statements in relation to the current plans, goals and expectations of the Group relating to its or their future financial condition, performance, results, strategy and/or objectives (including, without limitation, climate-related plans and goals). Statements containing the words: ‘believes’, ’intends’, ’expects’, ’plans’, ’seeks’, ’targets’, ‘continues’, ‘future’, ‘outlook’, ‘potential’ and ’anticipates’ or other words of similar meaning are forward-looking (although their absence does not mean that a statement is not forward-looking). Forward-looking statements involve risk and uncertainty because they are based on information available at the time they are made, based on assumptions and assessments made by the Company in light of its experience and its perception of historical trends, current conditions, future developments and other factors which the Company believes are appropriate and relate to future events and depend on circumstances which may be or are beyond the Group’s control. For example, certain insurance risk disclosures are dependent on the Group’s choices about assumptions and models, which by their nature are estimates. As such, although the Group believes its expectations are based on reasonable assumptions, actual future gains and losses could differ materially from those that we have estimated. Other factors which could cause actual results to differ materially from those estimated by forward-looking statements include, but are not limited to: domestic and global political, economic and business conditions (such as the longer-term impact from the COVID-19 outbreak or the impact of other infectious diseases, the conflict in the Middle East, and the continuing situation in Ukraine); asset prices; market-related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the policies and actions of governmental and/or regulatory authorities including, for example, new government initiatives related to the provision of retirement benefits or the costs of social care; the impact of inflation and deflation; market competition; changes in assumptions in pricing and reserving for insurance business (particularly with regard to mortality and morbidity trends, gender pricing and lapse rates); risks associated with arrangements with third parties, including joint ventures and distribution partners and the timing, impact and other uncertainties associated with future acquisitions, disposals or other corporate activity undertaken by the Group and/or within relevant industries; inability of reinsurers to meet obligations or unavailability of reinsurance coverage; default of counterparties; information technology or data security breaches; the impact of changes in capital, solvency or accounting standards; and tax and other legislation and regulations in the jurisdictions in which the Group operates (including changes in the regulatory capital requirements which the Company and its subsidiaries are subject to). As a result, the Group’s actual future financial condition, performance and results may differ materially from the plans, goals and expectations set out in the forward-looking statements. The forward-looking statements only speak as at the date of this document and reflect knowledge and information available at the date of preparation of this announcement. The Group undertakes no obligation to update these forward-looking statements or any other forward-looking statement it may make (whether as a result of new information, future events or otherwise), except as may be required by law. Persons receiving this announcement should not place undue reliance on forward-looking statements. Past performance is not an indicator of future results. The results of the Company and the Group in this announcement may not be indicative, and are not an estimate, forecast or projection of, the Group’s future results. Nothing in this announcement should be construed as a profit forecast.

Chief Executive Officer's statement

WE HAVE NEVER BEEN STRONGER

We continue to exceed the promises we've made and we are very optimistic about the future.

I am very pleased to present my Chief Executive Officer's Statement for 2023. We've delivered an exceptionally strong performance and are extremely well positioned to continue benefiting from the positive drivers and favourable demographics supporting both of our markets.

RETIREMENT INCOME SALES GROWTH

The rise in interest rates during 2022 and 2023 had a positive effect on both the Defined Benefit and retail Guaranteed Income for Life markets.

Shareholder funded sales have grown by 24% to £3.9bn. Our DB and retail businesses both contributed to this growth and have started the year with positive momentum. This gives us increased confidence we will achieve our growth ambitions in 2024.

DEFINED BENEFIT DE-RISKING BUSINESS

Our DB business continues to thrive and recorded total sales of £3.4bn, up 21%. We completed 80 transactions during the year, which is a substantial increase from 56 completed in 2022. Our bulk quotation service continues to grow in popularity, with completed transactions from 17 employee benefit consultants ("EBC") during the year. We have hundreds of schemes onboarded and this service provides a vibrant market for schemes of all sizes and a steady source of smaller deal completions. Indeed around 40 completions in 2023 were schemes with fewer than 100 members and they represent half the schemes currently onboarded.

As well as expanding our leadership position in the smaller transaction size segment, we will also drive growth by securing additional larger transactions. We have significant pricing and deal experience having written almost 400 DB transactions since entering the market in 2013, which is more than one-in-five of all transactions completed since then. The flexibility provided by our stronger capital position and expanded panel of reinsurance partners further supports our participation in the larger transaction segment.

The DB market had a record year in 2023, with c.£50bn of new business volumes (source LCP, WTW). These EBCs are forecasting that industry volumes in 2024 and beyond could grow significantly from this higher base.

RETAIL BUSINESS

I am delighted that our retail business has had a very strong year with sales up 59% to £0.9bn. The GIfL market has returned to strong growth and has had its busiest year since Pensions Freedoms were announced in 2014. The number of advisers looking for quotes from Just has increased by 50% and this is providing us with increased opportunity to utilise our medical underwriting expertise to select the most attractive risks.

Conduct regulation changes being introduced by the FCA may result in greater use of retirement income solutions containing guarantees to help deliver improved customer outcomes.

EXPANDING OUR INVESTMENTS IN TANDEM

We are continuing to broaden our investment capabilities. Our successful illiquid origination strategy enabled us to source £1.6bn of non-LTM illiquid investments during 2023, a 50% increase year on year.

As the government's Solvency UK legislation is implemented, we expect this will unlock additional opportunities to grow and diversify our investments portfolio, while enabling us to support the UK economy.

CUSTOMERS AND OUR PURPOSE

The current unpredictable economic outlook in the UK and volatility in investment markets creates uncertainty and worry for many. We provide a guaranteed income for life to customers, and as long-term interest rates have risen over the last two years, the amount of retirement income we are able to pay customers has increased significantly. This secure income is often purchased to cover the essential expenditure of the household. Our solutions provide much sought reassurance to customers.

Our purpose is to help people achieve a better later life. We provide a range of professional advice and guidance to help people, and are continuing to invest in these services to make them more available to a wider pool of potential customers. We can't resolve all the challenges faced by our customers, but we are helping where we are able to, and remain focused on living up to the purpose we set out many years ago.

SUSTAINABILITY

We achieve our goals responsibly and are committed to a sustainable strategy that protects our communities and the planet we live on. I am very proud that over the last four years we have reduced our operational carbon intensity per employee by 83%. However, the most material impact we can make to reduce carbon emissions will be achieved through the decisions we take with our £24bn investments portfolio. Compared to our 2019 baseline, we have reduced these emissions over 30% for each million pound invested.

During 2023, we also continued to invest in environmental, social, and corporate governance ("ESG") related assets with £325m invested in social housing, the renewable energy industry and NHS facilities.

OUR PEOPLE

Our Just culture is underpinned by our people who are passionate and committed to making a difference to the lives of those around them. The combination of our strong purpose and having highly engaged teams working the "Just way", is a competitive advantage which is helping us to drive high performance and achieve our ambitious growth targets.

I would like to thank my colleagues for their continued focus in providing outstanding support for our customers when they needed it most and for helping to deliver an excellent set of results.

We are investing to develop the skills of our colleagues, attract new talent into Just and build high-performing teams. We have excellent, and improving, levels of colleague engagement (2023: 7.9; 2022: 7.7), with a key priority to build a diverse and inclusive workforce.

FINANCIAL PERFORMANCE

In 2023, underlying operating profit, is up 47% to £377m, driven by the strong new business performance, which has delivered a return on equity of 13.5%.

Investment and economic profits were £92m, and, combined with a number of smaller non-operating items, led to an adjusted profit before tax of £520m for 2023 (2022: adjusted loss before tax £167m). Of this, £348m of profit is deferred to the CSM reserve in the balance sheet, leaving a statutory profit before tax of £172m (2022: loss before tax £494m).

The strength and resilience of our capital position and our disciplined pricing and risk selection ensures we are, and will continue to be capital self-sufficient. This means we can fund our growth ambitions, reward shareholders with a growing dividend and maintain a strong buffer of capital.

We will pay a final dividend of 1.50 pence per share, giving a total of 2.08 pence for the year, representing 20% year on year growth. The 20% growth in total dividend is ahead of the 15% 2022 dividend growth rate.

IN CONCLUSION

2023 represents another year of outperformance, further building our track record. We are exceptionally well positioned to capture the benefits of positive market trends and have increased confidence in our ability, from this higher base, to deliver 15% growth in underlying operating profit. In addition, we have increased our target return on equity to greater than 12% from greater than 10% previously.

We have never been stronger. We are retirement experts and have the capability and opportunities to achieve our ambitious growth plans so that we build substantial value for shareholders and fulfil our purpose to help more people achieve a better later life.

DELIVERING COMPOUNDING GROWTH

Our strong capital base and compelling proposition in the market provide the opportunity to deliver compounding and sustainable growth.

The Group is well positioned in attractive markets with strong structural growth drivers. This enables us to benefit from the significant boost in demand for our products, now and into the future. We innovate, risk select and price with discipline, ensuring our business model delivers long-term value for customers and shareholders.

The Business Review presents the results of the Group for the year ended 31 December 2023, including IFRS and unaudited Solvency II information. These are the first audited results under IFRS 17, which has prompted some modification of the Group's key performance indicators including restatement of comparatives where applicable, as set out below.

The continued growth and success of the business is built on the foundation of our low capital intensity new business model, supported by a strong and resilient capital base. We are focused on cost control across the business whilst specifically targeting investment in proposition development, and to enable the business to scale efficiently as we take advantage of the multiple growth opportunities in our markets. We continue to diversify the asset portfolio by originating a greater proportion of illiquid assets to back the new business in line with our investment strategy.

SALES

The DB business continues to go from strength to strength as rising interest rates have accelerated the closure of scheme funding gaps, enabling a market shift towards full scheme Buy-ins. During 2023, we wrote a record amount of DB new business, up 21% to £3,415m from 80 transactions (2022: £2,827m, 56 transactions), in a buoyant market estimated by LCP and WTW to be c£50bn (2022: £28bn). Heightened and consistent demand throughout 2023 allowed Just to increasingly risk select as the year progressed with strong pricing discipline, a wider panel of reinsurers, market insight and business mix driven by our streamlined bulk quotation service all contributing towards higher margins.

The drivers behind this momentum remain and we expect a busy 2024 and beyond, as we execute on small, medium and larger transactions, while maintaining capital flexibility. We estimate that 15% of the £1.2tn DB market opportunity has transferred across to insurers thus far. LCP are forecasting that c.£600bn of DB Buy-in/Buy-out transactions could transact over the decade to 2033, of which up to £360bn could transact in the next five years. This compares to £180bn in the last five years.

Our GIfL business had a very strong 2023, following a competitive year in 2022, where we demonstrated our pricing discipline by reducing volumes. During 2023, we wrote £894m of GIfL new business, up 59% year on year (2022: £564m). The UK individual GIfL market grew by 46% to £5.3bn (2022: £3.6bn), its highest level since Pension Freedoms in 2014. Quote activity levels remain elevated as higher interest rates directly increase the customer rate on offer, thus increasing the attractiveness of a guaranteed income relative to other forms of retirement income. The customer rate can be further improved through bespoke medical underwriting, in which Just is a market leader. The introduction of the FCA's Consumer Duty in July 2023 and findings from the FCAs thematic review into retirement income advice, expected shortly, are likely to lead to increased adviser conversations on the importance of considering guaranteed solutions to help customers achieve their objectives.

PROFIT

During 2023, underlying operating profit was £377m (2022: £257m), up 47%, and substantially ahead of our 15% operating profit growth target. Strong demand for our products provided the opportunity to write a greater volume of new business at an efficient capital strain. Shareholder funded Retirement Income sales of £3,893m were 24% higher than 2022. New business profit, which includes the DB Partner origination fee, was up 33% at £355m (2022: £266m), translating to a new business margin of 9.1% (2022: 8.5%) on shareholder funded premiums as buoyant markets supported active risk selection. Higher and rising interest rates during 2023 boosted the return on surplus assets, thereby increasing in-force operating profit, up 22% to £191m. Finance costs have reduced following the November 2022 tender offer and subsequent cancellation of £100m tier 2 debt, thus optimising the capital structure and providing future capital flexibility.

Operating experience and assumption changes, primarily related to longevity, were a combined £52m positive (2022: £104m positive) impact on profit. Total investment and economic profits of £92m (2022: £537m losses) combined with other items led to an adjusted profit before tax of £520m (2022: £167m loss). Of this £520m, £348m of profit is deferred to the CSM reserve in the balance sheet, leaving an IFRS Profit before tax of £172m (2022: Loss before tax of £494m after deferral of £327m to CSM).

CAPITAL

The Group's estimated Solvency II capital position remains at a very healthy and robust level of 197% (31 December 2022: 199%) as we benefited from organic capital generation and regulatory changes, specifically a large reduction in the risk margin, as part of the ongoing Solvency UK reforms. Through our targeted management actions, property and interest rate sensitivities have much reduced in recent years. Underlying organic capital generation ("UOCG") grew strongly to £57m (2022: £34m), delivering a fourth consecutive year of positive UOCG, a key metric to delivering a sustainable business model. Within this, the £35m capital strain from writing the increased level of new business was substantially lower year on year at 0.9% of premium (2022: £60m and 1.9% of premium). This low new business strain, materially inside our target of less than 2.5%, reflects strong pricing discipline, risk selection, development of reinsurance optionality and our ability to originate increasing quantities of high-quality illiquid assets. Lower finance costs also contributed. During the year, we paid a £19m shareholder dividend, well covered by UOCG. We continue to closely monitor and prudently manage our risks, including interest rates, inflation, currency, residential property and credit. The Solvency II sensitivities are set out below.

The 2023 Financial Services and Markets Act contains new powers to set the direction for financial services following the UK's exit from the European Union, including reforms to the Solvency II capital regime. As part of the proposed new Solvency UK regime, last June, HM Treasury and the Prudential Regulation Authority ("PRA") set out their proposals to implement the more straightforward items, including simplification measures and reforms which have led to a c.60% reduction in risk margin for life insurance business. Industry and the regulator were very much aligned on these objectives. A consultation paper on the more complex changes to matching adjustment ("MA") rules and the associated investment flexibility was launched in September, with reforms to take effect in 2024. We expect these MA changes to support the role HM Treasury is expecting from the industry, whereby appropriate reforms could increase insurer investment by tens of billions of pounds in long-term finance to the broader economy, including infrastructure, decarbonisation, social housing and increased investment in science and technology.

OUTLOOK

The outlook for the economy continues to evolve, reflecting macro-economic and political events including the trajectory of central bank rates to reduce and control inflation, and a UK election by the end of 2024. The 2022/23 interest rate increases have led to a flat-lining of the economy in 2023, predicted to be followed by a gradual recovery. We expect these macro forces to have a negligible effect on the Group's business model, with the normalisation of long-term interest rates continuing to drive demand for our products. Sensitivities of our capital position to long-term interest rates is included in the Estimated Group Solvency II sensitivities section of this review.

The Group is closely monitoring the Government consultation regarding restriction of ground rent for existing residential leases announced in November 2023 and the impact of this on the Group's £176m portfolio of residential ground rents. For further information on the Group's approach to reflecting the uncertainty associated with the Consultation in the year end valuation of residential ground rents see note 1.7.

We have a strong and resilient capital base, with a low-strain business model that is generating sufficient capital on an underlying basis to fund our ambitious growth plans, whilst also paying a shareholder dividend that is expected to grow over time.

ALTERNATIVE PERFORMANCE MEASURES AND KEY PERFORMANCE INDICATORS

The Group uses a combination of alternative performance measures ("APMs") and IFRS statutory performance measures. The Board believes that the use of APMs gives a more representative view of the underlying performance of the Group.

The Directors have concluded that the principles used as a basis for the calculation of the APMs remain appropriate, although due to the adoption of new accounting standards the reconciliation from APMs' to IFRS reported results has changed. Just Group has been growing strongly for a number of years and regards the writing of profitable new business contracts as a key objective for management. As a result, in management's view, the use of an alternative performance measure which includes the value of profits deferred for recognition in future periods is a more meaningful measure than IFRS profits under IFRS 17 which now exclude the profits from new business sales.

Further information on our APMs can be found in the glossary, together with a reference to where the APM has been reconciled to the nearest statutory equivalent.

KPIs are regularly reviewed against the Group's strategic objectives, which have remained unchanged following the adoption of IFRS 17, which has also not impacted the Group dividend policy. The Group's KPIs are discussed in more detail on the following pages.

The Group's KPIs are shown below:

	2023	2022 (restated)	Change
Retirement Income sales[1]	**£3,893m**	£3,131m	24%
New business profit[1]	**£355m**	£266m	33%
Underlying operating profit[1]	**£377m**	£257m	47%
IFRS profit / (loss) before tax	**£172m**	£(494)m	n/a
Return on equity[1]	**13.5%**	10.3%	3.2pp
Tangible net asset value per share[1]	**224p**	190p	34p
New business strain[1] **(as % of premium)**	**0.9%**	1.9%	+1pp
New business strain[1]	**£(35)m**	£(60)m	42%
Underlying organic capital generation[1]	**£57m**	£34m	68%
Solvency II capital coverage ratio[2]	**197%**	199%	-2pp

1 Alternative performance measure, see glossary for definition.

2 Solvency II capital coverage ratios as at 31 December 2023 (estimated) and 31 December 2022 includes a formal recalculation of TMTP at the respective dates .

TANGIBLE NET ASSETS / RETURN ON EQUITY (UNDERLYING)

The return on equity in the year to 31 December 2023 was 13.5% (2022: 10.3%), based on underlying operating profit after attributed tax of £288m (2022: £208m) arising on average adjusted tangible net assets of £2,133m (2022: £2,025m).

Tangible net assets are reconciled to IFRS total equity as follows:

	31 December 2023 £m	31 December 2022 £m (restated)
IFRS total equity attributable to ordinary shareholders	**883**	783
Less intangible assets	**(41)**	(47)
Tax on amortised intangible assets	**2**	3
Add back contractual service margin	**1,959**	1,611
Adjust for tax on contractual service margin	**(488)**	(399)
Tangible net assets	**2,315**	1,951
Tangible net assets per share	**224p**	190p
Return on equity % (underlying)	**13.5%**	10.3%

UNDERLYING OPERATING PROFIT

Underlying operating profit is the core performance metric on which we have based our target 15% growth, per annum, on average, over the medium term. Underlying operating profit captures the performance and running costs of the business including interest on the capital structure, but excludes operating experience and assumption changes, which by their nature are unpredictable and can vary substantially from period to period. 2023 underlying operating profit grew by 47% to £377m (2022: £257m), as we strongly outperformed against our medium-term target, driven by pricing discipline and positioning in buoyant markets. We set the 15% profit growth target from the 2021 baseline (£211m), and given the strong growth in 2023, we are confident that we can add a further 15% to the 2023 level during 2024, and thereby double underlying operating profit in three years instead of five.

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m (restated)	Change %
New business profit	**355**	266	33%
CSM amortisation	**(62)**	(61)	(2)%
Net underlying CSM increase	**293**	205	43%
In-force operating profit	**191**	156	22%
Other Group companies' operating results	**(22)**	(16)	(38)%
Development expenditure	**(17)**	(15)	(13)%
Finance costs	**(68)**	(73)	7%
Underlying operating profit	**377**	257	47%

1 See reconciliation to IFRS profit before tax further in this Business Review.

NEW BUSINESS PROFIT

New business profit was up 33% at £355m (2022: £266m), as shareholder funded Retirement Income sales rose 24% to £3,893m (2022: £3,131m). The new business margin achieved was 9.1% (2022: 8.5%). As the year progressed, we increasingly risk selected, which combined with strong pricing discipline, a wider panel of reinsurers able to offer bespoke terms, market insight and our streamlined bulk quotation service all contributed towards higher margins. We are also increasingly benefiting from scale and strong cost control leading to operating leverage.

CSM AMORTISATION

IFRS 17 introduces a new concept of the Contractual Service Margin to the statement of financial position. CSM amortisation represents the release from the CSM reserve into profit as services are provided, net of accretion (unwind of discount) on the CSM reserve balance (see below). £62m of net CSM amortisation (2022: £61m) represents a £129m release of CSM into profit, offset by £67m of interest accreted to the CSM. The £129m CSM release into profit (2022: £95m) represents 6.2% (2022: 5.6%) of the CSM balance immediately prior to release. The increase during the year represents growth in the CSM reserve from an additional year of new business profit, and the longevity assumption change at 31 December 2023 which was also deferred to the CSM reserve.

Accretion on the CSM balance amounted to £67m (2022: £35m), which represents 3.4% (2022: 2.1%) of the opening plus new business CSM balance. CSM accretion is calculated using locked-in discount rates. The increase during the period reflects the higher interest rates applicable on the forward rates locked in curve at transition on 31 December 2021 for the new business written pre-2021 as well as higher interest rates applicable to the new business written since the end of 2021. The higher accretion is also due to the increase in CSM balance following the FY 22 longevity assumption changes.

NET UNDERLYING CSM INCREASE

This represents the net underlying increase of profit deferral to CSM during the year before any transfers to CSM in respect of operating experience and assumption changes recognised in the current year. The new business profit deferred to CSM (£355m) to CSM in-force release (£129m) multiple of 3 times reflects the very high and healthy level of replacement profit, and demonstrates the value of new business written during the year relative to the gross CSM release from existing business. This strong growth dynamic increases the CSM store of value to release into in-force profit in future years.

IN-FORCE OPERATING PROFIT

In-force operating profit represents investment returns earned on surplus assets, the release of allowances for credit default, CSM amortisation, release of risk adjustment allowance for non-financial risk and other. Taken together, these are the key elements of the IFRS 17 basis operating profit from insurance activities.

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m (restated)	Change %
Investment return earned on surplus assets	**94**	61	54%
Release of allowances for credit default	**28**	26	8%
CSM amortisation	**62**	61	2%
Release of risk adjustment for non-financial risk / Other	**7**	8	(13)%
In-force operating profit	**191**	156	22%

The in-force operating profit increased by 22% to £191m (2022: £156m), driven by a significant increase in investment return, as a result of higher interest rates, on a greater amount of surplus assets. The higher release of allowance for credit default reflects the growth in the investment portfolio that backs the insurance guarantees we provide to our customers. CSM amortisation, reflects growth in the CSM release offset by the higher accretion as noted earlier.

OTHER GROUP COMPANIES' OPERATING RESULTS

The operating result for Other Group companies was a loss of £22m (2022: loss of £16m). These costs arise from the holding company, Just Group plc, and the HUB group of businesses. The increase in losses was driven by upfront investment in the Destination Retirement proposition and other development initiatives.

DEVELOPMENT EXPENDITURE

Development expenditure of £17m (2022: £15m), relates mainly to investment in systems capability, in addition to various business line and functional transformation.

FINANCE COSTS

Finance costs have decreased by 7% to £68m (2022: £73m). These include the coupon on the Group's Restricted Tier 1 notes, as well as the interest payable on the Group's Tier 2 and Tier 3 notes. Finance costs have reduced following the November 2022 tender and associated offers, which resulted in the subsequent cancellation of £100m 9% tier 2 debt, paid from excess Group liquidity.

In 2022, the Group entered into a new five-year revolving credit facility, with improved commercial terms. The facility has increased from £200m to £300m, with flexibility for this to grow as the balance sheet expands over time. This facility has not been drawn upon in 2022 or 2023.

On a statutory IFRS basis, the Restricted Tier 1 coupon is accounted for as a distribution of capital, consistent with the classification of the Restricted Tier 1 notes as equity, but the coupon is included as a finance cost on an underlying and adjusted operating profit basis.

RETIREMENT INCOME SALES

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m	Change %
Defined Benefit De-risking Solutions ("DB")[1]	**2,999**	2,567	17%
Guaranteed Income for Life Solutions ("GIfL")[2]	**894**	564	59%
Retirement Income sales (shareholder funded)	**3,893**	3,131	24%
DB Partner (funded reinsurance)[1]	**416**	259	61%
Total Retirement Income sales	**4,309**	3,390	27%

1 Adding the DB shareholder funded and Partner business leads to total DB de-risking segment volumes of £3,415m (2022: £2,826m).

2 GIfL includes UK GIfL, South Africa GIfL and Care Plans.

The structural drivers and trends in our markets underpin our confidence that we can continue to deliver attractive returns and growth rates over the long-term. We are extremely well positioned to take advantage of the growth opportunities available in both of our chosen markets. Over the past two years, rising interest rates have accelerated the closure of DB scheme funding gaps, and therefore more schemes are able to begin the process to be "transaction ready", accelerating

business into our short/medium-term pipeline that previously would have been expected to transact in the second half of the decade. The retail GIfL market had its busiest year since 2014, with the Open market, where Just competes, showing particularly strong growth, driven by the customer rate available and advisers shopping around. The level of long-term interest rates directly influences the customer rate we can offer, with the higher rates in 2023 enhanced by our individual medical underwriting. This increases the value of the guarantee to customers, making the product more attractive relative to other forms of retirement income. We will take advantage of this very strong market backdrop through our low-strain new business model, which enables us to fund our ambitious growth plans through underlying organic capital generation. When combined with our proven ability to originate high-quality illiquid assets, shareholder capital invested in new business adds substantially to increasing the existing shareholder value.

Shareholder funded DB sales at £2,999m (2022: £2,567m) were up 17%, as we were consistently busy throughout the year. In February, we closed our largest DB transaction to date at £513m, with GKN/Melrose. In December, utilising our DB Partner proposition, we reinsured all of the investment and longevity risks on a £416m transaction, our second largest deal of the year. The upfront origination fee received from our external reinsurance partner partially offsets the new business strain incurred on the £3.0bn of DB new business funded by Just's shareholders. Transactions of this type are additive to Just's core shareholder funded business by generating incremental fee income, while being repeatable, scalable and providing optionality going forward. Adding both shareholder funded and partner business, the DB segment wrote £3,415m of new business, up 21% year on year (2022: £2,826m), representing a 7% share by market value (LCP and WTW: c.£50bn).

In total, we completed 80 deals, of which 73 were below £100m in transaction size. We maintained our leadership position in the less than £100m transaction size segment. Our positioning has led to a doubling in our market share to 16% in the up to £1bn size segment over the past three years. In 2023, we estimate that Just wrote over one third of all transactions in the market. These activity levels are well ahead of the 56 transactions in 2022. Our proprietary bulk quotation service continues to grow in popularity with hundreds of DB schemes onboarded. Demonstrating the multiple benefits of the service, 17 EBCs completed a transaction during the year. Our bulk quotation service provides access to the DB market for trustees, accelerates transaction flow for EBCs by providing a streamlined process and provides a steady source of completions for Just. Recent examples include our smallest DB transaction to date at £0.6m, and a £2m scheme that had been price monitored since 2019. We continue to develop the service to allow us to significantly increase our onboarding capacity. As part of our proposition to EBCs, trustees, and scheme sponsors, we are always available to quote for any credible transaction, as evidenced from our activity levels in the past two years.

GIfL sales were £894m (2022: £564m), 59% higher year on year. The strong foundation from the first half, together with continued market strength in the second half allowed us to utilise our market-leading medical underwriting to risk select more profitable and niche segments of the market. These market dynamics, together with operational gearing due to tight cost control helped to improve margins in the second half. In recognition of our consistent level of customer service and excellence, in November, at the FT Financial Adviser Service Awards ("FASA"), Just won its 19th consecutive five star in the Pensions and Protection Providers category, five stars for the 14th time in the Mortgage Providers category, and were awarded Outstanding Achievement of the Year, due to our overall scores and ratings. This consistently high level of service was achieved even as business volumes grew strongly, and is a testament to the dedication from the customer service and business development teams.

Furthermore, we estimate that since 2014, more than £140bn of cumulative retirement savings have moved to drawdown on platform, often without a decumulation strategy. Due to the higher customer rates now on offer, we expect that advisers and customers will re-examine the role of guaranteed income in retirement. The introduction of the FCA's Consumer Duty in July and the findings due from the FCAs thematic review into retirement income advice are also likely to increase the importance of considering guaranteed solutions to help customers achieve their objectives.

LIFETIME MORTGAGES ADVANCES

2023 internally funded lifetime mortgage advances were £164m (2022: £519m), a decrease of 68%. In 2023, the LTM market fell by 58% to £2.6bn. We continue to be selective, and use our market insight and distribution to target certain sub-segments of the market. LTMs remain an attractive asset class, however, in a higher interest rate environment, the capital charge attaching to the NNEG risk becomes onerous. Prior investment in LTM digital capabilities and proposition has been well received by financial advisers, resulting in retention of our five star service award, as mentioned above.

RECONCILIATION OF UNDERLYING OPERATING PROFIT TO IFRS PROFIT BEFORE TAX

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m (restated)
Underlying operating profit[1]	**377**	257
Operating experience and assumption changes	**52**	104
Adjusted operating profit before tax[1]	**429**	361
Investment and economic movements	**92**	(537)
Strategic expenditure	**(17)**	(7)
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	**16**	16
Adjusted profit/(loss) before tax[1]	**520**	(167)
Deferral of profit in CSM	**(348)**	(327)
Profit/(loss) before tax	**172**	(494)

1 Alternative performance measure, see glossary for definition.

OPERATING EXPERIENCE AND ASSUMPTION CHANGES

As usual, the Group carried out a full basis review in December 2023, and has updated its longevity reserving using the CMI 2022 mortality tables (2022: CMI 2021). The Group continues to allow for future improvements in long-term mortality, but with the longer term also reflecting the heightened mortality being experienced post pandemic. Assessment of the longer-term impact of the pandemic on the population continues to evolve, but these factors, combined with the winter flu season, longer NHS waiting lists and inflation pressures on incomes are contributing towards a deterioration in the rate of improvement across the population, which we have sought to reflect in our year end assumption. There were a number of minor changes to the Group's other assumptions in 2023. Sensitivity analysis is shown in notes 20 and 26, which sets out the impact on the IFRS results from changes to key assumptions, including mortality and property.

Overall, operating experience and assumption changes were £52m (2022: £104m). The Group reported negative operating experience of £10m in 2023 (2022: negative £3m). Assumption changes resulted in a £62m release (2022: £107m reserve release), and were almost entirely driven by the mortality assumption change, as per above.

INVESTMENT AND ECONOMIC MOVEMENTS

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m (restated)
Change in interest rates	**(5)**	(536)
Narrower/(Wider) credit spreads	**44**	(51)
Property growth experience	**(13)**	(23)
Other	**66**	73
Investment and economic movements	**92**	(537)

Investment and economic movements were positive at £92m (2022: £537m loss). Movements in risk free rates during 2023 have had a negligible effect due to the implementation of a revised interest rate hedging strategy in the latter part of 2022 and across 2023. This includes the purchase of £2.5bn of long dated gilts held at amortised cost under IFRS. This approach has significantly reduced[1] the IFRS exposure whilst also containing our Solvency II sensitivity to future interest rate movements (see estimated Group Solvency II sensitivities below). In the second half of 2021 and across 2022, as rates rose and the solvency position strengthened, we gradually reduced the swap based interest rate hedging to a broadly economically neutral position. In 2023, we recorded £5m of losses in relation to interest rates (2022: loss of £536m due to rising interest rates under from the previous hedging strategy, which was originally designed to protect the solvency position).

Credit spreads narrowed during 2023, leading to a £44m positive movement (2022: credit spreads widened leading to a negative movement of £51m). The LTM portfolio property growth was c.2% during 2023, with our diversified portfolio performing a little below the 3.3% annual long-term property growth assumption (2022: 3.3% annual property growth

assumption). Other includes positives from corporate bond default experience, investment return on surplus assets being above our assumption and backbook optimisation.

1 See note 26 for interest rate sensitivities, with a 100 bps increase in interest rates resulting in a pre tax loss of £(40)m and a 100 bps decrease in interest rates resulting in a pre tax profit increase of £49m.

STRATEGIC EXPENDITURE

Strategic expenditure was £17m (2022: £7m). This included increased investment to scale and bring to market various retail related propositions, costs in relation to Consumer Duty, final implementation costs for IFRS 17 and preparations for an internal model update.

UNDERLYING EARNINGS PER SHARE

Underlying EPS (based on underlying operating profit after attributed tax) has increased to 27.9 pence (2022: 20.2 pence per share).

	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Underlying operating profit after attributable tax (£m)	**288**	208
Weighted average number of shares (million)	**1,032**	1,032
Underlying EPS[1] (pence)	**27.9**	20.2

1 Alternative performance measure, see glossary for definition.

EARNINGS PER SHARE

Earnings per share (based on net profit/(loss) after tax, see note 14) has increased to 11.3 pence (2022: 36.3 pence per share loss).

	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Earnings (£m)	**117**	(375)
Weighted average number of shares (million)	**1,032**	1,032
EPS (pence)	**11.3**	(36.3)

CAPITAL MANAGEMENT

The Group's capital coverage ratio was estimated to be 197% at 31 December 2023, including a formal recalculation of transitional measures on technical provisions ("TMTP") (31 December 2022: 199% including a formal recalculation of TMTP). The Solvency II capital coverage ratio is a key metric and is considered to be one of the Group's KPIs.

Unaudited	**31 December 2023[1] £m**	31 December 2022[2] £m
Own funds	**3,104**	2,757
Solvency Capital Requirement	**(1,577)**	(1,387)
Excess own funds	**1,527**	1,370
Solvency coverage ratio[1]	**197%**	199%

1 Solvency II capital coverage ratios as at 31 December 2023 and 31 December 2022 includes a formal recalculation of TMTP at the respective dates.

2 This is the reported regulatory position as included in the Group's Solvency and Financial Condition Report as at 31 December 2022.

The Group has approval to apply the matching adjustment and TMTP in its calculation of technical provisions and uses a combination of an internal model and the standard formula to calculate its Group Solvency Capital Requirement ("SCR").

MOVEMENT IN EXCESS OWN FUNDS[1]

The business is delivering sufficient ongoing capital generation to support deployment of capital to capture the significant growth opportunity available in our chosen markets, provide returns to our capital providers and further investment in the strategic growth of the business.

The table below analyses the movement in excess own funds, in the year to 31 December 2023.

Unaudited	At 31 December 2023[2] £m	At 31 December 2022 £m (restated)
Excess own funds at 1 January	**1,370**	1,168
Operating		
In-force surplus net of TMTP amortisation	**168**	174
Financing costs	**(49)**	(57)
Group and other costs	**(27)**	(23)
Cash generation	**92**	94
New business strain[2]	**(35)**	(60)
Underlying organic capital generation	**57**	34
Management actions and other items	**69**	105
Total organic capital generation[3]	**126**	139
Non-operating		
Strategic expenditure	**(13)**	(5)
Dividends	**(19)**	(16)
Economic movements	**(22)**	117
Regulatory changes	**109**	–
Capital actions[4]	**(24)**	(33)
Excess own funds	**1,527**	1,370

1 All figures are net of tax, and include a formal recalculation of TMTP where applicable.

2 New business strain calculated based on pricing assumptions.

3 Organic capital generation includes surplus from in-force, new business strain, overrun and other expenses, interest and other operating items. It excludes economic variances, regulatory changes, dividends and capital issuance.

4 Capital actions are the effect of Tier 2 buyback (2023 and 2022) and includes the positive effect (if any) from release of Solvency II tiering restrictions.

UNDERLYING ORGANIC CAPITAL GENERATION AND NEW BUSINESS STRAIN

In 2023, we achieved £57m of underlying organic capital generation (2022: £34m). Over the past four years, we have delivered £160m cumulative since we became capital generative on an underlying basis in 2020, while at the same time growing the shareholder backed new business volumes at a 22% compound annual growth rate to £3.9bn in 2023.

Underlying organic capital generation ("UOCG") has benefited from the ongoing focus across the business on minimising new business capital strain. Due to a combination of focused risk selection, pricing discipline, bespoke reinsurance and originating sufficient quantities of high-quality illiquid assets, new business strain has decreased by £25m (40%) even though shareholder funded new business premiums were up 24% year on year to £3.9bn. This level of new business strain represents 0.9% of new business premium (2022: 1.9% of premium), well within our target of below 2.5% of premium. This continued outperformance is driven by our market insight, leading to an origination strategy focussed on business mix within the DB and GIfL units. It also includes the commission received from the DB Partner transaction. In-force surplus after TMTP amortisation was down 3% to £168m, primarily due to higher average interest rates during the year which reduces the amount of capital available (via lower SCR and risk margin) to release. Group and other costs including development and non-life costs were £27m (2022: £23m). Finance costs at £49m were lower (2022: £57m), which reflected the interest savings following the tier 2 debt cancellation previously mentioned. Management actions and other items, primarily a mortality assumption changed, boosted the capital surplus by £69m. This lead to a total of £126m from organic capital generation, which contributed one percentage point to the capital coverage ratio.

NON-OPERATING ITEMS

Economic movements summed to £(22)m in the capital surplus. The effect to the surplus from the fall in long term interest rates at year end cut-off was relatively small at £(15)m, but resulted in a three percentage point fall in the capital coverage ratio. Property price growth at 2.3% (compared to our annual 3.3% long-term growth assumption) led to a £(11)m decrease in capital surplus, while we established a £(45)m provision for the potential residential ground rent consultation, which may impact valuation of those assets. These three negative items were offset by £49m of positive items, primarily asset trading and timing variances.

Regulatory changes resulted in a £109m increase in the surplus following a reduction in the Solvency II risk margin. Offsetting this, in September/October 2023, we completed the repurchase of a further £24m (nominal) of T2 debt via the open market. Shareholder dividend payments totalled £19m, while strategic expenses reduced the capital surplus by a further £13m.

The positive benefit from the risk margin reform has added seven percentage points to the capital coverage ratio, which has been offset by the other non-operating items. There were no capital restrictions or deferred tax assets in the 31 December 2023 capital position.

ESTIMATED GROUP SOLVENCY II SENSITIVITIES[1,5]

The property sensitivity has reduced to 10% (31 December 2022: 12%). We expect that reduced LTM origination and backing ratio on new business will contain the Solvency II sensitivity to house prices at or below this level over time. The credit quality step downgrade sensitivity has slightly reduced due to credit spreads narrowing during the period, which decreases the cost of trading the 10% of our credit portfolio[3] assumed to be downgraded back to their original credit rating.

Sensitivities to economic and other key metrics are shown in the table below.

Unaudited	At 31 December 2023 %	At 31 December 2023 £m
Solvency coverage ratio/excess own funds at 31 December 2023[2]	**197**	1,527
-50bps fall in interest rates (with TMTP recalculation)	**(6)**	26
+50bps increase in interest rates (with TMTP recalculation)	**6**	(27)
+100bps credit spreads (with TMTP recalculation)	**14**	109
Credit quality step downgrade[3]	**(7)**	(109)
-10% property values (with TMTP recalculation)[4]	**(10)**	(141)
-5% mortality	**(10)**	(147)

1 In all sensitivities the Effective Value Test ("EVT") deferment rate is allowed to change subject to the minimum deferment rate floor of 3% as at 31 December 2023 (2.0% as at 31 December 2022) except for the property sensitivity where the deferment rate is maintained at the level consistent with base balance sheet.

2 Sensitivities are applied to the reported capital position which includes a formal TMTP recalculation.

3 Credit migration stress covers the cost of an immediate big letter downgrade (e.g. AAA to AA or A to BBB) on 10% of all assets where the capital treatment depends on a credit rating (including corporate bonds, long income real estate/income strips; but lifetime mortgage senior notes are excluded). Downgraded assets are assumed to be traded to their original credit rating, so the impact is primarily a reduction in Own Funds from the loss of value on downgrade. The impact of the sensitivity will depend upon the market levels of spreads at the balance sheet. In addition for residential ground rents, the Group has identified that the impact of downgrading the entire portfolio to BBB would reduce Excess own funds by £22m and CCR% by two percentage points.

4 After application of NNEG hedges.

5 The results do not include the impact of capital tiering restriction, if applicable.

RECONCILIATION OF IFRS EQUITY TO SOLVENCY II OWN FUNDS

Unaudited	31 December 2023 £m	31 December 2022 £m (restated)
IFRS net equity	**1,203**	1,103
CSM	**1,959**	1,611
Goodwill	**(34)**	(34)
Intangibles	**(7)**	(13)
Solvency II risk margin	**(196)**	(456)
Solvency II TMTP[1]	**637**	874
Other valuation differences and impact on deferred tax	**(1,059)**	(884)
Ineligible items	**(5)**	(50)
Subordinated debt	**619**	619
Group adjustments	**(13)**	(13)
Solvency II own funds[1]	**3,104**	2,757
Solvency II SCR[1]	**(1,577)**	(1,387)
Solvency II excess own funds[1]	**1,527**	1,370

1 The Solvency II capital coverage ratios as at 31 December 2023 (estimated) and 31 December 2022 include a formal recalculation of TMTP at the respective dates.

RECONCILIATION FROM OPERATING PROFIT TO IFRS CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The tables below present the reconciliation from the Group's APM income statement view to the IFRS statement of comprehensive income for the Group. The Group's results reflect the adoption of IFRS 17 including the restatement of comparatives. For further information on the restatement see note 1 of the Consolidated financial statements.

Year ended 31 December 2023

Alternative profit measure format					Statutory accounts format				
	Reported £m	Quote date difference £m	CSM deferral £m	Adjusted total £m	Insurance result £m	Investment result £m	Other finance costs £m	Other income, expenses and associates £m	PBT £m
New business profit	355	(12)	(343)	–					
CSM amortisation	(62)		62	–					
Net underlying CSM increase	**293**	**(12)**	**(281)**	**–**					
In-force operating profit:									
Investment return earned on surplus assets	94			94		94			94
Release of allowances for credit default	28			28		28			28
CSM amortisation	62			62	129	(67)			62
Release of risk adjustment for non-financial risk	7			7	7				7
Other Group companies' operating results	(22)			(22)				(22)	(22)
Development expenditure	(17)			(17)				(17)	(17)
Finance costs	(68)			(68)			(68)		(68)
Underlying operating profit	**377**	**(12)**	**(281)**	**84**	**136**	**55**	**(68)**	**(39)**	**84**
Operating experience and assumption changes	52		(67)	(15)	(18)	3			(15)
Adjusted operating profit before tax	**429**	**(12)**	**(348)**	**69**					
Investment and economic movements	92	12		104		215	(70)	(41)	104
Strategic expenditure	(17)			(17)				(17)	(17)
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	16			16			16		16
Adjusted profit before tax	**520**		**(348)**	**172**					
Deferral of profit in CSM	(348)		348	–					
Profit before tax	**172**			**172**	**118**	**273**	**(122)**	**(97)**	**172**

The rows and first numeric column of this table present the alternative profit measure (APM) format as presented in the Underlying operating profit section and Reconciliation of Underlying operating profit to IFRS profit before tax section of this review.

The Quote date difference adjustment is made because Just bases its assessment of new business profitability for management purposes on the economic parameters prevailing at the quote date of the business instead of completion dates as required by IFRS 17 (see new business profit reconciliation in the additional information section towards the end of this announcement).

The CSM deferral column presents how elements of the APM basis result are deferred in the CSM reserve held on the IFRS balance sheet consistent with the table in the Deferral of profit in CSM section of this review. Under IFRS 17, new business profits and the impact of changes to estimates of future cash flows are deferred in the CSM reserve for release over the life of contracts (see accounting policy note 1.5.6).

The adjusted total column is then transposed in the columns on the right-hand side into the IFRS statutory accounts Consolidated statement of comprehensive income format. Figures are presented on a net of reinsurance basis.

Investment return on surplus assets and Release of allowance for credit default are recognised within the investment result in the IFRS Statement of Comprehensive income. CSM amortisation includes recognition of services provided within IFRS Insurance result and the unwind of discounting in the IFRS Investment result.

The insurance service result of £118m (2022: £99m) represents the excess of insurance revenue over insurance service expenses, with the year on year increase attributable to a higher release from CSM reserve as an additional year of new business is added, partly offset by higher external investment management expenses.

The net investment result of £273m (2022: £(454)m loss) represents the difference between the total investment return and the finance charge in respect of insurance reserves attributable to unwinding of discounting and changes in discount rates. In 2023, this net profit is attributable to the return on surplus funds, the emergence of credit default margins, and the effects of investment into higher yielding assets.

Other finance costs of £122m (2022: £57m) represent the costs of servicing tier 2 and tier 3 debt and repurchase agreements in connection with the amortised cost gilt portfolio established in 2023. Other income, expenses and associates of £97m loss (2022: £82m loss) represent the results from the Group's non-insurance businesses and expenses not attributed to insurance contracts in force.

Year ended 31 December 2022 (restated)

	Alternative profit measure format				Statutory accounts format				
	Reported £m	Quote date difference £m	CSM deferral £m	Adjusted total £m	Insurance result £m	Investment result £m	Other finance costs £m	Other income, expenses and associates £m	PBT £m
New business profit	266	4	(270)	–					
CSM amortisation	(61)		61	–					
Net underlying CSM increase	205	4	(209)	–					
In-force operating profit:									
Investment return earned on surplus assets	61			61		61			61
Release of allowances for credit default	26			26		26			26
CSM amortisation	61			61	96	(35)			61
Release of risk adjustment for non-financial risk	8			8	8				8
Other Group companies' operating results	(16)			(16)				(16)	(16)
Development expenditure	(15)			(15)				(15)	(15)
Finance costs	(73)			(73)			(73)		(73)
Underlying operating profit	257	4	(209)	52					
Operating experience and assumption changes	104		(118)	(14)	(5)	(9)			(14)
Adjusted operating profit before tax	361	4	(327)	38					
Investment and economic movements	(537)	(4)		(541)		(497)		(44)	(541)
Strategic expenditure	(7)			(7)				(7)	(7)
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	16			16			16		16
Adjusted loss before tax	(167)		(327)	(494)					
Deferral of profit in CSM	(327)		327	–					
Loss before tax	(494)			(494)	99	(454)	(57)	(82)	(494)

HIGHLIGHTS FROM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The table on below presents selected items from the Condensed consolidated statement of financial position. The information below is extracted from the statutory consolidated statement of financial position.

Financial investments

During the year, financial investments increased by £6bn to £29.4bn (2022: £23.4bn). Excluding the derivatives and collateral, and gilts purchased in relation to the interest rate hedging, the core Investments portfolio on which we take credit risk increased by 18% to £24bn. Over the past two years, central banks have rapidly raised base rates from their historical low levels to counteract the effect of inflation and prevent it becoming embedded in the economy. Base rates are expected to have peaked, with progressive interest rate cuts expected later this year and into 2025. The year on year portfolio increase to £24bn has been driven by investment of the Group's £4.3bn of new business premiums, credit spread tightening, and the decrease in long-term risk-free rates at year end cut-off, which increased the value of the assets (and matched liabilities). The credit quality of the Group's bond portfolio remains resilient, with 54% rated A or above (31 December 2022: 50%), driven by an increase in A rated consumer staples and infrastructure assets. Our diversified portfolio continues to grow and is well balanced across a range of industry sectors and geographies.

We continue to position the portfolio with a defensive bias, and year to date have experienced positive ratings performance as 11% of the Group's bond portfolio (excluding gilts) was upgraded, offset by 8% being downgraded. The Group continues to have very limited exposure to those sectors that are most sensitive to structural change or macroeconomic conditions, such as auto manufacturers, consumer (cyclical), energy and basic materials. The Group has increased its infrastructure, utilities and long income real estate (primarily commercial) investments, and selectively added to consumer and banks investments. The BBB-rated bonds are weighted towards the most defensive sectors including utilities, communications and technology, and infrastructure.

The Group continues to have ample liquidity. We prudently manage the balance sheet by hedging all foreign exchange and inflation exposure, and fully implemented a revised interest rate hedging strategy during the first half of 2023. This involved the purchase of £2.5bn of long dated gilts, which are held at amortised cost under IFRS. The effect is to significantly reduce the Solvency II sensitivity to future interest rate movements, with a much reduced volatility on the IFRS position.

The table below presents selected items from the Condensed consolidated statement of financial position. The information below is extracted from the statutory consolidated statement of financial position.

	31 December 2023 £m	31 December 2022 £m (restated)
Assets		
Financial investments	**29,423**	23,352
Reinsurance contract assets	**1,143**	776
of which CSM	**100**	107
Cash available on demand	**546**	482
Other assets	**726**	802
Total assets	**31,838**	25,412
Share capital and share premium	**199**	199
Other reserves	**943**	938
Accumulated profit and other adjustments	**(259)**	(354)
Total equity attributable to ordinary shareholders of Just Group plc	**883**	783
Tier 1 notes	**322**	322
Non-controlling interest	**(2)**	(2)
Total equity	**1,203**	1,103
Liabilities		
Insurance contract liabilities	**24,131**	19,647
of which CSM	**2,449**	1,943
Reinsurance contract liabilities	**125**	121
of which CSM	**(296)**	(225)
Other financial liabilities	**5,588**	3,669
Other liabilities	**791**	872
Total liabilities	**30,635**	24,309
Total equity and liabilities	**31,838**	25,412

Total Net Contractual Service Margin included above	**1.959**	1,611
Net Contractual Service Margin net of deferred tax	**1,471**	1,212

Other illiquid assets and lifetime mortgages

To support new business pricing, optimise back book returns, and to further diversify its investments, the Group originates other illiquid assets including infrastructure, real estate investments and private placements. Income producing real estate investments are typically much longer duration and hence the cash flow profile is very beneficial, especially to match DB deferred liabilities.

In 2023, we originated £1,550m of other illiquid assets (68 investments) and funded £164m of lifetime mortgages, which together represent a 44% new business backing ratio. Other illiquid assets are originated via a panel of 14 specialist external asset managers, each carefully selected based on their particular area of expertise. Our illiquid asset origination strategy allows us to efficiently scale origination of new investments, and to flex allocations between sectors depending on market conditions and risk adjusted returns.

To date, Just has invested £4.9bn in other illiquid assets, representing 21% of the Investments portfolio (31 December 2022: 16%), spread across more than 330 investments, both UK and abroad. We have invested in our in-house credit team as we have broadened the illiquid asset origination, and work very closely with our specialist asset managers on structuring to enhance our security, with a right to veto on each asset. We anticipate that the Solvency II reforms, when fully implemented, will increase the investment opportunities available to us through wider matching adjustment eligibility criteria, such as callable bonds, or assets with a construction phase, where the commencement of cash flows is not entirely certain. A PRA

consultation paper on the more complex changes to matching adjustment ("MA") rules and the associated investment flexibility was launched in September, with reforms to take effect in 2024. We expect these MA changes to support the role HM Treasury is expecting from the industry, whereby appropriate reforms could increase investment by tens of billions of pounds in long-term finance that underpins UK economic growth.

Internally funded lifetime mortgages were £164m (2022, £519m), primarily due to a much reduced LTM market, which more than halved to £2.6bn, and our ongoing pricing discipline. LTMs remain an attractive asset class, however, in a higher interest rate environment, the capital charge attaching to the LTM NNEG risk becomes onerous. The loan-to-value ratio of the in-force lifetime mortgage portfolio was 38.2% (31 December 2022: 37.3%), reflecting continued performance across our geographically diversified portfolio, which offsets the interest roll-up. Lifetime mortgages at £5.7bn represent 24% of the investments portfolio, which we expect to continue drifting lower over time as we originate fewer new LTMs and diversify the portfolio with other illiquid assets. The 10% Solvency II capital coverage ratio impact for an immediate 10% fall in UK house prices remains at a level we are comfortable with.

The following table provides a breakdown by credit rating of financial investments, including privately rated investments allocated to the appropriate rating.

	31 December 2023 £m	**31 December 2023 %**	31 December 2022 £m (restated)	31 December 2022 % (restated)
AAA[1]	**2,252**	**8**	2,154	9
AA[1,3] and gilts	**5,327**	**18**	2,136	9
A[1,2,3]	**7,239**	**24**	6,262	27
BBB[1,2,3]	**8,083**	**27**	6,544	28
BB or below[1,2]	**176**	**1**	265	1
Lifetime mortgages	**5,681**	**19**	5,306	23
Other assets	**837**	**3**	724	3
Total[1,2,3]	**29,595**	**100**	23,391	100

1 Includes units held in liquidity funds, derivatives and collateral and gilts (interest rate hedging).

2 Includes investment in trusts which holds long income real estate assets which are included in investment properties and investments accounted for using the equity method in the IFRS consolidated statement of financial position.

3 The comparative has been restated to re-allocate ground rents and certain SME investment and other funds to the appropriate rating (previously Other unrated).

4 The residential ground rent portfolio includes £164m rated AAA and £12m rated AA.

The Group holds a £176m portfolio of residential ground rents and is monitoring the progress of the Government Consultation regarding existing leases and the impact on the Group's exposure to these assets. The Group invests in loans secured by residential ground rents, rather than directly in residential leases. These investments are valued at fair value, and reflect our estimate of the impact that the uncertainty from the consultation has had on the fair value of this asset class at the reporting date. The Group acknowledges the significant uncertainty regarding the outcome of the consultation, and that the fair value of these investments may change in the future after the consultation concludes. For further information on the consultation please see the Risk management report and the accounting estimates made in note 1.7.

The sector analysis of the Group's financial investments portfolio is shown below and continues to be well diversified across a variety of industry sectors.

	31 December 2023 £m	31 December 2023 %	31 December 2022 £m (restated)	31 December 2022 % (restated)[1]
Basic materials	**149**	**0.6**	270	1.3
Communications and technology	**1,334**	**5.6**	1,327	6.6
Auto manufacturers	**130**	**0.5**	250	1.2
Consumer staples (including healthcare)	**1,405**	**5.9**	935	4.6
Consumer cyclical	**197**	**0.8**	125	0.6
Energy	**378**	**1.6**	535	2.6
Banks	**1,606**	**6.7**	1,119	5.5
Insurance	**735**	**3.1**	607	3.0
Financial – other	**583**	**2.4**	342	1.7
Real estate including REITs	**660**	**2.8**	437	2.2
Government	**1,767**	**7.4**	1,596	7.9
Industrial	**543**	**2.3**	588	2.9
Utilities	**2,637**	**11.0**	2,266	11.2
Commercial mortgages[2]	**764**	**3.2**	584	2.9
Long income real estate[3]	**916**	**3.8**	291	1.4
Infrastructure	**2,473**	**10.3**	1,702	8.4
Other	**42**	**0.2**	42	0.2
Bond total	**16,319**	**68.1**	13,016	64.4
Other assets	**822**	**3.4**	726	3.6
Lifetime mortgages	**5,681**	**23.7**	5,306	26.2
Liquidity funds	**1,141**	**4.8**	1,174	5.8
Investments portfolio	**23,963**	**100.0**	20,222	100.0
Derivatives and collateral	**3,083**		3,169	
Gilts (interest rate hedging)	**2,549**		–	
Total	**29,595**		23,391	

1 Restated to re-allocate various short term illiquid fund assets and cash/investments, primarily from the Financial - other sector. These assets are now in the "Other Assets" category.

2 Includes investment in trusts which are included in investment properties in the IFRS consolidated statement of financial position.

3 Includes direct long income real estate and where applicable, investment in trusts which are included in investments accounted for using the equity method in the IFRS consolidated statement of financial position. Long income real estate include £740m commercial ground rents and £176m residential ground rents.

Reinsurance contract assets and liabilities

In accordance with IFRS 17, the Group distinguishes between its portfolios of reinsurance contracts which cover longevity and inflation risks and portfolios of reinsurance treaties covering longevity reinsurance alone. The Group's contracts transferring inflation risk are quota share arrangements which are in asset positions. Since the introduction of Solvency II in 2016, the Group has increased its use of reinsurance swaps rather than quota share treaties and these are in liability positions.

Reinsurance assets increased to £1,143m at 31 December 2023 (31 December 2022: £776m) as the funded reinsurance in relation to the DB Partner transaction in December 2023 was partially offset by reinsurance quota share treaties which are in gradual run-off.

Cash and other assets

Other assets (primarily cash) remained consistent at £1.3bn at 31 December 2023 (31 December 2022: £1.3bn). The Group holds significant amounts of assets in cash, so as to protect against liquidity stresses.

Insurance contract liabilities

Insurance contract liabilities increased to £24.1bn at 31 December 2023 (31 December 2022: £19.6bn). The increase in liabilities reflects the new business premiums written and decrease to the valuation rate of interest, offset by mortality assumptions changes and policyholder payments over the period.

Other liabilities

Other liability balances decreased to £791m at 31 December 2023 (31 December 2022: £872m) due to a reduction in loans and other payables.

IFRS net assets

The Group's total equity at 31 December 2023 was £1.2bn (31 December 2022: £1.1bn). Total equity includes the Restricted Tier 1 notes of £322m (after issue costs) issued by the Group in September 2021. The total equity attributable to ordinary shareholders increased to £883m (31 December 2022: £783m).

DEFERRAL OF PROFIT IN CSM

As noted above, underlying operating profit is the core performance metric on which we have based our profit growth target. This includes new business profits deferred in CSM that will be released in future. When reconciling the underlying operating profit with the statutory IFRS profit it is necessary to adjust for the value of the net deferral of profit in CSM.

Net transfers to contractual service margin includes amounts that are recognised in profit or loss including the accretion and the amortisation of the contractual service margin:

	Year ended 31 December 2023			Year ended 31 December 2022 (restated)		
	Gross insurance contracts £m	Reinsurance contracts £m	Total £m	Gross insurance contracts £m	Reinsurance contracts £m	Total £m
CSM balance at 1 January	**1,943**	**(332)**	**1,611**	1,489	(205)	1,284
New Business initial CSM recognised	**380**	**(37)**	**343**	320	(50)	270
Accretion of interest on CSM	**79**	**(12)**	**67**	41	(6)	35
Changes to future cash flows at locked-in economic assumptions	**203**	**(136)**	**67**	213	(96)	117
Release of CSM	**(156)**	**27**	**(129)**	(120)	25	(95)
Net transfers to CSM	**506**	**(158)**	**348**	454	(127)	327
CSM balance at 31 December	**2,449**	**(490)**	**1,959**	1,943	(332)	1,611

RESTATEMENT OF ALTERNATIVE PERFORMANCE MEASURES

As noted earlier, certain of the Group's APMs and KPIs have been affected by the implementation of IFRS 17 as a result of changes to risk parameters and other measurement factors in the underlying statutory accounts. The opportunity has been taken to make other changes to the derivation of the KPIs at the same time as implementing IFRS 17, notably:

- The impact of demographic changes on the valuation of LTMs has been reclassified as an investment value change instead of being included with insurance experience and assumption changes. This change treats the full return on LTMs as investment return and recognises their reduced significance within the investment portfolio.
- Non-recurring expenses have been reallocated to new business acquisition expenses or development expenses within underlying operating profit or to strategic expenses. This has also been reflected and aligned to the classifications used for measurement of Solvency II capital generation.

The table below compares the new business profits, Underlying profit and Adjusted operating profit before tax as presented in the Annual Report and Accounts in 2022 under IFRS 4 (previous accounting standard) with the equivalent APMs based on the IFRS 17 accounts:

	New business profit £m	Underlying operating profit £m	Adjusted operating profit £m
As presented in 2022 Annual Report and Accounts under IFRS 4	**233**	**249**	**336**
Changes in allowances for credit defaults	38	25	25
Changes attributable to replacement of IFRS 4 prudent reserves with IFRS 17 risk adjustment	2	(9)	(9)
Change to the classification of demographic assumption changes and experience variances in respect of LTMs	–	–	24
Reclassification of expenses	(1)	(6)	(6)
Other differences	(6)	(2)	(9)
As presented in 2023 Annual Report and Accounts under IFRS 17	**266**	**257**	**361**

Dividends

In line with our stated policy to grow the dividend over time, the Board is recommending a final dividend of 1.50 pence per share bringing the total dividend for the year ended 31 December 2023 to 2.08 pence per share. The 20% growth in total dividend is ahead of the 15% 2022 dividend growth rate.

MARK GODSON

Group Chief Financial Officer

Risk Management

The Group’s enterprise-wide risk management strategy is to enable all colleagues to take more effective business decisions through a better understanding of risk.

PURPOSE

The Group risk management framework supports management in making decisions that balance the competing risks and rewards. This allows them to generate value for shareholders, deliver appropriate outcomes for customers, and help our business partners and other stakeholders have confidence in us. Our approach to risk management is designed to ensure that our understanding of risk underpins how we run the business.

RISK FRAMEWORK

Our risk framework, owned by the Group Board, covers all aspects involved in the successful management of risk, including governance, reporting and policies. Our appetite for different types of risk is embedded across the business to create a culture of confident risk-taking. The framework is continually developed to reflect our risk environment and emerging best practice.

RISK EVALUATION AND REPORTING

We evaluate our principal and emerging risks to decide how best to manage them within our risk appetite. Management regularly reviews its risks and produces management information to provide assurance that material risks in the business are being appropriately mitigated. The Risk function, led by the Group Chief Risk officer (“GCRO”), challenges the management team on the effectiveness of its risk identification, measurement, management, monitoring, and reporting. The GCRO provides the Group Risk and Compliance Committee (“GRCC”) with his independent assessment of the principal and emerging risks to the business.

Company policies govern the exposure of risks to which the Group is exposed and define the risk management activities to ensure these risks remain within appetite.

Financial risk modelling is used to assess the amount of each risk type against our capital risk appetite. This modelling is principally aligned to our regulatory capital metrics. The results of the modelling allow the Board to understand the risks included in the Solvency Capital Requirement (“SCR”) and how they translate into regulatory capital needs. By applying stress and scenario testing, we gain insights into how risks might impact the Group in different circumstances.

Quantification of the financial impact of climate risk is subject to significant uncertainty. Climate-related transition and physical risks are heavily dependent on government policy developments, social responses to these developments and market trends. Just’s initial focus has been on the implementation of strategies to reduce the likely exposure to this risk. Just will continue to adapt its view of climate risk as both methodologies and data quality improve.

The identification, disclosure and management of climate-related risks and broader sustainability risks are embedded within Just’s Enterprise Risk Management Framework. This includes climate-related scenario analysis, based on Network for Greening the Financial System scenarios, which is a key tool for ensuring we have a deep understanding of the risks the Group faces over a long-term time horizon.

OWN RISK AND SOLVENCY ASSESSMENT

The Group’s Own Risk and Solvency Assessment (“ORSA”) process embeds comprehensive risk reviews into our Group management activities. Our annual ORSA report is an important part of our business risk management cycle.

It summarises work carried out in assessing the Group’s risks related to its strategy and business plan, supported by a variety of quantitative scenarios, and integrates findings from recovery and run-off analysis. The report provides an opinion on the viability and sustainability of the Group and informs strategic decision making. Updates are provided to the GRCC each quarter, including factors such as key risk limit consumption, and conduct, operational and market risk developments, to keep the Board appraised of the Group’s evolving risk profile.

Reporting on climate risk is being integrated into the Group’s regular reporting processes, which will continue to evolve as the quantification of risk exposures develops and key risk indicators (“KRIs”) are identified.

Principal risks and uncertainties

Risks and uncertainties are presented in this report in two separate sections: (1) the first section summarises the Group's ongoing core risks and how they are managed in business as usual; and (2) the second section calls out the risk outlook for subjects that are evolving and are of material importance from a Group perspective.

STRATEGIC PRIORITIES

1. Grow through innovation
2. Transform how we work
3. Get closer to our customers and partners
4. Be proud to work at Just
5. Grow sustainably

ONGOING PRINCIPAL RISKS

RISK		HOW WE MANAGE OR MITIGATE THE RISK
A **MARKET RISK** **STRATEGIC PRIORITIES** 1, 5	Arises from changes in interest rates, residential property prices, credit spreads, inflation, and exchange rates, which affect, directly or indirectly, the level and volatility of market prices of assets and liabilities. The Group is not exposed to any material levels of equity risk. Some very limited equity risk exposure arises from investment into credit funds which have a mandate that allows preferred equity to be held.	• Premiums are invested to match asset and liability cash flows as closely as practicable; • Market risk exposures are managed within pre-defined limits aligned to risk appetite for individual risks; • Exposure is managed using regulatory and economic metrics to achieve desired financial outcomes; • Balance sheet is managed by hedging exposures, including currency and inflation where cost effective to do so; and • Interest rate hedging is in place to manage Solvency II capital coverage and IFRS equity positions.
B **CREDIT RISK** **STRATEGIC PRIORITIES** 1, 3, 5	Arises if another party fails to perform its financial obligations to the Group, including failing to perform them in a timely manner.	• Investments are restricted to permitted asset classes and concentration limits; • Credit risk exposures are monitored in line with credit risk framework, driving corrective action where required; • External events that could impact credit markets are tracked continuously; • Credit risks from reinsurance balances are mitigated by the reinsurer depositing back premiums ceded and through collateral arrangements or recapture plans; and • The external fund managers we use are subject to Investment Management Agreements and additional credit guidelines.
C **INSURANCE RISK** **STRATEGIC PRIORITIES** 1, 3, 5	Arises through exposure to longevity, mortality, morbidity risks and related factors such as levels of withdrawal from lifetime mortgages and management and administration expenses.	• Controls are maintained over insurance risks related to product development and pricing; • Approved underwriting requirements are adhered to; • Medical information is developed and used for pricing and reserving to assess longevity risk; • Reinsurance used to reduce longevity risk, with oversight by Just of overall exposures and the aggregate risk ceded; • Group Board review and approve assumption used; and

		• Regular monitoring, control and analysis of actual experience and expense levels is conducted.
D **LIQUIDITY RISK** **STRATEGIC PRIORITIES** 1, 3, 5	The risk of insufficient suitable assets available to meet the Group's financial obligations as they fall due.	• Stress and scenario testing and analysis is conducted: including collateral margin stresses, asset eligibility and haircuts under stress; • Corporate collateral capacity to reduce liquidity demands and improve our liquidity stress resilience is monitored; • Risk assessment reporting and risk event logs inform governance and enable effective oversight; and • Contingency funding plan is maintained with funding options and process for determining actions.
E **CONDUCT AND OPERATIONAL RISK** **STRATEGIC PRIORITIES** 1, 2, 3, 4, 5	Arise from inadequate internal processes, people and systems, or external events including changes in the regulatory environment. Such risks can result in harm to our customers, the markets in which we do business or our regulatory relationships as well as direct or indirect loss, or reputational impacts.	• Implement policies, controls, and mitigating activities to keep risks within appetite; • Oversee risk status reports and any actions needed to bring risks back within appetite; • Scenario-based assessment is in place to establish the level of capital needed for conduct and operational risks; • Monitor conduct and customer risk indicators and their underlying drivers prompting action to protect customers; • Conduct risk management training and other actions to embed regulatory changes; and • Ensure data subjects can exercise their GDPR rights including their right to be forgotten and subject access requests to obtain their data held by Just.
F **STRATEGIC RISK** **STRATEGIC PRIORITIES** 1, 2, 3, 4, 5	Arises from the choices the Group makes about the markets in which it competes and the environment in which it competes. These risks include the risk of changes to regulation, competition, or social changes which affect the desirability of the Group's products and services.	• The Group operates an annual strategic review cycle; • Information on the strategic environment, which includes both external market and economic factors and those internal factors which affect our ability to maintain our competitiveness, is regularly analysed to assess the impact on the Group's business models; • Engagement with industry bodies supports our information gathering; and • The Group responds to consultations through trade bodies where appropriate.

RISK OUTLOOK

HOW THIS RISK EFFECTS JUST	JUST'S EXPOSURE TO RISK	OUTLOOK AND HOW WE MANAGE OR MITIGATE THE RISK
1 **POLITICAL AND REGULATORY** Changes in regulation and/or the political environment can impact the Group's financial position and its ability to conduct business. The financial services industry continues to see a high level of regulatory activity. **TREND** **UNCERTAIN** **STRATEGIC PRIORITIES** 1, 3, 4, 5	Just monitors and assesses regulatory developments for their potential impact on an ongoing basis. We seek to actively participate in all regulatory initiatives which may affect or provide future opportunities for the Group. Our aims are to implement any changes required effectively and deliver better outcomes for our customers and a competitive advantage for the business. We develop our strategy by giving consideration to planned political and regulatory developments and allowing for contingencies should outcomes differ from our expectations.	The matching adjustment and Solvency II reform is of key importance to Just's business model. In September 2023, the PRA issued its first substantive consultation on the detail of its proposed changes to the matching adjustment (MA). Subject to the government's legislative timetable and responses to the consultation, the PRA plans to publish final policy and rules on the MA during Q2 2024 with an effective date of 30 June 2024, with all other changes relating to the Solvency II review taking effect on 31 December 2024. Whilst greater clarity has now been provided, the potential impact of the changes will not be completely understood until the final details have been agreed and full details of their implementation are known in 2024. The Group has limited Funded Reinsurance and that which it has is collateralised with awareness of the recapture risks and correlated risks the PRA is concerned with in CP 24/23. The Group will evaluate the changes required as a result of the final supervisory statement and if required make changes to its approach. The FCA's rules for a new consumer duty sets higher and clearer standards for consumer protection across financial services and require firms to put customers' needs first. The Duty applied to new and existing products and services that are open to sale (or renewal) from 31 July 2023. Just achieved substantive compliance with the requirements in line with the timescales provided by the FCA. Work is in progress to apply the requirements to products and services in closed books by 31 July 2024, and completion of these works will form part of the required annual Board report. Following the PRA and FCA regulations on operational resilience from March 2022, Just identified its most important business services and set impact tolerances for each. These are subject to regular scenario testing and an annual self-Assessment is prepared for Board approval. Just continues to evolve its operational resilience capability through the pillars that support the delivery of business services. On 9 November 2023, the Government published a consultation seeking views on capping the maximum ground rent that residential leaseholders can be required to pay in England and Wales. The consultation set out five options including capping ground rents at a peppercorn (essentially zero). The Group invests in loans secured on residential ground rents as part of its investment portfolio, and if the consultation results in a reduction in future cash flow from ground rents, the security and/or value of the loans will be reduced, in some cases materially. For more information on the Group's exposure to residential ground rents see the Other illiquid assets and lifetime mortgages section of the Business Review.

2

CLIMATE AND ESG

Climate change could impact our financial position by impacting the value of residential properties in our lifetime mortgage portfolio and the yields and default risk of our investment portfolios. Just's reputation could also be affected by missed emissions targets or inadequate actions on environmental issues or broader sustainability issues.

TREND

INCREASING

STRATEGIC PRIORITIES

1, 2, 3, 4, 5

Our TCFD disclosures (section "sustainability strategy: TCFD disclosure framework") explains how climate-related risks and opportunities are embedded in Just's governance, strategy and risk management, with metrics to show the potential financial impacts on the Group. The metrics reflect the stress-testing and scenario capabilities developed to date to assess the potential impact of climate risk on the Group's financial position.

The value of properties on which lifetime mortgages are secured can be affected by:

(i) transition risk – such as potential government policy changes related to the energy efficiency of residential properties;
(ii) physical risks – such as increased flooding due to severe rainfall, or more widespread subsidence after extended droughts.

A shortfall in property sale price against the outstanding mortgage could lead to a loss due to the no-negative equity guarantee given to customers.

The value of corporate bonds and illiquid investments can be affected by the impact of climate risk on the assets or business models of corporate bond issuers and commercial borrowers. Yields available from corporate bonds may also be affected by any litigation or reputational risks associated with the issuers' environmental policies or adherence to emissions targets.

Just is proactive in pursuing its sustainability responsibilities and recognises the importance of its social purpose. We have set targets for Scope 1, 2 and business travel to be carbon net zero by 2025. For emissions from our Scope 3 emissions including our investment portfolio, properties on which lifetime mortgages are secured and supply chain we have set net zero targets by 2050, with a 50% reduction in these emissions by 2030. Performance against these targets is being monitored and reported.

We continue to look to improve stress and scenario testing capabilities to support the monitoring of potential climate change impact on our investment and LTMs portfolios with a particular focus on refining the quality of input data.

The lifetime mortgage lending criteria will be kept under review and adjustments made as required.

Under Just's Responsible Investment Framework, the ESG risks, including climate change, are considered for liquid and illiquid assets. Risks arising from flooding, coastal erosion and subsidence are taken into account in lifetime mortgage lending decisions.

The consideration of sustainability in investment decisions may restrict investment choice and the yields available; but may also create new opportunities to invest in assets that are perceived to be more sustainable.

Following the BoE and PRA Climate and Capital Conference, in March 2023, the BoE published a report setting out its latest thinking. This included consideration of whether firms assess risks within the matching adjustment (MA) adequately to allow for the capture of climate risk. They will also start to explore whether it is appropriately reflected in external credit ratings (or firms' own internal ratings) and if resulting MA benefits could be too large. The ABI are maintaining engagement with key stakeholders including Just.

Risk	Mitigation	Changes / developments
3 **CYBER AND TECHNOLOGY** IT systems are key to serving customers and running the business. These systems may not operate as expected or may be subject to cyber-attack to steal or misuse our data or for financial gain. Any system failure affecting the Group could lead to costs and disruption, adversely affecting its business and ability to serve its Customers, and reputational damage. **TREND** **STABLE** **STRATEGIC PRIORITIES** 1, 2, 3, 4, 5	Our IT systems are central to conducting our business from delivering outstanding Customer service and to the financial management of the business. We maintain a framework of operational resilience and disaster recovery capabilities so that we can continue to operate the business in adverse circumstances. Protecting the personal information of our customers and colleagues is a key priority. Internal controls and our people are integral to protecting the integrity of our systems, with our multi-layered approach to information security supported by training, embedded company policies, and governance. We continue to invest in strategic technologies.	The cyber threat to firms is expected to continue at a high level in the coming years and evolve in sophistication. We will continue to closely monitor evolving external cyber threats to ensure our information security measures remain fit for purpose. Just's Chief Information Security Officer has recently implemented a revised information security team structure and approach. 2024 will see further investments in cyber-attack countermeasures, to enable consistent delivery of required security standards, in line with our Cyber strategy. We will continue to evaluate impacts of other new and emerging technologies, such as Artificial Intelligence, during the year. Following the 2023 CBEST thematic findings from the Bank of England, a review of such by the Chief Information Security Officer found that there were minimal improvements required regarding the recommendations and guidance; all of which were of low residual risk and for which improvements have been undertaken to address such. To strengthen data security and overall resilience, in 2023, we continued to make enhancements to network architecture and implemented data centre upgrades. Our email system has been made more resilient to malicious attacks, including detection of emerging types of phishing and malware. A specialist security operations centre monitors all our externally facing infrastructure and services, with threat analysis, incident management and response capabilities. The Group's cyber defences are subject to regular external penetration tests to drive enhancements to our technology infrastructure. The development of in-house systems and our use of third-party systems, including cloud, is continuously monitored by technical teams following established standards and practices.
4 **INSURANCE RISK** In the long-term, the rates of mortality suffered by our customers and other demographic risks may differ from the assumptions made when we priced the contract. **TREND** **STABLE** **STRATEGIC PRIORITIES** 1, 3, 5	A high proportion of longevity risk on new business Just writes is reinsured, with the exception of care business for which the risk is retained in full. Most of the financial exposure to the longevity risks that are not reinsured relate to certain business written prior to 2016. Reinsurance treaties include collateral to minimise exposure in the event of a reinsurer default. Analysis of collateral arrangements can be found in notes 29 and 34 of the Annual Report and Accounts. Mortality experience continues to be volatile and remains above pre-pandemic levels.	Experience and insights emerging since mid-2021 indicate that COVID-19, and the aftermath of the pandemic, will have a material and enduring impact on mortality for existing and future policyholders. Our views on the changes are updated annually taking into account recent data, emerging best practice and expected trends. The assumptions about these changes have been incorporated into Just's pricing across our Retirement Income and Lifetime Mortgage products and will be updated as more information becomes available. Changes in customer behaviour due to current higher interest rates have been taken into account where appropriate.

5

MARKET AND CREDIT RISK

Fluctuations in interest rates, residential property values, credit spreads, inflation and currency may result, directly or indirectly, in changes in the level and volatility of market prices of assets and liabilities.

Investment credit risk is a result of investing to generate returns to meet our obligations to policyholders.

TREND

INCREASING

STRATEGIC PRIORITIES

1, 3, 5

Financial market volatility leads to changes in the level of market prices of assets and liabilities. Our business model and risk management framework have been designed to remain robust against market headwinds. Our policy is to manage market risk within pre-defined limits.

Investment in fixed income investments exposes the Group to default risk and subsequent losses should collateral and recovery be less than the expected investment value. Additionally, the Group is exposed to concentration risk and to the downgrade of assets which shows an increased probability of default.

Credit risk exposures arise due to the potential default by counterparties we use to:

- provide reinsurance to manage Group exposure to insurance risks, most notably longevity risk;
- provide financial instruments to mitigate interest rate and currency risk exposures; and
- hold our cash balances.

To reduce risk, the Group ensures it trades with a wide range of counterparties to diversify exposures.

All over-the-counter derivative transactions are conducted under standardised International Swaps and Derivatives Association master agreements. The Group has collateral agreements with relevant counterparties under each master agreement.

Reinsurance transactions are collateralised to reduce the Group's exposure to loss from default. The Group measures reinsurance default with respect to its regulatory balance sheet as expected by SS 24/23. Contracts offer protections against termination due to various events.

Global growth has held up in 2023 despite tighter fiscal and monetary policy. 2024 is likely to see weaker growth with a recession possible in the UK and the countries in which the Group invests. Financial markets are likely to remain volatile during this period.

Our investment assets may experience increased movements in downgrade and/or default experience.

2023 saw limited changes to UK residential property prices; however, sustained high interest rates may result in price falls, increasing the Group's exposure to the risk of shortfalls in expected repayments due to no-negative equity guarantee within its portfolio of lifetime mortgages. Any commercial property price falls would reduce the value of collateral held within our loan portfolio secured against commercial properties.

Our balance sheet sensitivities to these risks can be found in note 20.

Credit risk on cash assets is managed by imposing restrictions over the credit ratings of third parties with whom cash is deposited.

Risk	Exposure	Outlook
6 **LIQUIDITY RISK** Having sufficient liquidity to meet our financial obligations as they fall due requires ongoing management and the availability of appropriate liquidity cover. The liquidity position is stressed to reflect extremely volatile conditions such as those triggered by the September 2022 "mini-Budget". **TREND** **INCREASING** **STRATEGIC PRIORITIES** 1, 3, 5	Exposure to liquidity risk arises from: • short-term cash flow volatility leading to mismatches between cash flows from assets and liabilities, particularly servicing collateral requirements of financial derivatives and reinsurance agreements; • the liquidation of assets to meet liabilities during stressed market conditions; • higher-than-expected funding requirements on existing LTM contracts, lower redemptions than expected; and • liquidity transferability risk across the Group.	Financial markets are expected to remain volatile into the foreseeable future with an increased level of liquidity risk. At the same time, Just is experiencing strong market demand for defined benefit de-risking solutions from pension schemes. Just's use of derivative positions is planned to increase in proportion to its planned growth. Throughout any period of heightened volatility, Just maintains robust liquidity stress testing and holds a high level of liquidity coverage above stressed projections.
7 **STRATEGIC RISK** The choices we make about the markets in which we compete and the demand for our product and service offering may be affected by external risks including changes to regulation, competition, or social changes. **TREND** **STABLE** **STRATEGIC PRIORITIES** 1, 2, 3, 4, 5	Risks to the Group's strategy arise from regulatory change as the Group operates in regulated markets and has partners and distributors who are themselves regulated. Actions by regulators may change the shape and scale of the market or alter the attractiveness of markets. Changes in the nature or intensity of competition may impact the Group and increase the risk the business model is not able to be maintained. The actions of our competitors may increase the exposure to the risk from regulation should they fail to maintain appropriate standards of prudence.	Regulation changes, such as Solvency II reform, have been agreed recently and it is likely the Group's regulators will not make any significant change until these have been embedded. There is a risk that pension scheme regulation may change as a result of schemes' exposures. Demand for de-risking solutions is expected to remain stable. The Government is keen for the development of Collective Defined Contributions (CDC) Schemes. The Group believes that CDC would likely be complementary to the existing decumulation market rather than replace it. Both the ABI and the Group continue to actively contribute to ongoing discussions specific to this matter.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2023

	Note	Year ended 31 December 2023 £m	Year ended 31 December 2022 (restated) £m
Insurance revenue	2	**1,555**	1,325
Insurance service expenses	3	**(1,396)**	(1,196)
Net expenses from reinsurance contracts	4	**(41)**	(30)
Insurance service result		**118**	99
Interest income on financial assets measured at amortised cost	5	**54**	–
Other investment return	5	**2,119**	(5,189)
Investment return		**2,173**	(5,189)
Net finance (expenses)/income from insurance contracts	6	**(2,006)**	4,823
Net finance income/(expenses) from reinsurance contracts	7	**108**	(91)
Movement in investment contract liabilities		**(2)**	3
Net investment result		**273**	(454)
Other income		**21**	14
Other operating expenses	3	**(104)**	(93)
Other finance costs	8	**(122)**	(57)
Share of results of associates accounted for using the equity method	36	**(14)**	(3)
Profit/(loss) before tax	9	**172**	(494)
Income tax (expense)/credit	10	**(43)**	132
Profit/(loss) for the year		**129**	(362)
Profit/(loss) attributable to:			
Equity holders of Just Group plc		**129**	(362)
Profit/(loss) for the year		**129**	(362)
Total comprehensive income/(loss) attributable to:			
Equity holders of Just Group plc		**129**	(362)
Total comprehensive income/(loss) for the year		**129**	(362)
Basic earnings/(loss) per share (pence)	14	**11.3**	(36.3)
Diluted earnings/(loss) per share (pence)	14	**11.2**	(36.3)

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023

Year ended 31 December 2023	Note	Share capital £m	Share premium £m	Other reserves £m	Retained earnings1 £m	Total shareholders' equity £m	Tier 1 notes £m	Total owners' equity £m	Non-controlling interest £m	Total £m
At 1 January 2023		**104**	**95**	**938**	**(354)**	**783**	**322**	**1,105**	**(2)**	**1,103**
Profit for the year		**–**	**–**	**–**	**129**	**129**	**–**	**129**	**–**	**129**
Total comprehensive income for the year		**–**	**–**	**–**	**129**	**129**	**–**	**129**	**–**	**129**
Contributions and distributions										
Dividends	15	**–**	**–**	**–**	**(19)**	**(19)**	**–**	**(19)**	**–**	**(19)**
Interest paid on Tier 1 notes (net of tax)	25	**–**	**–**	**–**	**(12)**	**(12)**	**–**	**(12)**	**–**	**(12)**
Share-based payments		**–**	**–**	**5**	**(3)**	**2**	**–**	**2**	**–**	**2**
Total contributions and distributions		**–**	**–**	**5**	**(34)**	**(29)**	**–**	**(29)**	**–**	**(29)**
At 31 December 2023		**104**	**95**	**943**	**(259)**	**883**	**322**	**1,205**	**(2)**	**1,203**

Year ended 31 December 2022	Note	Share capital £m	Share premium £m	Other reserves £m	Retained earnings1 £m	Total shareholders' equity £m	Tier 1 notes £m	Total owners' equity £m	Non-controlling interest £m	Total £m
At 1 January 2022 – previously reported		104	95	944	977	2,120	322	2,442	(2)	2,440
Impact of adoption of new accounting standards[2]		–	–	–	(944)	(944)	–	(944)	–	(944)
At 1 January 2022 – restated		104	95	944	33	1,176	322	1,498	(2)	1,496
Loss for the year		–	–	–	(362)	(362)	–	(362)	–	(362)
Total comprehensive loss for the year		–	–	–	(362)	(362)	–	(362)	–	(362)
Contributions and distributions										
Dividends	15	–	–	–	(15)	(15)	–	(15)	–	(15)
Interest paid on Tier 1 notes (net of tax)	25	–	–	–	(14)	(14)	–	(14)	–	(14)
Share-based payments		–	–	(6)	4	(2)	–	(2)	–	(2)
Total contributions and distributions		–	–	(6)	(25)	(31)	–	(31)	–	(31)
At 31 December 2022		104	95	938	(354)	783	322	1,105	(2)	1,103

1 Includes currency translation reserve of £1m (31 December 2022: £1m).

2 See note 1.2.2.

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

	Note	31 December 2023 £m	31 December 2022 (restated) £m	1 January 2022 (restated) £m
Assets				
Intangible assets	16	**41**	47	45
Property and equipment	17	**22**	22	14
Investment property	18	**32**	40	70
Financial investments	19	**29,423**	23,352	24,682
Investments accounted for using the equity method	36	**149**	194	–
Reinsurance contract assets	26	**1,143**	776	716
Deferred tax assets	21	**406**	449	304
Current tax assets		**4**	6	30
Prepayments and accrued income		**12**	11	6
Other receivables		**60**	33	21
Cash available on demand	22	**546**	482	510
Assets classified as held for sale		**–**	–	3
Total assets		**31,838**	25,412	26,401
Equity				
Share capital	23	**104**	104	104
Share premium	23	**95**	95	95
Other reserves	24	**943**	938	944
Retained earnings		**(259)**	(354)	33
Total equity attributable to shareholders of Just Group plc		**883**	783	1,176
Tier 1 notes	25	**322**	322	322
Total equity attributable to owners of Just Group plc		**1,205**	1,105	1,498
Non-controlling interest	36	**(2)**	(2)	(2)
Total equity		**1,203**	1,103	1,496
Liabilities				
Insurance contract liabilities	26	**24,131**	19,647	23,086
Reinsurance contract liabilities	26	**125**	121	165
Investment contract liabilities	27	**35**	33	34
Loans and borrowings	28	**686**	699	774
Other financial liabilities	29	**5,588**	3,669	721
Other provisions		**3**	1	1
Accruals and deferred income		**47**	43	43
Other payables	31	**20**	96	81
Total liabilities		**30,635**	24,309	24,905
Total equity and liabilities		**31,838**	25,412	26,401

The notes are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 7 March 2024 and were signed on its behalf by:

MARK GODSON
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2023

	Note	Year ended 31 December 2023 £m	Year ended 31 December 2022 (restated) £m
Cash flows from operating activities			
Profit/(loss) before tax		**172**	(494)
Property revaluation loss	17	**–**	1
Depreciation of property and equipment	17	**2**	4
Share of results from associates		**14**	3
Amortisation of intangible assets	16	**3**	2
Impairment of intangible assets	16	**3**	–
Share-based payments		**1**	(3)
Interest income	5	**(1,104)**	(638)
Interest expense	8	**122**	57
Net (increase)/decrease in financial investments		**(6,068)**	3,063
Increase in net reinsurance contracts		**(363)**	(105)
Increase in prepayments and accrued income		**(1)**	(5)
Decrease/(increase) in other receivables		**3**	(13)
Increase/(decrease) in insurance contract liabilities		**4,484**	(3,439)
Increase/(decrease) in investment contract liabilities		**2**	(1)
Increase in accruals, provisions and deferred income		**16**	1
Increase in net derivative liabilities and financial liabilities		**1,849**	1,340
(Decrease)/increase in other payables		**(75)**	10
Interest received		**1,075**	402
Taxation received		**6**	16
Net cash inflow from operating activities		**141**	201
Cash flows from investing activities			
Additions to internally generated intangible assets	16	**–**	(4)
Acquisition of property and equipment	17	**(3)**	(4)
Disposal of property	17	**1**	3
Acquisition of subsidiaries		**–**	(197)
Net cash outflow from investing activities		**(2)**	(202)
Cash flows from financing activities			
Decrease in borrowings (net of costs)	28	**(26)**	(76)
Dividends paid	15	**(19)**	(15)
Coupon paid on Tier 1 notes	15	**(16)**	(17)
Interest paid on borrowings		**(48)**	(57)
Payment of lease liabilities – principal		**(1)**	(3)
Net cash outflow from financing activities		**(110)**	(168)
Net increase/(decrease) in cash and cash equivalents		**29**	(169)
Foreign exchange differences on cash balances		**2**	4
Cash and cash equivalents at 1 January		**1,656**	1,821
Cash and cash equivalents at 31 December		**1,687**	1,656
Cash available on demand		**546**	482
Units in liquidity funds		**1,141**	1,174
Cash and cash equivalents at 31 December	22	**1,687**	1,656

The Consolidated Statement of Cash Flows for year ended 2022 includes corrections to the restatements previously included within the interim financial statements.

The notes are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. MATERIAL ACCOUNTING POLICIES

General information

Just Group plc (the "Company") is a public company limited by shares, incorporated and domiciled in England and Wales. The Company's registered office is Enterprise House, Bancroft Road, Reigate, Surrey, RH2 7RP.

1.1.Basis of preparation

The consolidated financial statements have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and the disclosure guidance and transparency rules sourcebook of the United Kingdom's Financial Conduct Authority.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and financial assets and financial liabilities (including derivative instruments and investment contract liabilities) at fair value and the accounting for the remeasurement of insurance and reinsurance contracts as required by IFRS 17. Values are expressed to the nearest £1m.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2023 and 2022 but is derived from those accounts. Statutory accounts for 2022 have been delivered to the registrar of companies, and those for 2023 will be delivered in due course. The auditor has reported on those statutory accounts. Their report for the years ended 31 December 2023 and 31 December 2022 were (i) unqualified, (ii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006, and (iii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report.

Going concern

A detailed going concern assessment has been undertaken and having completed this assessment, the Directors are satisfied that the Group has adequate resources to continue to operate as a going concern for a period of not less than 12 months from the date of this report and that there is no material uncertainty in relation to going concern. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

This assessment includes the consideration of the Group's business plan approved by the Board; the projected liquidity positions of the Company and the Group, impacts of economic stresses, the current financing arrangements and contingent liabilities, and a range of forecast scenarios with differing levels of new business and associated additional capital requirements to write anticipated levels of new business.

The Group has a robust liquidity framework designed to withstand a range of "worst case" 1-in-200 year historic liquidity events. The Group liquid resources includes the Parent Company's undrawn revolving credit facility of up to £300m for general corporate and working capital purposes. The borrowing facility is subject to covenants that are measured biannually at the end of June and December, being the ratio of consolidated net debt to the sum of net assets and consolidated net debt not being greater than 45%. The ratio on 31 December 2023 was 24%. The Group's business plan indicates that liquidity headroom will be maintained above the Group's borrowing facilities and financial covenants will be met throughout the period.

The Group and its regulated insurance subsidiaries are required to comply with the requirements established by the Solvency II framework directive as adopted by the Prudential Regulation Authority ("PRA") in the UK, and to measure and monitor its capital resources on this basis. The overriding objective of the Solvency II capital framework is to ensure there is sufficient capital within the insurance company to protect policyholders and meet their payments when due. Insurers are required to maintain eligible capital, or "Own Funds", in excess of the value of the Solvency Capital Requirement ("SCR"). The SCR represents the risk capital required to be set aside to absorb 1-in-200 year stress tests, over the next years' time horizon, of each risk type that the insurer is exposed to, including longevity risk, property risk, credit risk, and interest rate risk. These risks are aggregated together with appropriate allowance for diversification benefits.

The resilience of the solvency capital position has been tested under a range of adverse scenarios, before and after management actions within the Group's control, which considers the possible impacts on the Group's business, including stresses to UK residential property prices, house price inflation, the credit quality of assets including residential ground rents, mortality, and risk-free rates. In addition more extreme stresses and scenarios have been considered, including a scenario where of the worst case outcome of peppercorn rent from the Government consultation regarding restriction of ground rent for existing residential leases, and also a reverse property stress. The Group continued to be a going concern with the addition of the extreme peppercorn scenario and also in the scenario of a property price fall of 40%. Eligible own funds exceeded the minimum capital requirement in all stressed scenarios described above.

Based on the assessment performed above, the Directors conclude that it remains appropriate to value assets and liabilities on the assumption that there are adequate resources to continue in business and meet obligations as they fall due for the foreseeable future, being at least 12 months from the date of signing this report.

Furthermore, the Directors note that in a scenario where the Group ceases to write new business, the going concern basis would continue to be applicable while the Group continued to service in-force policies.

The Directors considered the findings of the work performed to support the long-term viability statement of the Group in the Risk management section of the Annual Report and Accounts, which is undertaken together with the going concern assessment. The Board and Audit Committee considered going concern over 12 months as well as the consistency with the longer-term viability of the Group, reviewing this over five years. Accordingly, the going concern basis has been adopted in the valuation of assets and liabilities.

1.2. New accounting standards and new material accounting policies

1.2.1. Adoption of new and amended accounting standards

The Group has adopted two new accounting standards, with effect from 1 January 2023:

- IFRS 17 "Insurance Contracts" was issued in May 2017 with an effective date of 1 January 2021. In June 2020, the IASB issued an amended standard which delayed the effective date to 1 January 2023. IFRS 17 was approved for adoption by the UK Endorsement Board in May 2022.

  IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4, "Insurance Contracts".
- IFRS 9 "Financial Instruments" replaces IAS 39 "Financial Instruments: Recognition and Measurement" and is effective for accounting periods beginning on or after 1 January 2018. However, the Group previously met the relevant criteria for, and applied, the temporary exemption from IFRS 9 for annual periods before 1 January 2023, the date at which IFRS 17 becomes effective. Consequently, the Group has applied IFRS 9 commencing 1 January 2023, with comparative periods restated.

  IFRS 9 is applicable to financial assets and financial liabilities and covers the classification, measurement, impairment and derecognition of financial assets and liabilities together with a new hedge accounting model.

The comparative figures in the financial statements have been restated on the adoption of the standards. The impact on the opening statement of financial position for the earliest presented period (1 January 2022) is disclosed in note 1.2.2.

Material accounting policy choices on the adoption of the new standards (IFRS 17 and IFRS 9) are included in note 1.5 and note 1.6 respectively.

On the transition date, 1 January 2022, the Group has:

- identified, recognised, and measured each group of gross insurance contracts and associated reinsurance contracts, as if IFRS 17 had always applied unless impracticable (refer to note 1.3). Where the Group has concluded that the fully retrospective approach is impracticable, it has applied the fair value approach (refer to note 1.4) on transition;
- derecognised any existing IFRS 4 balances, including the Present Value of In-Force Business and other relevant balances that would not exist had IFRS 17 always applied;
- presented reinsurance balances separately depending on whether they are in an asset or liability position at a portfolio level (previously at a treaty level), and reinsurance deposits previously classified as financial instruments are included within the value of reinsurance contracts;
- recognised allowance for expected credit losses (ECL) on financial assets which are measured at amortised cost, on the adoption of IFRS 9; and
- recognised any resulting net difference in retained earnings net of any related tax adjustments.

The change in tax law enabling spreading of the tax recovery of the deferred tax asset created at implementation of IFRS 17 over a period of 10 years was enacted on 10 November 2022. The deferred tax asset at the transition date has been deemed fully recoverable based on projections of future business activity.

The following amendments to existing standards have been adopted by the Group and do not have a significant impact on the financial statements:

- IAS 1 "Presentation of financial statements" – Amendments in respect of disclosures of accounting policies.
- IAS 8 "Accounting policies" – Amendments in respect of the definition of accounting estimates.
- IAS 12 "Income taxes" – Amendments in respect of deferred tax related to assets and liabilities arising from a single transaction.
- IAS 12 "Amendments in respect of International tax reform" – Pillar two model rules.

The following amendments to existing standards in issue have not been adopted by the Group and are not expected to have a significant impact on the financial statements:

- IAS 1 – Amendments in respect of the classification of liabilities as current or non-current (effective 1 January 2024).

1.2.2. Impact of adoption of new accounting standards

Statement of financial position

The Statements of financial position reported at 31 December 2021 (the transitional balance sheet presented on 1 January 2022 for the cumulative impacts of the adoption of new accounting standards) and 31 December 2022 (the comparative balance sheet) have been restated as follows:

Restatement of the transitional Statement of financial position (1 January 2022)

	31 December 2021 (as reported) £m	Reclassification adjustments £m	Measurement adjustments £m	1 January 2022 (restated) £m
Assets				
Intangible assets	120	–	(75)	45
Property and equipment	14	–	–	14
Financial investments measured at fair value through profit or loss	24,682	–	–	24,682
Reinsurance contract assets (previously reinsurance assets)	2,808	(2,128)	36	716
Deferred tax assets	–	(6)	310	304
Current tax assets	30	–	–	30
Prepayments and accrued income	76	(70)	–	6
Other receivables (previously insurance and other receivables)	35	(13)	(1)	21
Other assets	583	–	–	583
Total assets	28,348	(2,217)	270	26,401
Equity				
Share capital	104	–	–	104
Share premium	95	–	–	95
Other reserves	944	–	–	944
Retained earnings	977	–	(944)	33
Total equity attributable to shareholders of Just Group plc	2,120	–	(944)	1,176
Tier 1 notes	322	–	–	322
Total equity attributable to owners of Just Group plc	2,442	–	(944)	1,498
Non-controlling interest	(2)	–	–	(2)
Total equity	2,440	–	(944)	1,496
Liabilities				
Insurance contract liabilities (previously insurance liabilities)	21,813	(57)	1,330	23,086
Reinsurance contract liabilities (previously reinsurance liabilities)	275	6	(116)	165
Investment contract liabilities	34	–	–	34
Other financial liabilities	2,866	(2,145)	–	721
Deferred tax liabilities	5	(5)	–	-
Other payables (previously insurance and other payables)	93	(12)	–	81
Other liabilities	822	(4)	–	818
Total liabilities	25,908	(2,217)	1,214	24,905
Total equity and liabilities	28,348	(2,217)	270	26,401

Restatement of the comparative Statement of financial position at 31 December 2022

	31 December 2022 (previously reported) £m	Reclassification adjustments £m	Measurement adjustments £m	31 December 2022 (restated) £m
Assets				
Intangible assets	104	–	(57)	47
Property and equipment	22	–	–	22
Financial investments measured at fair value through profit or loss	23,477	(125)	–	23,352
Investments accounted for using the equity method	194	–	–	194
Reinsurance contract assets (previously reinsurance assets)	2,287	(1,598)	87	776
Deferred tax assets	93	–	356	449
Current tax assets	6	–	–	6
Prepayments and accrued income	85	(74)	–	11
Other receivables (previously insurance and other receivables)	324	(289)	(2)	33
Other assets	522	–	–	522
Total assets	27,114	(2,086)	384	25,412
Equity				
Share capital	104	–	–	104
Share premium	95	–	–	95
Other reserves	938	–	–	938
Retained earnings	721	–	(1,075)	(354)
Total equity attributable to shareholders of Just Group plc	1,858	–	(1,075)	783
Tier 1 notes	322	–	–	322
Total equity attributable to owners of Just Group plc	2,180	–	(1,075)	1,105
Non-controlling interests	(2)	–	–	(2)
Total equity	2,178	–	(1,075)	1,103
Liabilities				
Insurance contract liabilities (previously insurance liabilities)	18,332	(336)	1,651	19,647
Reinsurance contract liabilities (previously reinsurance liabilities)	306	7	(192)	121
Investment contract liabilities	33	–	–	33
Other financial liabilities	5,250	(1,581)	–	3,669
Deferred tax liabilities	–	–	–	–
Other payables (previously insurance and other payables)	263	(167)	–	96
Other liabilities	752	(9)	–	743
Total liabilities	24,936	(2,086)	1,459	24,309
Total equity and liabilities	27,114	(2,086)	384	25,412

The reclassification adjustments are:

- the inclusion of insurance receivables and payables balances as cash flows in the measurement of insurance and reinsurance contracts;
- the aggregation of reinsurance deposit backed liabilities with reinsurance contract assets, previously recognised in 'Other financial liabilities';
- the presentation of reinsurance contracts as an asset / liability based on the net position of all contracts within a portfolio, rather than the previous IFRS 4 treatment which was recognised on an individual contract basis; and

- in addition to the reclassifications as a result of adopting IFRS 17 and IFRS 9, a further reclassification of £23m has been made in respect of future funding commitments as a derivative forward which was previously incorrectly accounted for gross within investment assets and the funding commitment in other payables. There is no impact on net assets of this revised classification. The impact on 1 January 2022 is not material.

The following table summarises the impact of reclassification and impact on cash flows:

	Note	Reclassification adjustments £m
Financial investments	19	(125)
Other financial liabilities – Derivatives	30	(23)
Other payables	31	148
Statement of cash flows - net decrease in financial investments		148
Statement of cash flows - increase in other payables		(148)

IFRS 17 represents a significant change from the previous measurement requirements contained in IFRS 4. The measurement adjustments are:

- For insurance and reinsurance contracts principally:
  - discount rates, which include allowance for expected and unexpected credit default risks instead of the prudent allowance for credit default risk in IFRS 4;
  - risk adjustment for non-financial risk, a new concept required by IFRS 17 compared to the prudent margins required by IFRS 4; and
  - Contractual Service Margin ("CSM"), which is a significant conceptual change from IFRS 4, whereby profits are recognised over the term of insurance and reinsurance contracts rather than at point of sale.
- The derecognition of present value in force business intangible assets.
- Accounting for the associated tax impacts of the measurement adjustments.

The impact of implementation of IFRS 9 has been minor, with the recognition of an expected credit loss adjustment of £1m in the opening balance sheet.

Impact on Statement of comprehensive income

The Statement of comprehensive income has been re-presented for the year ended 31 December 2022 to reflect the changes in the opening balance sheet at 1 January 2022. The transitional requirements of IFRS 17 do not require a reconciliation between the previous format of profit or loss and the new format of profit or loss.

Except for note 5 on net investment gains/(losses) from financial assets, notes 2 to 7 of the financial statements are newly required by the adoption of IFRS 17.

Impact on earnings per share

The loss per share for the year ended 31 December 2022 (both basic and diluted) has been restated to 36.30 pence per share from 23.70 pence per share as a result of the adoption of the standards.

1.3. Adoption of IFRS 17

1.3.1. Insurance and reinsurance contracts – determination of transitional amounts

The transition approach on initial adoption of IFRS 17 for the calculation of the contractual service margin was determined for groupings of insurance and reinsurance contracts either using the:

a) fully retrospective approach – the contractual service margin at inception is calculated based on initial assumptions when groupings of contracts were incepted, and rolled forward to the date of transition as if IFRS 17 had always been applied; or the

b) fair value approach – the fair value CSM is calculated as the difference between the fair value of the insurance (or reinsurance contracts) and the value of the fulfilment cash flows at the date of transition.

The following table summarises the approaches outlined in 1.3.3 and 1.4 below in order to transition from the previous standard, IFRS 4, to IFRS 17:

	31 December 2021 (as reported) £m	Reclassification adjustments £m	Measurement adjustments £m	1 January 2022 (restated) £m
Insurance contract liabilities				
– Fully retrospective approach (1.3.3)	2,284	(8)	335	2,611
– Fair value approach (1.3.4)	19,529	(49)	995	20,475
Total insurance contract liabilities	21,813	(57)	1,330	23,086
Reinsurance contracts				
Reinsurance contract assets				
– Fair value approach (1.3.4)	(2,808)	2,128	(36)	(716)
Reinsurance contract liabilities				
– Fully retrospective approach (1.3.3)	33	–	(32)	–
– Fair value approach (1.3.4)	242	6	(84)	165
Reinsurance contract liabilities	275	6	(116)	165
Net reinsurance contract (assets)	(2,533)	2,134	(152)	(551)

1.3.2. Inputs used to determine best estimate and risk adjustment (IFRS 17 values) at date of transition for insurance and reinsurance contracts

1.3.2.1. Determination of best estimate and risk adjustment

For insurance and reinsurance contracts where the fully retrospective approach has been adopted, the best estimate and risk adjustment components of fulfilment cash flows have been recognised and measured using the accounting policies set out in note 1.5 from the inception date of the contracts to the date of transition (1 January 2022). For insurance and reinsurance contracts where the fair value approach has been adopted, the best estimate and risk adjustment components of fulfilment cash flows have been determined as at 1 January 2022. The longevity assumptions used are consistent with the basis used in the Just Group plc Solvency and Financial Condition Report as at 31 December 2021.

Mortality assumptions have been set by reference to appropriate standard mortality tables. These tables have been adjusted to reflect the future mortality experience of the policyholders, taking into account the medical and lifestyle evidence collected during the underwriting process, premium size, gender and the Group's assessment of how this experience will develop in the future. The assessment takes into consideration relevant industry and population studies, published research materials, and management's own industry experience. The standard tables which underpin the mortality assumptions are summarised in the table below for the relevant products of the Group's insurance subsidiaries Just Retirement Limited ("JRL") and Partnership Life Assurance Company Limited ("PLACL").

Product group	Entity	Mortality tables
Individually underwritten Guaranteed Income for Life Solutions ("GIfL")	JRL	Modified E and W Population mortality, with CMI 2019 model mortality improvements
Individually underwritten Guaranteed Income for Life Solutions ("GIfL")	PLACL	Modified E and W Population mortality, with CMI 2019 model mortality improvements
Defined Benefit ("DB")	JRL	Modified E and W Population mortality, with CMI 2019 model mortality improvements for standard underwritten business; Reinsurer supplied tables underpinned by the Self-Administered Pension Scheme ("SAPS") S1 tables, with modified CMI 2009 model mortality improvements for medically underwritten business
Defined Benefit ("DB")	PLACL	Modified E and W Population mortality, with modified CMI 2019 model mortality improvements
Care Plans ("Care") and other annuity products	JRL/PLACL	Modified PCMA/PCFA and with CMI 2019 model mortality improvements for Care Plans; Modified PCMA/PCFA or modified E and W Population mortality with CMI 2019 model mortality improvements for other annuity products
Protection	PLACL	TM/TF00 Select

The long-term improvement rates in the CMI 2019 model are 1.5% for males and 1.25% for females. The period smoothing parameter in the modified CMI 2019 model has been set to 7.00. The addition to initial rates ("A") parameters in the model varies between 0% and 0.25% depending on product. All other CMI model parameters are the defaults.

1.3.2.2. Discount rates

All cash flows were discounted using investment yield curves adjusted to allow for expected and unexpected credit risk (refer to note 1.5 and note 26(b).

The overall reduction in yield to allow for the risk of defaults from all non-LTM assets (including gilts, corporate bonds, infrastructure loans, private placements and commercial mortgages) and the adjustment from LTMs, which included a combination of the NNEG guarantee and the additional reduction to future house price growth rate, was 61bps in JRL and 68bps in PLACL.

The discount rates used to calculate the value of the best estimate and risk adjustment for the groups of contracts applying the fair value approach were determined based on a reference portfolio as at the transition date.

The discount rates used for the determination of the fulfilment cash flows (and the locked-in rates for the contracts transitioning to IFRS 17 under the fair value approach) were:

	JRL DB / GIfL	PLACL Care	PLACL DB / GIfL
1 year	2.6%	0.8%	2.7%
5 years	3.0%	1.1%	3.0%
10 years	2.9%	1.0%	2.9%
20 years	2.8%	1.0%	2.9%
30 years	2.7%	0.9%	2.8%

1.3.3. Fully retrospective approach

On transition to IFRS 17, the Group has applied the fully retrospective approach unless it has concluded it is impracticable (see notes 1.3.4 and 1.3.5). The Group has applied the fully retrospective approach on transition for all insurance contracts issued on or after 1 January 2021 and prior to the 1 January 2023 effective date. For all contracts issued after 1 January 2021, the Group has applied the accounting policies described in note 1.5 for the measurement and recognition of insurance and reinsurance contracts and used the quantitative inputs described in note 1.3.2 to determine the best estimate and risk adjustment.

The locked-in discount rates for the 2021 cohort, which have been determined on a fully retrospective basis are:

	JRL GIfL	JRL DB	PLACL Care
1 year	2.2%	2.2%	0.8%
5 years	3.1%	2.7%	1.1%
10 years	3.2%	2.7%	1.0%
20 years	2.9%	2.4%	1.0%
30 years	2.7%	2.4%	0.9%

For all groups of insurance and associated reinsurance contracts issued prior to this, the fair value approach has been applied (see notes 1.3.4 and 1.4).

1.3.4. Fair value approach

Where the Group has concluded that the fully retrospective approach is impracticable, it has applied the fair value approach on transition for all groups of insurance and associated reinsurance contracts. For each legal entity, fair value basis cohorts have been grouped across multiple underwriting years into a single unit for each product type and reinsurance treaty for measurement purposes, which is the unit of account applied. The fair value approach was selected as the modifications allowed by the modified retrospective approach were not deemed to be sufficient to enable that approach to be adopted.

The assumptions, models and the results of the determination of the fair value of the insurance and reinsurance contracts under this approach are explained in note 1.4.

1.3.5. Impracticability assessment

IFRS 17 requires firms to apply the Standard fully retrospectively, unless it is impracticable to do so, in which case either a modified retrospective approach or fair value approach may be taken. For insurance and reinsurance contracts where the effective date of the contract was prior to 1 January 2021, the Group concluded that it would be impracticable to apply the standard on a fully retrospective basis due to the inability of determining the risk adjustment, a new requirement in terms of

IFRS 17, in earlier years without the application of hindsight. Guidance contained in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" requires that hindsight should not be applied in the application of an accounting standard on a retrospective basis.

Impracticability of application of risk adjustment on the fully retrospective approach (insurance contracts)

The most significant issue identified was the absence of an approved Group Risk Adjustment framework, policy and methodology prior to 2021, with any target setting to prior year information representing the application of hindsight which is prohibited by the Standard.

The risk adjustment is a new requirement of IFRS 17 and represents the compensation that an entity requires to take on non-financial risk. Defining "compensation that the entity requires" to take on risk differs to any of the risk-based allowances adopted for either existing regulatory or statutory reporting purposes. A new framework and policy have been defined and implemented to measure the risk adjustment.

The new risk adjustment policy was developed and adopted during 2021 with calculation of the risk stresses to be applied from 1 January 2021. Under this policy, the Group determines a target confidence level based upon an assessment of the current level of risks that the business is exposed to and the compensation required to cover the risks. Key factors for consideration here include: the size of the business, products offered, reinsurance structures, regulatory challenges and market competitiveness. These factors are not necessarily stable from period to period, and today's understanding of these aspects should be excluded from any historic assessment of risk as doing so would be to apply hindsight.

The Group has assessed whether other information used in previous reporting cycles, including pricing for new business, could be used to determine the risk adjustment, but has concluded that none of these alternatives would be an appropriate proxy for the risk adjustment. The development of the new approach for IFRS 17 represents a significant enhancement in the approach used to determine the Group's allowance for non-financial risk, with the use of a target confidence interval and probability distributions providing a more meaningful quantification of allowance for risk compared with IFRS 4 reporting.

Therefore, the Group has concluded that the fully retrospective approach is impracticable prior to 2021 in respect of risk adjustment as it would require the use of hindsight.

Impracticability assessment for reinsurance contracts held

The risk adjustment for reinsurance contracts held in IFRS 17 reflects the "amount of risk being transferred" to the reinsurer, therefore where the risk adjustment for insurance contracts is impracticable then, by definition, the reinsurance risk adjustment is also impracticable.

Approach adopted

After considering the severity of these factors, the Group concluded that it was impracticable to determine the value of insurance and reinsurance contracts on a fully retrospective approach basis for those years of business transacted prior to 2021.

As a result of this impracticality, the IFRS 17 standard allows an accounting policy choice of the fair value approach or modified retrospective approach from which the Group elected to apply the fair value approach.

1.4. Determination of fair value

1.4.1. Fair value principles

The Group has used the principles contained in IFRS 13 "Fair Value Measurement" except the principles relating to demand features, to determine the fair value of the insurance and reinsurance contracts.

The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

For certain assets and liabilities, observable market transactions or market information may be available. For other assets and liabilities, such as insurance obligations and associated reinsurance agreements, observable market transactions and market information are not widely available. There is no active market for the transfer of insurance liabilities and associated reinsurance between market participants and therefore there is limited market observable data. Although there may be transactions for specific books of annuity business, the profile of the cash flows and nature of the risks of each book of business is unique to each, with key inputs underlying the price of these transactions not being widely available public knowledge, and therefore it is not possible to determine a reliable market benchmark from these transactions.

When a price for an identical asset or liability is not observable, the Group measures fair value using an alternative valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Because fair value is a market-based measurement, it is determined using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value.

The initial determination of the fair value was calculated on a gross and net of reinsurance basis. The fair value of the reinsurance contracts was then determined based on the difference between the gross and net of reinsurance results.

In arriving at the definition of a "market participant" the Group has assumed the following:

- a similar monoline, rather than a multi-product line insurer;
- the portfolios are transferred as closed books of business;
- transferral of the associated reinsurance contracts currently in place, as these would be expected to transfer at the point of sale alongside the underlying insurance contracts; and
- treatment of the business under a Solvency II Internal Model approach including a matching adjustment as it is expected that a market participant would adopt this approach. This is regardless as to whether the business as part of the Group today has an internal model and/or applies the matching adjustment.

The measurement of the fair value of insurance contracts and associated reinsurance contracts have therefore been classified in terms of the financial reporting fair value hierarchy as Level 3.

1.4.2. Aggregation of contracts for the determination of fair value

The Group has aggregated contracts issued more than one year apart when determining groups of insurance and reinsurance contracts under the fair value approach at transition as permitted by IFRS 17. For the application of the fair value approach, the Group has used reasonable and supportable information available at the transition date in order to identify groups of insurance and reinsurance contracts.

All insurance contracts which are valued at the date of transition using the fair value transition method have been allocated to the "any remaining contracts" profitability grouping (refer to note 1.5.3).

1.4.3. Overview of the fair value approach applied

The fair value approach adopted by the Group calculates the theoretical premium (market premium approach) required by a market participant to accept insurance liabilities. The quantification of the premium required for the gross insurance liabilities and the associated reinsurance contracts was determined separately.

The market premium required at the transition date has been determined as follows:

- the premium required to earn the target rate of return on capital ("RoC") on reserves held in respect of Solvency II Best Estimate Liability, Risk Margin and Solvency Capital Requirements, adjusted for associated Solvency II Transitional Measure on Technical Provisions (TMTP) benefits for the relevant pre-2016 business;
- the level of Solvency Capital assumed to be required has been determined as 140% of the solvency capital required under Solvency II regulations, being based on an external benchmark of a market participant's requirement for a closed book of business (refer to note 1.4.4.2); and
- the target Return on Capital has been determined as 8%, being based on an external benchmark of a market participant's target return for a closed book of business (refer to note 1.4.4.3).

These assumptions and other key inputs into the fair value calculations have been reviewed by an independent firm of accountants who have access to industry surveys and other benchmarking, and their review conclusions were made available to the Group Audit Committee. The fair value result has been benchmarked against any publicly available and relevant market information as well as an independent internal calculation based upon a Dividend Discount Model ("DDM") approach used in industry for the valuation of insurance business.

1.4.4. Principal inputs used to determine fair value

1.4.4.1. Best estimate and risk margin

The estimates for the best estimate and the risk margin are determined on a basis consistent with Solvency II. The inputs used for JRL are based on its Internal Model, and for PLACL are based on the assumed results that would be derived from its internal model. An allowance for Solvency II TMTP benefits on relevant pre-2016 business is reflected within the valuation.

The longevity assumptions used for the determination of the best estimate and risk margin are consistent with the basis used in the Just Group plc Solvency and Financial Condition Report as at 31 December 2021.

The discount rate assumption used for the determination of JRL and PLACL best estimate liabilities is the prescribed Solvency II risk-free rate term structure including a Matching Adjustment ("MA") based upon the JRL asset portfolio as at 31 December 2021.

1.4.4.2. Solvency Capital Requirement ("SCR") coverage ratio

The target SCR coverage ratio assumed for the determination of fair value at the date of transition is based on a market participant view for a closed book of business. A target ratio of 140% is assumed in the fair value calculation after consideration of the current ranges quoted by similar peers, notably those principally operating closed books of business in the market and other publicly available data. The fair value calculated is based on the purchase of the insurance contracts liabilities and the associated reinsurance agreements and does not include a premium associated with writing new business.

1.4.4.3. Return on Capital – Weighted Average Cost of Capital ("WACC")

The fair value measurement guidance within IFRS 13 requires that the Return on Capital assumption should be based upon a Weighted Average Cost of Capital ("WACC") applicable to a "generic" market participant, rather than the Group's specific WACC. Consequently, an appropriate market participant WACC is computed for the Group's business based on debt and equity cost of capital for companies that have closed books of insurance business, using input from brokers, and the cost of external debt sourced from an external pricing provider.

The market participant WACC determined was 8% and is applied to all books of business irrespective of the expected duration of the underlying schemes.

1.4.5. Summary of fair value results

The following table summarises the fair value of insurance and reinsurance contracts determined at the 1 January 2022 transition date.

	Fair value £m	Estimate of present value of future cash flows £m	Risk adjustment £m	Contractual service margin £m
Insurance contract liabilities	20,475	18,343	905	1,227
Reinsurance contract assets	716	546	115	54
Reinsurance contract liabilities	(165)	(677)	395	119
Net reinsurance contracts (asset)	551	(131)	510	173
Insurance contract liabilities – net of reinsurance	19,924	18,474	395	1,054

The amounts previously reported under IFRS 4 on 1 January 2022 for insurance contract liabilities and net reinsurance contracts, where the fair value approach to transition has been adopted was £19,529m and £2,566m respectively. Disclosure of the fair value component of the transition approach can be found in note 1.3.1.

1.4.6. Sensitivities

The following table provides sensitivities to changes in key inputs used to determine the fair value of net insurance contract liabilities. Figures shown in the table represent the estimated impact on the fair value of each sensitivity in isolation. The SCR coverage ratio and Return on Capital sensitivities can be interpreted as the corresponding impact on the contractual service margin. However, the Matching Adjustment sensitivity may not display the same relationship as there may be linkages between the asset portfolio referenced by a market participant in the calculation of the fair value and the asset portfolio underlying the calculation of IFRS 17 best estimate and risk adjustment liabilities. This linkage has not been allowed for in the sensitivity.

	Insurance contract liabilities (increase)/decrease £m	Reinsurance contract (net) increase/(decrease) £m	Insurance contract liabilities net of reinsurance (increase)/decrease £m
Reported balances	20,475	(551)	19,924
SCR coverage ratio			
+10%	103	(25)	78
-10%	(103)	25	(78)
Return on capital			
+1%	177	(60)	117
-1%	(201)	68	(133)
Matching adjustment			
+10bps	(49)	2	(47)
-10bps	50	(2)	48

1.5. IFRS 17 Accounting policies

The Group uses the General Measurement Model to measure all insurance and reinsurance contracts and consequently does not apply the Variable Fee Approach or the Premium Allocation Approach to the measurement of any of its liabilities. IFRS 17

is only applied to insurance and reinsurance contracts and not to any other ancillary agreements which represent the provision of distinct non-insurance services including LTM servicing as part of reinsurance arrangements, see note 34(c)(iii).

1.5.1. Classification of insurance and investment contracts

The measurement and presentation of assets, liabilities, income and expenses arising from Retirement Income contracts issued and associated reinsurance contracts held is dependent upon the classification of those contracts as either insurance or investment contracts.

A contract is classified as insurance only if it transfers significant insurance risk. Insurance risk is significant if an insured event could cause an insurer to pay significant additional benefits to those payable if no insured event occurred. A contract that is classified as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. DB, GIfL, Care Plan and Protection policies currently written by the Group are classified as insurance contracts.

Any contracts not considered to be insurance contracts under IFRS are classified as investment contracts. Capped Drawdown pension business in JRL and Linked endowment contracts and term-certain GIfL contracts in the South African business are classified as investment contracts as there is limited transfer of longevity risk. Capped Drawdown contracts are no longer marketed by JRL. IFRS 17 includes an election to treat lifetime mortgages as either as financial instruments or insurance contracts, Just has chosen to report lifetime mortgages as financial assets, measured at FVTPL in accordance with IFRS 9.

1.5.2. Recognition

The Group recognises a group of insurance contracts issued from the earliest of the following dates (point of sale):

- The date of the beginning of the insurance coverage period of the group of contracts.
- The date when the first payment from a policyholder in the group becomes due.
- The date when facts and circumstances indicate that the group to which an insurance contract will belong is onerous.

Premiums are considered to be due and the Group is “on risk” only after a contract with a policyholder has been completed. New contracts are added to the annual cohort group when they are issued, provided that all contracts in the Group are issued in the same financial year.

Reinsurance is recognised from the start of the period during which the Group receives coverage for claims arising from the reinsured portions of the underlying insurance contracts. From time to time the Group may transact reinsurance coverage in respect of underlying contracts already in force, in which case recognition is from the date of the reinsurance contract.

The Group recognises a group of contracts acquired as part of a business transfer as at the date of acquisition.

1.5.3. Level of aggregation

Within each legal entity, the Group identifies portfolios of insurance contracts which comprise contracts that are subject to similar risks, and are managed together. Risks included in this assessment comprise both risks transferred from the policyholder and other business risks. For this purpose, Defined Benefit (DB), Guaranteed Income for Life (GIfL), and Care contracts have been determined to represent a single portfolio that is managed together and subject to primarily longevity and financial risk. Minor products including the small protection portfolio that is in run-off have been included in the same portfolio on the grounds of immateriality.

The single annual portfolio for reporting purposes is divided into three groups:

- contracts that are onerous on initial recognition, if any;
- contracts that have no significant likelihood of becoming onerous, if any; and
- any remaining contracts in the portfolio.

Contracts within the single portfolio that would fall into different groups only because law or regulation specifically constrains the Group’s practical ability to set a different price or level of benefits for policyholders with different characteristics are included in the same group. This applies to contracts issued in the UK that are required by regulation to be priced on a gender-neutral basis.

All GIfL and Care contracts are evaluated based on the margins that individual contracts contribute when measured on a gender-neutral basis. The Group has evaluated that these contracts all fall into the remaining contracts grouping in the current year. DB contracts are allocated either to the grouping of those contracts that have no significant likelihood of becoming onerous, or the remainder, based on whether contracts are Solvency II capital generative at inception. Each group of insurance contracts is further divided by year of issue for calculation of the CSM. The resulting groups represent the level at which the recognition and measurement accounting policies are applied. The groups are established on initial recognition and their composition is not reassessed subsequently.

Reinsurance treaties are allocated to portfolios depending on whether they transfer longevity and financial (inflation and/or investment) risk or longevity risk alone. The Group has also concluded that both JRL and PLACL hold portfolios of reinsurance contracts that transfer only longevity risk, and that JRL holds a portfolio that transfers longevity risk and financial risks. Reinsurance CSM is computed separately for each reinsurance treaty for each underwriting year.

1.5.4. Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the current reporting period under which the Group has a substantive obligation to provide services or be compelled to pay reinsurance premiums, or can compel reinsurers to pay claims.

1.5.5. Initial measurement

On initial recognition, the Group measures a group of profitable insurance contracts as the total of:

- the fulfilment cash flows; and
- the CSM, if a positive value.

Fulfilment cash flows include payments to policyholders and directly attributable expenses including investment management expenses. Investment management expenses are considered to be directly attributable if they are in respect of investment activities from which the expected investment returns are considered in setting the price at outset for the policyholder benefits.

Fulfilment cash flows, which comprise estimates of current and future cash flows, are adjusted to reflect the time value of money and associated financial risks, and a risk adjustment for non-financial risk. These calculations are maintained at contract level for GIfL and Care business, and at DB scheme member level. Insurance acquisition cash flows which are included in fulfilment cash flows at point of sale are costs incurred in the selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group of contracts belongs.

The risk adjustment for non-financial risk for a group of insurance contracts is the compensation required for bearing uncertainty regarding the amount and timing of the cash flows that arise from non-financial risk. The measurement of the fulfilment cash flows of a group of insurance contracts does not reflect non-performance (own credit) risk of the Group.

The detailed policies and methodologies used for the determination of the discount rate and the risk adjustment are included within note 26(b).

The CSM of a group of insurance contracts represents the unearned profit that the Group will recognise as it provides services under those contracts. A group of insurance contracts is not onerous on initial recognition if the total of the fulfilment cash flows, any derecognised assets for insurance acquisition cash flows, and any cash flows arising at that date is a net inflow. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

If the total of the fulfilment cash flows is a net outflow, then the CSM grouping of contracts is considered to be onerous. The full value of the fulfilment cash flows is recognised as an insurance liability, and the net outflow recognised as a loss component in profit or loss on initial recognition. Reversals of loss components following re-projection of future cash flows are recognised in profit or loss only to the extent that they reverse the loss previously recorded in profit or loss, with any further amounts recognised on the balance sheet by creation of a CSM. The value of the run-off of the loss component as policyholder benefits are paid is excluded from insurance revenue.

1.5.6. Subsequent measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises:

- the fulfilment cash flows that relate to services that will be provided under the contracts in future periods; and
- any remaining CSM at that date.

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Outstanding balances due from or to policyholders and intermediaries are also included within this balance.

Payments of annuities made before due dates owing to the timing of non-working days are included within insurance contract liabilities.

The CSM of each group of contracts is calculated on a cumulative year to date basis, rather than being locked in at each interim reporting period.

For insurance contracts, the carrying amount of the CSM at the end of each period is the carrying amount at the start of the period, adjusted for:

- the CSM of any new contracts that are added to the group in the period;
- interest accreted on the carrying amount of the CSM during the period, measured at the discount rates determined on initial recognition of the group of contracts;
- changes in fulfilment cash flows that relate to future services, except to the extent that:
  - any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised as a loss in the profit or loss account and creates a loss component; or

- any decreases in the fulfilment cash flows are allocated to the loss component, reversing losses previously recognised in profit or loss account;
- the changes are due to financial risk in policyholder cash flows compared with expectations, for example inflation; and
- the amount recognised as insurance revenue in respect of services provided in the period.

Changes in fulfilment cash flows that relate to future services and accordingly adjust the CSM comprise:

- premium adjustments, such as DB true-ups (which can be both positive and negative) to the extent that they relate to future coverage;
- changes in estimates of the present value of future cash flows in the liability for remaining coverage, except for those that relate to the effects of the time value of money, benefit inflation, financial risk and changes therein; and
- changes in the risk adjustment for non-financial risk that relate to future services.

Adjustments to CSM for changes in fulfilment cash flows are measured at the discount rates determined at initial recognition, i.e. are calculated using "locked-in" discount rates. The allowance for benefit inflation within the CSM calculation uses the locked-in inflation assumptions prospectively, with actual inflation experience recognised in the period up to the measurement date. The effect of changes to the related best estimate and risk adjustment balances caused by changes in discount rates and benefit inflation are recognised as insurance finance income or expenses within the profit or loss account.

The standard requires that the CSM is recognised in profit and loss over the period of the contracts issued. The recognition of amounts in profit and loss is based on coverage units which represent the services that are received by the customers.

The Group provides the following services to customers:

- investment return service when a customer is in the deferred or guarantee phase; and
- insurance coverage services when an annuitant is in payment period for annuitants.

By their nature, coverage units vary depending on the type of service provided. A weighting then needs to be applied to the different types of coverage unit in order to calculate an aggregate value of the proportion of the CSM balance that is to be released. The Group uses the probability of the policy being in force in each time period for weighting the disparate types of coverage units. This weighting reflects management's view that the value of services provided to policyholders is broadly equivalent across the different phases in the life of contracts.

The coverage units and the weightings used to combine coverage units are discounted using the locked-in discount rates and financial risk assumptions as at inception of the contracts. The weightings applied are updated each period for changes in life expectancies of annuitants.

1.5.7. Reinsurance contracts

The Group applies consistent accounting policies to measure reinsurance contracts as it does for the underlying contracts. Measurement of the estimates of the present value of future cash flows uses assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment within the future cash flows for risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

The risk adjustment for non-financial risk represents the amount of the risk transferred by the Group to the reinsurer.

On initial recognition, the CSM of a group of reinsurance contracts represents the net cost or net gain on purchasing reinsurance. Reinsurance contracts cannot be onerous. The initial CSM is measured as the equal and opposite amount of the total of the reinsurance fulfilment cash flows recognised in the period including any cash flows arising at that date. However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase, the cost is recognised immediately in profit or loss as an expense.

The level of aggregation for CSM calculation purposes is at annual cohort level for each treaty. The existing treaties for which the deposit back arrangements were reported separately as financial liabilities prior to adoption of IFRS 17 are included within the value of the associated reinsurance contracts under IFRS 17. Reinsurance contracts are presented in the Statement of financial position based on whether the portfolios of reinsurance contracts are an asset or liability. The Group has identified that, for each entity, it has two portfolios of reinsurance contracts based on whether or not the underlying contracts transfer financial risk in addition to longevity risk.

The carrying amount of the reinsurance CSM at the end of each period is the carrying amount at the start of the year, adjusted for:

- the CSM of reinsurance ceded in the period;
- interest accreted on the CSM during the period, measured at the discount rates determined on initial recognition;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, except to the extent that a change results from a change in fulfilment cash flows allocated to a group of underlying insurance contracts that does not adjust the CSM of the group of underlying contracts, in which case the change is recognised in profit or loss;

- any reinsurance recovery, or reversal thereof, recognised in connection with a loss component on underlying contracts calculated based on the reinsurance quota share; and
- the amount representing either the cost or gain of services received from reinsurance in the period.

The allowance for benefit inflation within the CSM calculation uses the locked-in inflation assumptions prospectively, with actual inflation experience recognised in the period up to the measurement date.

The coverage units for the release of the reinsurance CSM in profit and loss are based on the “variable leg” reinsurance claim cash flow values.

1.5.8. Derecognition and contract modification

The Group derecognises a contract when it is extinguished – i.e. when the specified obligations in the contract expire or are discharged or cancelled. It also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Group treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

The Group transacts two main types of contract modification which are not normally expected to result in derecognition as they do not result in changes to profitability groupings or accounting treatment:

- transition of DB schemes from buy-in to buy-out is anticipated within the original contracts and are therefore not treated as modifications;
- from time to time, fee charging terms and quota shares are amended within reinsurance treaties however these do not have a significant impact on the accounting for the treaties.

On the derecognition of a contract from within a group of contracts, the fulfilment cash flows, CSM and coverage units of the group are adjusted to reflect the removal of the contract that has been derecognised.

1.5.9. Presentation

The Group only writes types of annuity insurance business which are similar in risk profile and are managed together. The small protection portfolio, which is in run-off, is considered immaterial and is aggregated with the annuity business and reported as a single portfolio.

The Group holds proportional reinsurance cover that is designed to be similar in longevity risk profile to the underlying contracts. The proportional reinsurance cover is reported in separate portfolios depending on whether or not treaties transfer financial risk. Aggregated reinsurance portfolio balances may be either assets or liabilities in the statement of financial position.

Income and expenses from insurance contracts are presented separately from income and expenses from reinsurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis as “net expenses from reinsurance contracts” in the insurance service result.

The Group has elected to disaggregate the change in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses.

1.5.9.1. Insurance revenue

The Group recognises insurance revenue as it satisfies its performance obligations – i.e. as it provides coverage or other services under groups of insurance contracts through the payment of annuities and expenses. Repayment of investment components do not represent provision of services.

In addition, the Group allocates a portion of premiums that relate to recovery of insurance acquisition cash flows to each period in a systematic way based on CSM coverage units. The Group recognises the allocated amount as insurance revenue and an equal amount as insurance service expenses.

The proportion of the CSM account balance recognised as insurance revenue in each period is based on the proportion of insurance contract services provided in the period compared with the value of services expected to be provided in future periods. The proportion of CSM is based on “coverage units” which represent the quantity of insurance coverage provided by the contracts in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage duration. Further information on the calculation of CSM is given in note 1.5.6.

Policyholder cash flows that may occur regardless of an insurance event are deemed to be “investment components” or other non-insurance components (such as a premium refund) or a combination. This includes the guarantees that the Group offers to policyholders which provide for annuity payments to continue after death until the policy reaches a predetermined anniversary of its start date (the guarantee period), tax-free cash payments that DB scheme members may select at retirement, and payments on surrenders and transfers to other retirement schemes. All investment components are regarded as non-distinct as they only exist as a result of the underlying insurance contract, and are measured consistently with future insurance cash flows included in the Estimate of present value of future cash flows.

The value of payments made within investment components and other non-insurance payments are excluded from both insurance revenue and expenses.

1.5.9.2. Insurance service expenses

The Group recognises insurance service expenses arising from groups of insurance contracts issued comprising incurred claims (excluding repayments of investment components); maintenance expenses; amortisation of insurance acquisition cash flows; and the impact of changes that relate to either past service (changes in fulfilment cash flows relating to the liability for incurred claims) or future service (loss component).

1.5.9.3. Loss component

The Group establishes a loss component of the liability for remaining coverage for onerous groups of insurance contracts, if any. The Group writes only single premium contracts which are generally profitable, and hence loss components are not expected to occur. The loss component represents the amount of fulfilment cash outflows that exceed the premium income, and hence are excluded from insurance revenue. Loss components are recognised in the statement of comprehensive income within insurance service expenses when they occur. The balance sheet disclosures in note 26 present the allocation between the loss component and the liability for remaining coverage excluding the loss component, if any. This run-off of the loss component element of the liability for remaining coverage is determined based on coverage units (as used for CSM amortisation) such that the loss component is nil at the end of the contracts.

Once a loss component is established, changes in estimates of cash flows relating to future services are allocated solely to the loss component. If the loss component is reduced to zero, then any excess over the amount allocated to the loss component creates a new CSM for the group of contracts.

1.6. IFRS 9 Financial instruments

1.6.1. Summary of impact of adoption of IFRS 9

1.6.1.1. Financial assets

The Group classifies financial assets on the basis of both the business model for which the portfolio is held and the contractual cash flow characteristics of the financial asset. The Group's business model is to manage the financial assets and liabilities which back its net insurance contract fulfilment cash flows on a fair value basis. The Group will therefore adopt the approach allowed within the standard to continue to measure the majority of its financial assets at Fair Value Through Profit or Loss ("FVTPL"). On the adoption of the standards (IFRS 17 and IFRS 9), the Group has elected to apply the option contained in paragraph 8A in IFRS 17 to recognise and measure Lifetime Mortgages, including the No Negative Equity Guarantee component, as financial instruments in terms of IFRS 9, rather than as insurance contracts.

For the residual financial assets which are measured at amortised cost, IFRS 9 operates an expected credit loss model rather than an incurred credit loss model. Providing for an expected credit loss on the existing financial assets measured at amortised cost has not had a material impact on Group shareholders' funds.

During 2023, the Group has acquired a portfolio of sovereign gilts which it has classified at amortised cost due to the Group's intention to collect solely payments of principal and interest. Further details have been provided in note 19 Financial Investments.

1.6.1.2. Financial liabilities

IFRS 9 retains the requirements in IAS 39 for the classification and measurement of financial liabilities, and hence there are no changes required in this area.

1.6.1.3. Hedge accounting

The Group does not currently apply hedge accounting and therefore was not impacted by the requirements of IFRS 9.

1.6.1.4. Classification of financial assets and financial liabilities on adoption of IFRS 9

The following table shows the original measurement category and carrying amount under IAS 39 and the new measurement category and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 31 December 2022. There has been no significant change in the measurement basis (either FVTPL or amortised cost) as a result of the adoption of IFRS 9, nor is there a change to the carrying amount of financial instruments on the opening balance sheet presented as at 1 January 2022.

2022	Original classification under IAS 39	New classification under IFRS 9	Carrying amount under IAS 39 £m	New carrying amount under IFRS 9 £m
Financial assets				
Financial investments				
– Derivative assets	FVTPL (held for trading)	FVTPL (mandatory)	2,277	2,277
– Residential mortgages	FVTPL (designated)	FVTPL (mandatory)	5,306	5,306
– All other financial investments	FVTPL (designated)	FVTPL (business model)	15,769	15,769
Other receivables	Loans and receivables	Amortised cost	34	33
Cash available on demand	Loans and receivables	Amortised cost	482	482
Financial liabilities				
Investment contract liabilities	FVTPL (designated)	FVTPL (accounting mismatch)	33	33
Loans and borrowings	Amortised cost	Amortised cost	699	699
Other financial liabilities				
– Derivative liabilities	FVTPL (held for trading)	FVTPL (mandatory)	3,046	3,046
– Other financial liabilities	Amortised cost	Amortised cost	623	623
Other payables	Amortised cost	Amortised cost	96	96

Amounts reported in this table include the amounts reported as at 31 December 2022 in the 2022 financial statements adjusted for the reclassifications of certain balances as required by IFRS 17.

1.6.2. Classification of financial assets and financial liabilities

The Group classifies its financial assets into either the Amortised Cost or FVTPL measurement categories. The Group measures its financial assets according to the business model applied. This reflects how the Group manages financial assets either in order to solely collect the contractual cash flows from assets (measured at amortised cost), or collect both the contractual cash flows and cash flows arising from the sale of assets (measured at FVTPL).

Business model – measurement of financial investments at FVTPL

Financial investments which back the net insurance fulfilment cash flows are classified as part of the fair value business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed, and how managers are compensated. To ensure that the contractual cash flows from the financial assets are sufficient to settle those liabilities, the Group undertakes significant buying and selling activity on a regular basis to rebalance its portfolio of assets and to meet cash flow needs as they arise. Investments are measured at fair value with any gains and losses recognised in Investment return in the Consolidated statement of comprehensive income. Transaction costs are recognised in Other operating expenses when incurred.

The Groups' investments in Lifetime Mortgages, which contain No Negative Equity Guarantees, are included in financial investments measured at FVTPL.

Derivative instruments

All derivative instruments, both assets and liabilities are classified as FVTPL in accordance with IFRS 9. All derivatives are carried as assets when the fair value is positive and liabilities when the fair values are negative. The Group does not use hedge accounting.

Amortised cost

The Group has classified bank balances and other receivables at amortised cost. These financial assets are eligible for this measurement as they contain payments of solely payments of principal and interest and are not held for trading purposes.

In addition, the Group has purchased a distinct portfolio of sovereign gilts where the purpose of holding the instruments is to collect solely payments of principal and interest. This portfolio is managed separately from the assets that are held to back the insurance contract fulfilment cash flows (net of reinsurance), financial liabilities measured at amortised cost, and equity balances. The Group has policies and procedures which define the framework for when disposals of these gilts can occur, which is expected to be in extremely limited circumstances.

Transaction costs incurred on financial assets measured at amortised cost are capitalised to the underlying instrument and are included in the determination of the effective rate of interest.

1.6.3. Recognition and derecognition

Regular-way purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the assets. Amounts payable or receivable on unsettled purchases or sales are recognised in other payables or other receivables respectively. Forward contracts to enter into investments at a contracted date some time in the future are not recognised until the settlement date; prior to that a derivative forward contract is recognised. Loans secured by residential mortgages are recognised when cash is advanced to borrowers.

Financial investments are derecognised when our rights to the contractual cash flows expire or the IFRS 9 derecognition criteria for transferred financial assets are met. The criteria include assessment of rights and obligations to the cash flows, an assessment of the transfer of substantially all the risks and rewards of ownership and an assessment of whether the Group has retained control of the investment.

Collateral

The Group receives and pledges collateral in the form of cash or securities in respect of derivative, reinsurance or other contracts such as securities lending. Cash collateral received that is not legally segregated from the Group is recognised as an asset with a corresponding liability for the repayment in other financial liabilities. Cash collateral pledged that is legally segregated from the Group is derecognised and a receivable for its return is recorded in the Consolidated statement of financial position.

Non-cash collateral received is not recognised as an asset unless it qualifies for derecognition by the transferor. Non-cash collateral pledged continues to be recognised in the Consolidated statement of financial position within the appropriate asset classification when the Group continues to control the collateral and receives the economic benefit. Where non-cash collateral pledged continues to be recognised by the Group but the counterparty is permitted to sell or re-pledge the collateral, the non-cash collateral assets are classified separately within the Financial instruments note. In the current year these include the new portfolio of amortised cost gilts (See note 19).

The Group has various reinsurance collateral arrangements including funds withheld, funds transferred and premium deposit-back arrangements. The recognition/derecognition of the collateral assets is determined by the IFRS 9 recognition/derecognition criteria. An assessment is made of the contractual terms, including consideration of the Group's exposure to the economic benefits. See note 34(c)(iii) for further details.

1.6.4. Investment return

Net investment (losses)/gains on financial assets consists of interest receivable for the year and realised and unrealised gains and losses on financial assets and liabilities at FVTPL. Net investment (expense)/ revenue is presented in the Statement of comprehensive income based on the classification of the financial assets.

Interest income is recognised as it accrues on the effective interest method and is reported separately for each classification of financial instruments.

Realised gains and losses on financial assets and liabilities occur on disposal or transfer and represent the difference between the proceeds received net of transaction costs, and the original cost.

Unrealised gains and losses arising on financial assets and liabilities measured at fair value through profit or loss represent the difference between the carrying value at the end of the year and the carrying value at the start of the year or purchase value during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year.

1.6.5. Use of fair value

The Group uses current bid prices to value its investments with quoted prices. Actively traded investments without quoted prices are valued using prices provided by third parties. If there is no active established market for an investment, the Group applies an appropriate valuation technique as described below.

Determining the fair value of financial investments when the markets are not active

The Group holds certain financial investments which are not quoted in active markets and include loans secured by residential mortgages, derivatives and other illiquid investments for which markets are not active. When the markets are not active, there is generally no or limited observable market data that can be used in the fair value measurement of the financial investments. The determination of whether an active market exists for a financial investment requires management's judgement.

Fixed-maturity securities, in line with market practice, are generally valued using an independent pricing service. These valuations are determined using independent external quotations from multiple sources and are subject to a number of monitoring controls, such as monthly price variances, stale price reviews and variance analysis. Pricing services, where available, are used to obtain the third-party broker quotes. When prices are not available from pricing services, prices are sourced from external asset managers or internal models and treated as Level 3 under the fair value hierarchy. A third-party fixed income liquidity provider is used to determine whether there is an active market for a particular security.

If the market for a financial investment of the Group is not active, the fair value is determined using valuation techniques. The Group establishes fair value for these financial investments by using quotations from independent third parties or internally developed pricing models. The valuation technique is chosen with the objective of arriving at a fair value measurement which reflects the price at which an orderly transaction would take place between market participants on the measurement date. The valuation techniques include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models. The valuation techniques may include a number of assumptions relating to variables such as credit risk and interest rates and, for loans secured by mortgages, mortality, future expenses, voluntary redemptions and house price assumptions. Changes in assumptions relating to these variables impact the reported fair value of these financial instruments positively or negatively.

The financial investments measured at fair value are classified into the three-level hierarchy described in note 20 on the basis of the lowest level of inputs that are significant to the fair value measurement of the financial investment concerned.

1.6.6. Financial assets measured at amortised cost

Financial assets held at amortised cost are measured using the effective interest rate method and are impaired using an expected credit loss model. The model splits financial assets into those which are performing, underperforming and non-performing based on changes in credit quality since initial recognition.

At initial recognition financial assets are considered to be performing. They become underperforming where there has been a significant increase in credit risk since initial recognition, and non-performing when there is objective evidence of impairment. 12 months of expected credit losses are recognised within expenses in the Consolidate statement of comprehensive income and netted against the financial asset in the Consolidated statement of financial position for all performing financial assets, with lifetime expected credit losses recognised for underperforming and non-performing financial assets.

Expected credit losses are based on the historic levels of loss experienced for the relevant financial assets, with due consideration given to forward-looking information. The most significant categories of financial assets held at amortised cost for the Group are its portfolio of investments in sovereign gilts (see note 19) and cash available on demand. Investments are reclassified from performing to under-performing when coupons become more than 30 days past due, in line with the presumption set out in IFRS 9, or when the financial institution is no longer considered to be investment grade by the rating agents. Due to the nature of the investment in sovereign gilts, the Group concludes that these investments are low credit risk and there has been no significant deterioration in credit risk in the investments.

1.6.7. Investment contract liabilities

Investment contracts are measured at fair value through profit or loss in accordance with IFRS 9. The fair value of investment contracts is estimated using an internal model and determined on a policy-by-policy basis using a prospective valuation of future retirement income benefit and expense cash flows.

1.6.8. Loans and borrowings

Loans and borrowings are initially recognised at fair value, net of transaction costs, and subsequently amortised through profit or loss over the period to maturity at the effective rate of interest required to recognise the discounted estimated cash flows to maturity. There is no change in accounting for loans and borrowings on adoption of IFRS 9.

1.6.9. Other financial liabilities

Except for derivative financial liabilities, all other financial liabilities are held at amortised cost and measured using the effective interest rate method.

1.7. Material accounting policies and the use of judgements, estimates and assumptions

The preparation of financial statements requires the Group to select accounting policies and make estimates and assumptions that affect items reported in the Consolidate statement of comprehensive income, Consolidated statement of financial position, other primary statements and Notes to the financial statements. The adoption of IFRS 17 and IFRS 9 by the Group has resulted in changes to significant accounting estimates and judgements.

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and predictions of future events and actions. Actual results may differ significantly from those estimates. Sensitivities of investments and insurance contracts to reasonably possible changes in significant estimates and assumptions are included in notes 20(d) and 26(h) respectively.

The major areas of judgement used as part of accounting policy application are summarised below.

Note	Item involving judgement	Critical accounting judgement
1.3	Method of transition in the adoption of IFRS 17	The Group has concluded that is impracticable to apply the fully retrospective approach to all insurance and reinsurance contracts prior to 1 January 2021 and has elected to adopt the fair value approach to these contracts.

1.5	Selection of method to determine the discount rate for insurance and reinsurance contracts	The Group has elected to apply the top-down approach for the determination of discount rates. Discount rates are determined based on a reference portfolio of assets and allow for deductions for credit risk (both expected and unexpected). The reference portfolio consists of the actual asset portfolio backing the net of reinsurance best estimate liabilities and risk adjustment and is adjusted in respect of new contracts incepting in the period to allow for a period of transition from the actual asset holdings to the target portfolio where necessary. No adjustment for liquidity differences between the reference portfolio and the liabilities is made. For calculation of the CSM at the inception of contracts, discount rates are based on the yields from a reference portfolio assumed to be represented by the current target portfolio mix based on the latest investment strategy. A weighted average discount rate curve is used for accreting interest on the CSM and for calculating movements in the CSM due to changes in fulfilment cash flows relating to future service. This separate "locked-in" discount rate curve, is determined for each annual cohort at the end of the cohort's first year and then does not change throughout the remainder of life of the group of contracts.
1.5, 26	Calibration of risk adjustment for insurance contract liabilities and reinsurance assets and liabilities	IFRS 17 requires that the future cash flows are adjusted by the risk adjustment for non-financial risk. The risk adjustment for non-financial risks reflects the adjustment to the best estimate cash flows required to provide a 70% level of confidence that longevity, expense and insurance contract specific operational risks will be covered by the liabilities when viewed over the lifetime of the contracts. This judgement represents the level of compensation that the Group requires for bearing the uncertainty regarding the amount and timing of the cash flows that arises from non-financial risk and is used as a core parameter within the Group's pricing framework when assessing the profitability of new business. The reinsurance risk adjustment represents the extent to which non-financial risks are transferred to reinsurers and is measured using the same calibrations as applied to the underlying contracts.
1.5, 26	Subsequent measurement of CSM for insurance contracts	The CSM is recognised at point of sale based on the value of the fulfilment cash flows, including directly attributable acquisition expenses. The CSM is recognised in profit and loss over the terms of services provided to policyholders (coverage units). Coverage units will vary depending on the type of service provided. The Group uses the probability of the policy being in force in each time period for weighting the disparate types of coverage unit. This weighting reflects management's view that the value of services provided to policyholders is broadly equivalent across the different phases in the life of contracts. These weightings are applied to the coverage units which are defined as follows: • In the deferred phase of Defined Benefit policies, investment return service coverage units are represented by the return on the funds backing the future cash flow liability in this accumulation phase. Insurance service in this phase is considered insignificant. • In the guaranteed phase of Defined Benefit and Guaranteed Income for Life policies, when payments outwards are being made regardless of any insurance event, investment return service is represented by the payments to annuitants. In the life contingent phase of all policies, insurance service is represented by payments to annuitants, as confirmed by the IASB Interpretation Committee ("IFRIC") during 2022.
1.6.3	Financial assets – valuation method	Assessment of fair value hierarchy for financial investments, which considers the market observability of valuation inputs. Where the market is not active, such as for illiquid assets including commercial mortgages, infrastructure loans and long income real estate, management applies judgement in selecting the appropriate valuation technique.
1.6	The selection of an appropriate measurement model to determine the fair value of loans secured by residential mortgages	The Group has selected and used a variant of the Black-Scholes option pricing formula with real world assumptions to determine the fair value of the no-negative equity guarantee component of the fair value of loans secured by residential mortgages. The Group has selected to use real world assumptions instead of risk neutral assumptions due

	which includes the no-negative equity guarantees	to the lack of relevant observable market inputs to support a risk neutral valuation approach. This selected measurement approach is in line with common industry practice and there does not appear to be an alternative approach that is widely supported in the industry. We acknowledge that there has been significant recent academic and market debate concerning the valuation of no-negative equity guarantees and we intend to continue to actively monitor this debate.

The table below sets out those items the Group considers susceptible to changes in critical estimates and assumptions.

Note	Item involving estimate	Critical estimates and assumptions
1.4	Determination of the fair value of insurance and reinsurance contracts issued prior to 1 January 2021	The Group has determined the fair value of these insurance contracts on 1 January 2022. The critical assumptions used as part of the determination of fair value included the selection of an appropriate weighted average cost of capital, the appropriate level of solvency capital required, and the selection of the asset portfolio to determine the discount rate. A comprehensive description of the approach applied, and the inputs used in the determination of fair value can be found in note 1.4.
1.5, 26	Measurement of insurance contract liabilities – present value of future cash flows	The critical estimates used in measuring insurance liabilities include the projected future annuity payments and the cost of administering payments to policyholders. The Group considers any maintenance expenses to be directly attributable if they are required to be incurred to enable the insurance entities to continue to operate as insurance companies maintaining the contracts in force. The key assumptions used in the determination of future cash flows are the mortality and annuity escalations assumptions and the level and inflation of costs of administration. Mortality assumptions are derived from the appropriate standard mortality tables, adjusted to reflect the future expected mortality experience of the policyholders. Maintenance expenses are determined from expense analyses and are assumed to inflate at market-implied rates. Further detail can be found in note 26(b). The present value of future cash flows are discounted based on discount rates as at the valuation date.
1.5, 26	Determination of discount rate for insurance and reinsurance contracts	Discount rates for gross insurance contract liabilities are based on the yield of a reference portfolio after deducting allowances for expected and unexpected credit default losses. Factors that may affect future levels of defaults, including historic trends and current spread levels, are closely monitored when determining deductions for credit risk.
1.5, 26	Measurement of the fulfilment cash flows arising from reinsurance arrangements	The critical estimates used in measuring the value of reinsurance assets and liabilities include the projected future cash flows arising from the reinsurers' share of the Group's insurance liabilities including the risk adjustment. The key assumptions used in the valuation include discount rates and mortality experience, as described above, and assumptions around the reinsurers' ability to meet their claims obligations. Consistent discount rates are used for calculation of reinsurance CSM as used for the underlying business. In instances where reinsurance cover is in place when underlying contracts are written, the reinsurance CSM is calculated using discount rates as at the start of the relevant treaty notice period. In instances where reinsurance is transacted subsequently to the underlying business being written, the reinsurance CSM is calculated using discount rates as at the start date of the reinsurance treaty. Allowance is made for reinsurer credit default risk within the expected cash flows based on the net balance held with the reinsurer after allowing for collateral arrangements.
1.6, 20(a), 20(d)	Measurement of fair value of loans secured by residential mortgages, including measurement of	The critical estimates used in valuing loans secured by residential mortgages include the projected future receipts of interest and loan repayments, future house prices, and the future costs of administering the loan portfolio.

	the no-negative equity guarantee	The key assumptions used as part of the valuation calculation include future property prices and their volatility, mortality, the rate of voluntary redemptions and the liquidity premium added to the swap curve and used to discount the mortgage cash flows.
20(a)	Measurement of fair value of other illiquid financial investments	Assumptions based on unobservable inputs are used in the measurement of the fair value of financial investments where there is not a quoted price available and limited market activity. The fair value is estimated using valuation techniques including discounted cash flows and pricing from asset managers. The assumptions used in making this significant estimate include management's expectations regarding credit spreads for determining the discount rate for such investments including residential ground rents.
20	Determination of the appropriate adjustment to the value of residential ground rents as a result of the publication of the government consultation.	The Group has considered the proposals set out in the government consultation regarding potential restrictions to the level of residential ground rents and has also considered the alternative proposal put forward by the ABI. In determining the fair value of residential ground rents the Group has concluded that it is appropriate to include an allowance for increased uncertainty and this has been made by making adjustments to the rating framework to reflect the Group's estimate of the impact that a third party would consider. Specifically by adjusting two key parameters in the ratings model, the amortisation benefit and the cap rate, for the purposes of providing a valuation overlay. The valuation of residential ground rents is adjusted to reflect an expected increase in credit spread. The increased spread would also increase the credit risk deduction for defaults. These adjustments have been applied to the valuation of IFRS insurance contract liabilities by increasing the credit risk deduction for defaults to reflect a lower rating and hence the valuation of liabilities. Further information regarding management's consideration of the impact on the valuation of residential ground rents as a result of Government consultation can be found in note 20(d)(v).
1.18, 21	Recoverability of deferred tax	The adoption of IFRS 17 has created tax losses on transition which can be offset against future taxable profits. The Group has assessed that these tax losses will be fully recoverable based on the Group's five-year business plan and projection thereafter.

1.8. Consolidation principles

The consolidated financial statements incorporate the assets, liabilities, results and cash flows of the Company and its subsidiaries.

Subsidiaries are those investments over which the Group has control. The Group has control over an investee if all of the following are met:

- it has power over the investee;
- it is exposed, or has rights, to variable returns from its involvement with the investee; and
- it has the ability to use its power over the investee to affect its own returns.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from consolidation from the date on which control ceases. All inter-company transactions, balances and unrealised surpluses and deficits on transactions between Group companies are eliminated. Accounting policies of subsidiaries are aligned on acquisition to ensure consistency with Group policies.

The Group uses the acquisition method of accounting for business combinations. Under this method, the cost of acquisition is measured as the aggregate of the fair value of the consideration at the date of acquisition and the amount of any non-controlling interest in the acquiree. The excess of the consideration transferred over the identifiable net assets acquired is recognised as goodwill.

The Group uses the equity method to consolidate its investments in joint ventures and associates. Under the equity method of accounting the investment is initially recognised at fair value and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the joint ventures and associates.

1.9. Segments

The Group's segmental results are presented on a basis consistent with internal reporting used by the Chief Operating Decision Maker ("CODM") to assess the performance of operating segments and the allocation of resources. The CODM has been identified as the Group Executive Committee.

An operating segment is a component of the Group that engages in business activities from which it derives income and incurs expenses.

The results of operating segments that do not meet the Reportable segment criteria within IFRS 8 "Operating segments" are not disclosed. Operating segments, where certain materiality thresholds in relation to total results from operating segments

are not exceeded, are combined when determining reportable segments. For segmental reporting, the arranging of guaranteed income for life contracts, providing intermediary mortgage advice and arranging, plus the provision of licensed software are included in the Other segment along with Group activities, such as capital and liquidity management, and investment activities.

1.10. Foreign currencies

Transactions in foreign currencies are translated to sterling at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The assets and liabilities of foreign operations are translated to sterling at the rates of exchange at the reporting date. The revenues and expenses are translated to sterling at the average rates of exchange for the year. Foreign exchange differences arising on translation to sterling are immaterial and are accounted for through other comprehensive income.

1.11. Finance costs

Interest on loans and borrowings is accrued in accordance with the terms of the loan agreement. Issue costs are added to the loan amount and interest expense is calculated using the effective interest rate method.

1.12. Employee benefits

Defined contribution plans

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in funds managed by a third party. Obligations for contributions to the defined contribution pension scheme are recognised as an expense in profit or loss when due.

Share-based payment transactions

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at grant date, determined using stochastic and scenario-based modelling techniques where appropriate. The fair value of each scheme, based on the Group's estimate of the equity instruments that will eventually vest, is expensed in the Consolidated statement of comprehensive income on a straight-line basis over the vesting period, with a corresponding credit to equity.

At each balance sheet date, the Group revises its estimate of the number of equity instruments that will eventually vest as a result of changes in non-market-based vesting conditions, and recognises the impact of the revision of original estimates in the Consolidated statement of comprehensive income over the remaining vesting period, with a corresponding adjustment to equity. Where a leaver is entitled to their scheme benefits, this is treated as an acceleration of the vesting in the period they leave. Where a scheme is modified before it vests, any increase in fair value as a result of the modification is recognised over the remaining vesting period. Where a scheme is cancelled, this is treated as an acceleration in the period of the vesting of all remaining options.

1.13. Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary and represents the future economic benefit arising from assets that are not capable of being individually identified and separately recognised. Goodwill is measured at initial value less any accumulated impairment losses. Goodwill is not amortised but assessed for impairment annually or when circumstances or events indicate there may be uncertainty over the carrying value.

For the purpose of impairment testing, goodwill has been allocated to cash-generating units and an impairment is recognised when the carrying value of the cash-generating unit exceeds its recoverable amount. Impairment losses are recognised directly in the Consolidated statement of comprehensive income and are not subsequently reversed.

Other intangible assets are recognised if it is probable that future economic benefits attributable to the asset will flow to the Group, and are measured at cost less accumulated amortisation and any impairment losses. For intangible assets with finite useful lives, impairment testing is performed where there is an indication that the carrying value of the assets may be subject to an impairment. An impairment loss is recognised where the carrying value of an intangible asset exceeds its recoverable amount.

PrognoSys™ is the Group's proprietary underwriting engine. The Group has over two million person-years of experience collected over 20 years of operations. It is enhanced by an extensive breadth of external primary and secondary healthcare data and medical literature.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group are capitalised and recognised as an intangible asset. Direct costs include the incremental software development team's employee costs. All other costs associated with researching or maintaining computer software programmes are recognised as an expense as incurred.

Intangible assets with finite useful lives are amortised on a straight-line basis over their useful lives up to 15 years. The useful lives are determined by considering relevant factors, such as usage of the asset, potential obsolescence, competitive position and stability of the industry.

The useful economic life and the method used to determine the cost of intangible acquired in a business combination is as follows:

Intangible asset	Estimated useful economic life	Valuation method
Intellectual property	12–15 years	Estimated replacement cost

The useful economic lives of intangible assets recognised by the Group other than those acquired in a business combination are as follows:

Intangible asset	Estimated useful economic life
PrognoSys™	12 years
Software	3 years

1.14. Property and equipment

Land and buildings are measured at their revalued amounts less any subsequent depreciation, and impairment losses. Valuations are performed periodically but at least triennially to ensure that the fair value of the revalued asset does not differ materially from its carrying value. A revaluation surplus is recognised in other comprehensive income and credited to the revaluation reserve in equity. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the revaluation reserve. Reversals of revaluation deficits follow the original classification of the deficit in the Consolidated statement of comprehensive income.

All other property and equipment is measured at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis to write down the cost to residual value over the estimated useful lives.

The useful lives over which depreciation is charged for all categories of property and equipment are as follows:

Property and equipment	Estimated useful economic life
Land	Indefinite – Land is not depreciated
Buildings	25 years
Computer equipment	3–4 years
Furniture and fittings	2–10 years

1.15. Investment property

Investment property includes property that is held to earn rentals and/or for capital appreciation. Investment property is initially recognised at cost, including any directly attributable transaction costs and subsequently measured at fair value.

Investment property held by the Group relates to the Group's investment in a Jersey Property Unit Trust ("JPUT"). Cost represents the transaction price paid for the investment in the JPUT. Although the Group obtained control of the JPUT, the investment was not accounted for as a Business Combination because substantially all of the fair value of the gross assets acquired was concentrated in a single identifiable asset or group of similar identifiable assets. As such, no goodwill was recognised and the cost of the group of assets was allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase.

Fair value is the price that would be received to sell a property in an orderly transaction between market participants at the measurement date. The subsequent measurement of fair value reflects, among other things, rental income from current leases and other assumptions that market participants would use when pricing investment property under current market conditions. Gains and losses arising from the change in fair value are recognised as income or an expense in the Consolidated statement of comprehensive income. Where investment property is leased out by the Group, rental income from these operating leases is recognised as income in the Consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

1.16. Cash and cash equivalents

Cash and cash equivalents in the Consolidated statement of cash flows consist of amounts reported in Cash available on demand in the Consolidated statement of financial position and also cash equivalents that are reported in Financial investments in the Consolidated statement of financial position.

Cash available on demand includes cash at bank and in hand and deposits held at call with banks. Additional cash equivalents reported in the Consolidated statement of cash flows include other short-term highly liquid investments with less than 90 days' maturity from the date of acquisition. These do not meet the definition of Cash available on demand and are therefore reported in Financial investments (note 19).

1.17. Equity

The difference between the proceeds received on issue of the shares, net of share issue costs, and the nominal value of the shares issued is credited to the share premium account.

Interim dividends are recognised in equity in the period in which they are paid. Final dividends require shareholder approval prior to payment and are therefore recognised when they have been approved by shareholders.

Where the Company purchases shares for the purposes of employee incentive plans, the consideration paid, net of issue costs, is deducted from equity. Upon issue or sale, any consideration received is credited to equity net of related costs.

The reserve arising on the reorganisation of the Group represents the difference in the value of the shares in the Company and the value of shares in Just Retirement Group Holdings Limited for which they were exchanged as part of the Group reorganisation in November 2013.

Loan notes are classified as either debt or equity based on the contractual terms of the instruments. Loan notes are classified as equity where they do not meet the definition of a liability because they are perpetual with no fixed redemption or maturity date, they are only repayable on liquidation, conversion is only triggered under certain circumstances of non-compliance, and interest on the notes is non-cumulative and cancellable at the discretion of the issuer.

1.18. Taxation

The current tax expense is based on the taxable profits for the year, using tax rates substantively enacted at the Consolidated statement of financial position date, and after any adjustments in respect of prior years. Current and deferred tax is charged or credited to Profit or loss unless it relates to items recognised in Other comprehensive income or directly in equity.

Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, using the liability method, on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The principal temporary differences arise from the transitional tax adjustments resulting from the implementation of IFRS 17. In November 2022, provision was made in UK tax law to spread the impact of transition to IFRS 17 over a period of 10 years.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The deferred tax assets and liabilities are measured using substantively enacted corporation tax rates based on the timings of when they are expected to reverse.

2. INSURANCE REVENUE

	Year ended 31 December 2023 £m	Year ended 31 December 2022 (restated) £m
Contractual service margin recognised for services provided	156	120
Change in risk adjustment for non-financial risk for risks expired	11	13
Expected incurred claims and other insurance service expenses	1,369	1,184
Recovery of insurance acquisition cash flows	19	8
Total	1,555	1,325

Insurance revenue measured by transition type:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 (restated) £m
Fully retrospective approach and General measurement model applied since inception	**310**	150
Fair value measurement at the date of transition	**1,245**	1,175
Total	**1,555**	1,325

Contractual service margin recognised

The contractual service margin ("CSM") release of £156m (2022: £120m) is based on the coverage units, at cohort level, representing services provided in the year as a proportion of current and future coverage units, (see note26(f)). The increase compared with 2022 reflects the inclusion of an additional year's cohort of business, and the increase in the CSM balance in 2023 as a result of favourable changes in estimates of future cash flows following demographic assumption changes.

The CSM release represents 6.0% (2022: 5.8%) of the CSM reserve balance immediately prior to release.

Change in risk adjustment for non-financial risk for risks expired

The risk adjustment release of £11m (2022: £13m) represents the value of the release of risk as insurance coverage expires.

Expected incurred claims and other insurance service expenses

This amount represents the expected claims and maintenance expense cash flows in the period based on the assumptions within the opening liability for future cash flows excluding the value of investment components and other non-insurance cash flows.

As the business continues to grow and mature, more of the Group's claims payments are for policies that are beyond guarantee periods. This together with the increase in business mix towards DB business results in an increase in expected claims and expenses recorded as part of insurance revenue.

Recovery of insurance acquisition cash flows

Acquisition costs are deducted from the CSM at point of sale, with the result that as the CSM release is recognised in the income statement, there will be an implicit allowance for acquisition costs made each year over the life of contracts. The amount recognised in each period represents the portion of past and current acquisition expenses in respect of insurance contracts that are allocable to the current period based on the services provided (coverage units). Insurance revenue and insurance service expenses are grossed up by this annual value of acquisition expenses so that the full value of the premium is recognised as insurance revenue over the lifetime of contracts.

The growth in the value in the year to £19m (2022: £8m) reflects the inclusion of an additional new business cohort. Only the cohorts measured on a fully retrospective basis at transition to IFRS 17 and cohorts of business written since transition (i.e. underwriting years 2021 onwards) have insurance acquisition cash flows. The recovery percentage recognised in the period is consistent with the CSM release percentages.

3. INSURANCE SERVICE EXPENSES

	Note	**Year ended 31 December 2023 £m**	Year ended 31 December 2022 (restated) £m
Incurred expenses			
Claims		**1,332**	1,153
Commission		**29**	55
Personnel expenses and other	12	**127**	106
Investment expenses and charges		**93**	44
Depreciation of equipment		**2**	4
Impairment of intangible assets		**3**	–
Amortisation of intangible assets		**3**	2
Audit costs		**4**	4
Other costs		**71**	37
IFRS 17 treatment of acquisition costs			
Amounts attributable to insurance acquisition cash flows		**(183)**	(124)
Amortisation of insurance acquisition cash flows		**19**	8
		1,500	1,289
Represented by:			
Actual claims and maintenance expenses		**1,377**	1,188
Amortisation of insurance acquisition cash flows		**19**	8
Insurance service expenses		**1,396**	1,196
Other operating expenses		**104**	93
Total		**1,500**	1,289

Total expenses, including claims costs, recognised in profit and loss in the period amounted to £1,500m (2022: £1,289m), of which £1,396m (2022: £1,196m) are attributed to provision of insurance services, and £104m (2022: £93m) of other operating

expenses. The actual insurance claims and expenses of £1,377m (2022: £1,188m) compared with an expected value of £1,369m (2022: £1,184m), included within insurance revenue.

Other operating expenses of £104m (2022 £93m) represent expenses of the Group's non-insurance business of £38m (2022: £30m), development and strategic expenses of £34m (2022: £22m), and other costs of £32m (2022: £41m) which are mainly investment acquisition related expenses not attributed to insurance contracts in force. The reduction in commission costs and addition in investment expenses reflects the switch in investment strategy from LTMs towards other illiquid investments.

These figures are stated after adjustments for:

- reduction of claims to exclude investment components and other non-insurance cash flows as noted above for insurance revenue; and
- acquisition expenses incurred in the period are treated as a deduction when calculating the CSM, with only the portion related to the current period service provision included in profit or loss.

During the year the following services were provided by the Group's auditor at costs as detailed below:

	Year ended 31 December 2023 £000	Year ended 31 December 2022 £000
Auditor remuneration		
Fees payable for the audit of the Parent Company and consolidated accounts	**676**	616
Fees payable for other services		
The audit of the Company's subsidiaries pursuant to legislation	**2,555**	3,042
Audit-related assurance services	**792**	705
Other assurance services	**–**	48
Other non-audit services not covered above	**1**	1
Total	**4,024**	4,412

Fees payable for the audit of the Company's subsidiaries pursuant to legislation includes fees of £789,000 (2022: £1,700,000) for audit activities related to the implementation of IFRS 17. Audit-related assurance services mainly include fees relating to the audit of the Group's Solvency II regulatory returns and review procedures in relation to the Group's interim results.

4. NET EXPENSES FROM REINSURANCE CONTRACTS

	Year ended 31 December 2023 £m	Year ended 31 December 2022 (restated) £m
Contractual service margin recognised for services received	27	25
Change in risk adjustment for non-financial risk for risk expired	4	5
Expected net settlements and reinsurance expenses	27	12
Actual net settlements and reinsurance expenses	(17)	(12)
Total	41	30

Contractual service margin recognised for services received

The CSM release for reinsurance contracts is recognised based on coverage units in a similar manner to the CSM in respect of the underlying contracts. For reinsurance swaps, the coverage units are calculated based on the cash flows of the floating (receiving) leg only.

Change in reinsurance risk adjustment for non-financial risk for risk expired

The reinsurance risk adjustment is based on the floating leg cash flows, and hence the behaviour of the risk adjustment, including its release, is similar to the movement on the underlying contracts that are reinsured.

Actual vs. Expected incurred reinsurance claims and other reinsurance service expenses

Actual reinsurance claims and expenses of £17m (2022: £12m) were lower than the expected value of £27m (2022: £12m) as a result of reductions in longevity experience during the year.

5. INVESTMENT RETURN

	Year ended 31 December 2023 £m	Year ended 31 December 2022 (restated) £m
Interest income on assets designated on initial recognition at FVTPL	**806**	473
Interest income on assets mandatorily measured at FVTPL: LTMs	**244**	165
Interest income on assets at amortised cost	**54**	–
Movement in fair value of financial assets designated on initial recognition at FVTPL	**424**	(3,143)
Movement in fair value of financial assets mandatorily measured at FVTPL: LTMs	**278**	(1,578)
Movement in fair value of financial assets mandatorily measured at FVTPL: Derivatives	**365**	(1,106)
Foreign exchange gains/(losses) on amortised cost assets	**2**	–
Total	**2,173**	(5,189)

Interest income and change in valuation of investments is reported separately for assets classified in a portfolio at FVTPL and assets classified in an amortised cost portfolio. The majority of the Group's investments are classified at FVTPL; a separate amortised cost portfolio of sovereign gilts was entered into during the year as explained in note 1.6.1.

6. NET FINANCE (EXPENSES)/INCOME FROM INSURANCE CONTRACTS

	Year ended 31 December 2023 £m	Year ended 31 December 2022 (restated) £m
Interest accreted	**(1,317)**	(607)
Effect of changes in interest rates and other financial assumptions	**(622)**	5,544
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	**(67)**	(114)
Total	**(2,006)**	4,823

Interest accreted

Interest accreted of £1,317m (2022: £607m) represents the effect of unwinding of the discount rates on the future cash flow and risk adjustment components of the insurance contract liabilities and the effect of interest accretion on the CSM. The increase of accretion in the current period compared with the prior year reflects the impact of higher discount rates at the start of 2023 compared with the start of 2022, combined with growth in the size of the insurance portfolio.

The future cash flows and risk adjustment are interest rate sensitive and represent 90% of the total value of insurance contract liabilities. The CSM is measured using historic "locked-in" discount rate curves. The majority of the CSM arises from the fair value approach on transition to IFRS 17 which is measured using the locked-in discount rate curve as at 1 January 2022. This curve is upward sloping in the early years which, combined with an increasing CSM balance attributable to new business and demographic assumption changes, has resulted in increased accretion.

Effect of changes in interest rates and other financial assumptions

The principal economic assumption changes adversely impacting the movement in insurance liabilities during the year of £(622)m (2022: £5,544m gain) relate to discount rates and inflation. The CSM is held at locked-in discount rates and benefit inflation, and hence the effect of the increase in interest rates experienced in the year applies only to the future cash flows and the risk adjustment components of the insurance contract liabilities.

It is expected that amounts recognised in "investment return" will broadly offset the "net finance (expense)/income from insurance contracts". The principal driver for these amounts recognised in the Consolidated statement of comprehensive income observed over the year is the changes in the value of the investment assets and net insurance liabilities due to changes in interest rates.

During 2023, the Group created a portfolio of investments that are expected to be held to maturity, and which are valued at amortised cost rather than at fair value. As a result, the valuation of these assets is not sensitive to interest rate movements.

The amounts recognised in profit and loss will not completely offset for a number of reasons, including:

- the term structures for financial investments held and net insurance liabilities are not identical;
- the existence of surplus assets held on the balance sheet which do not back insurance liabilities and the value of which are subject to changes in interest rates; and
- the deduction of a credit default allowance from the interest rate used to value insurance liabilities.

Insurance liabilities for inflation-linked products, most notably Defined Benefit business, and expenses on all products are impacted by changes in future expectations of Retail Price Inflation (RPI), Consumers Price Inflation (CPI), Linked Price Indexation (LPI) and earnings inflation.

The relationship between changes in key inputs used in determining the value of net insurance liabilities and financial assets is explained in note 26(h).

Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition

The difference in the measurement of changes in estimates relating to future coverage at current discount rates of £136m (2022: £99m) compared to locked-in rates of £203m (2022: £213m), amounting to a £67m loss (2022: £114m loss), is recognised within net finance expenses. Significant assumption changes in estimates mainly relates to the demographic basis change on a gross of reinsurance basis.

7. NET FINANCE INCOME/(EXPENSES) FROM REINSURANCE CONTRACTS

	Year ended 31 December 2023 £m	Year ended 31 December 2022 (restated) £m
Interest accreted	**34**	15
Effect of changes in interest rates and other financial assumptions	**32**	(169)
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	**49**	63
Effect of changes in non-performance risk of reinsurers	**(7)**	–
Total	**108**	(91)

Interest accreted for reinsurance

The interest accretion on reinsurance balances of £34m (2022: £15m) represents the unwind of discounting across the components of the reinsurance contracts balance, namely the future cash flows, risk adjustment and CSM. The future cash flows and CSM amount may be in either an asset or liability position.

Effect of changes in interest rates and other financial assumptions

Consistent with the underlying business, the principal economic assumption changes impacting the movement in reinsurance liabilities relate to discount rates and inflation.

Effect of measuring changes in estimates at current and locked-in rates

The CSM is valued using economic parameters locked-in at point of sale. During the year, the impact of £49m (2022: £63m) on reinsurance is from demographic assumption changes alone.

8. OTHER FINANCE COSTS

	Year ended 31 December 2023 £m	Year ended 31 December 2022 (restated) £m
Interest payable on subordinated debt (loans and borrowings)	**49**	54
Interest payable on repurchase agreements	**70**	–
Other interest payable	**3**	3
Total	**122**	57

Interest payable on loans and borrowings has reduced as a result of the repurchase of Tier 2 debt in October 2022 and 2023. The amortised cost Gilt portfolio was funded by repurchase agreements; interest on these is recorded in Other finance costs above.

9. SEGMENTAL REPORTING

Segmental analysis

The operating segments from which the Group derives income and incurs expenses are as follows:

- the writing of insurance products for distribution to the at- or in-retirement market and the DB de-risking market;
- the arranging of guaranteed income for life contracts and lifetime mortgages through regulated advice and intermediary services and the provision of licensed software to financial advisers, banks, building societies, life assurance companies and pension trustees.

The insurance segment writes insurance products for the retirement market – which include Guaranteed Income for Life Solutions, Defined Benefit De-risking Solutions, Care Plans and Protection – and invests the premiums received from these contracts in debt and other fixed income securities, gilts, liquidity funds, Lifetime Mortgage advances and other illiquid assets.

The advisory and Destination retirement revenue streams of the professional services business, HUB, represents the other two operating segments. The HUB operating segments are not currently sufficiently significant to disclose separately as a reportable segment. In the segmental profit table below, the single reportable segment for Insurance is reconciled to the total Group result by including an “Other” column which includes the non-reportable segments plus the other companies’ results. This includes the Group’s corporate activities that are primarily involved in managing the Group’s liquidity, capital and investment activities. The Group operates in one material geographical segment which is the United Kingdom.

The internal reporting used by the CODM includes segmental information regarding premiums and profit. Material product information is analysed by product line and includes shareholder funded DB, GIfL, DB Partnering, Care Plans, Protection, LTM and Drawdown products. Further information on the DB partnering transactions is included in the Business review. The information on adjusted operating profit and profit before tax used by the CODM is presented on a combined product basis within the insurance operating segment and is not analysed further by product.

Underlying operating profit

The Group reports underlying operating profit as an alternative measure of profit which is used for decision making and performance measurement. The Board believes that underlying operating profit, which represents a combination of both the future profit generated from new business written in the year and additional profit emerging from the in-force book of business, provides a better view of the development of the business. Moreover, the net underlying CSM increase is added back when calculating the underlying operating profit as the Board considers the value of new business is significant in assessing business performance. Actual operating experience, where different from that assumed at the start of the year, and the impacts of changes to future operating assumptions applied in the year, are then also included in arriving at adjusted operating profit.

New business profits represent expected investment returns on the financial instruments assumed to be newly purchased to back that business after allowances for expected movements in liabilities and deduction of acquisition costs. New business profits are based on valuation of investment returns as at the date of quoting for new business whereas the CSM on new business is computed as at the date of inception of new contracts. Profits arising from the in-force book of business represent an expected return on surplus assets of 4% (2022: 2% H1, 3% H2), the expected unwind of allowances for credit default and the release of the risk adjustment.

Underlying operating profit excludes the impairment and amortisation of intangible assets arising on consolidation, and strategic expenditure, since these items arise outside the normal course of business in the year. Underlying operating profit also excludes exceptional items. Exceptional items are those items that, in the Directors’ view, are required to be separately disclosed by virtue of their nature or incidence to enable a full understanding of the Group’s financial performance.

Variances between actual and expected investment returns due to economic and market changes, including on surplus assets and on assets assumed to back new business, and gains and losses on the revaluation of land and buildings, are also disclosed outside underlying operating profit.

Segmental reporting and reconciliation to financial information

	Year ended 31 December 2023			Year ended 31 December 2022 (restated)		
	Insurance £m	Other £m	Total £m	Insurance £m	Other £m	Total £m
New business profits	**355**	**–**	**355**	266	–	266
CSM amortisation[1]	**(62)**	**–**	**(62)**	(61)	–	(61)
Net underlying CSM increase[2]	**293**	**–**	**293**	205	–	205
In-force operating profit[3]	**185**	**6**	**191**	153	3	156
Other Group companies' operating results	**–**	**(22)**	**(22)**	–	(16)	(16)
Development expenditure	**(16)**	**(1)**	**(17)**	(14)	(1)	(15)
Finance costs	**(84)**	**16**	**(68)**	(87)	14	(73)
Underlying operating profit	**378**	**(1)**	**377**	257	–	257
Operating experience and assumption changes[4]	**52**	**–**	**52**	104	–	104
Adjusted operating profit/(loss) before tax	**430**	**(1)**	**429**	361	–	361
Investment and economic movements	**106**	**(14)**	**92**	(557)	20	(537)
Strategic expenditure	**(8)**	**(9)**	**(17)**	(7)	–	(7)
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	**28**	**(12)**	**16**	28	(12)	16
Adjusted profit/(loss) before tax	**556**	**(36)**	**520**	(175)	8	(167)
Deferral of profit in CSM[5]	**(348)**	**–**	**(348)**	(327)	–	(327)
Profit/(loss) before tax	**208**	**(36)**	**172**	(502)	8	(494)

1 CSM amortisation represents the net release from the CSM reserve into profit as services are provided. The figures are net of accretion (unwind of discount), and the release is computed based on the closing CSM reserve balance for the period.

2 Net underlying CSM increase excludes the impact of using quote date for profitability measurement. Just recognises contracts based on their completion dates for IFRS 17, but bases its assessment of new business profitability for management purposes on the economic parameters prevailing at the quote date of the business.

3 In-force operating profit represents profits from the in force portfolio before investment and insurance experience variances, and assumption changes. It mainly represents release of risk adjustment for non-financial risk and of allowances for credit default in the period, investment returns earned on shareholder assets, together with the value of the CSM amortisation.

4 Operating experience and assumption changes represent changes to cash flows in the current and future periods valued based on end of period economic assumptions.

5 Deferral of profit in CSM represents the total movement in the CSM in the year. The figure represents CSM recognised on new business, accretion of CSM (unwind of discount), transfers to CSM related to changes to future cash flows at locked-in economic assumptions, less CSM release in respect of services provided.

The reconciliation of the non-GAAP new business profit to the new business contractual service margin (IFRS measure) is included in the Additional financial information.

Additional analysis of segmental profit or loss

Revenue, depreciation of property and equipment, and amortisation of intangible assets are materially all allocated to the insurance segment. The interest adjustment in respect of Tier 1 notes in the other segment represents the difference between interest charged to the insurance segment in respect of Tier 1 notes and interest incurred by the Group in respect of Tier 1 notes.

Product information analysis

Additional analysis relating to the Group's products is presented below:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 (restated) £m
Defined Benefit De-risking Solutions ("DB")	**2,999**	2,567
Guaranteed Income for Life contracts ("GIfL")[1]	**894**	564
Retirement Income sales (shareholder funded)	**3,893**	3,131
Defined Benefit De-risking partnering ("DB partnering")	**416**	259
Retirement Income sales	**4,309**	3,390
Premium adjustments to in-force policies	**(27)**	–
Net change in premiums receivable	**212**	(276)
Premium cash flows (note 26(c))	**4,494**	3,114

1 GIfL includes UK GIfL, South Africa GIfL and Care Plans.

Drawdown and Lifetime Mortgage ("LTM") products are accounted for as investment contracts and financial investments respectively in the Consolidated statement of financial position. An analysis of the amounts advanced during the year for these products is shown below:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
LTM advances	**186**	538
Drawdown deposits and other investment products	**12**	14

10. INCOME TAX

	Year ended 31 December 2023 £m	Year ended 31 December 2022 (restated) £m
Current taxation		
Adjustments in respect of prior periods	**–**	9
Total current tax	**–**	9
Deferred taxation		
Deferred tax recognised for losses in the current period	**(2)**	(129)
Origination and reversal of temporary differences	**6**	(4)
Adjustments in respect of prior periods	**3**	(9)
Tax relief on the transitional adjustment on IFRS 17 implementation	**34**	–
Remeasurement of deferred tax – change in UK tax rate	**2**	1
Total deferred tax	**43**	(141)
Total income tax recognised in profit or loss	**43**	(132)

Further disclosure of the tax impacts of the adoption of IFRS 17 on 1 January 2023 is disclosed in note 21.

The deferred tax assets and liabilities at 31 December 2023 have been calculated based on the rate at which they are expected to reverse. On 3 March 2021, the Government announced an increase in the rate of corporation tax to 25% from 1 April 2023. The change in tax rate was substantively enacted in May 2021.

A deferred tax asset of £341m has been recognised on the adoption of IFRS 17 Insurance Contracts on 1 January 2023, which is expected to be fully recoverable. Deferred tax has been recognised at 25%, reflecting the rate at which the deferred tax asset is expected to unwind.

In accordance with Paragraph 4A of IAS 12 "Income taxes", the Group has not recognised nor disclosed information about deferred tax assets and liabilities related to Pillar Two income taxes. The Group does not currently expect the effect of the Pillar Two legislation to have a material impact on the tax position in future periods.

Reconciliation of total income tax to the applicable tax rate

	Year ended 31 December 2023 £m	Year ended 31 December 2022 (restated) £m
Profit/(loss) on ordinary activities before tax	**172**	(494)
Income tax at 23.5% (2022: 19%)	**40**	(94)
Effects of:		
Expenses not deductible for tax purposes	**2**	2
Remeasurement of deferred tax – change in UK tax rate	**2**	1
Impact of future tax rate on tax losses	**–**	(34)
Adjustments in respect of prior periods	**3**	–
Other	**(4)**	(7)
Total income tax recognised in profit or loss	**43**	(132)

Income tax recognised directly in equity

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Current taxation		
Relief on Tier 1 interest	**(4)**	–
Total current tax	**(4)**	**–**
Deferred taxation		
Relief on Tier 1 interest	**–**	(3)
Relief in respect of share-based payments	**–**	(1)
Total deferred tax	**–**	(4)
Total income tax recognised directly in equity	**(4)**	(4)

Taxation of life insurance companies was fundamentally changed following the publication of the Finance Act 2012. Since 1 January 2013, life insurance tax has been based on financial statements; prior to this date, the basis for profits chargeable to corporation tax was surplus arising within the Pillar 1 regulatory regime. Cumulative differences arising between the two bases, which represent the differences in retained profits and taxable surplus which are not excluded items for taxation, are brought back into the computation of taxable profits. However, the legislation provides for transitional arrangements whereby such differences are amortised on a straight-line basis over a ten-year period from 1 January 2013. Similarly, the resulting cumulative transitional adjustments for tax purposes in adoption of IFRS are amortised on a straight-line basis over a ten-year period from 1 January 2016. The tax charge for the year to 31 December 2023 includes tax relief arising from amortisation of transitional balances of £3m (2022: £3m).

IFRS 17 Insurance Contracts was adopted during the year. Cumulative differences arising between IFRS 17 and the previous accounting standards (IFRS 4), which represent the differences in retained profits previously reported and impact of the adoption of the standard, are brought back into the computation of taxable profits. However, legislation provides for transitional arrangements whereby such differences are amortised on a straight-line basis over a ten-year period from 1 January 2023. The tax charge for the year to 31 December 2023 includes current tax relief arising from amortisation of transitional balances of £32m.

11. REMUNERATION OF DIRECTORS

Information concerning individual Directors' emoluments, interests and transactions is given in the Directors' Remuneration report. For the purposes of the disclosure required by Schedule 5 to the Companies Act 2006, the total aggregate emoluments of the Directors in the year was £5m (2022: £5m). Employer contributions to pensions for Executive Directors for qualifying periods were £nil (2022: nil). The aggregate net value of share awards granted to the Directors in the year was £3m (2022: £2m), calculated by reference to the average closing middle-market price of an ordinary share over the five days preceding the grant. Two Directors exercised share options during the year with an aggregate gain of £3m (2022: two Directors exercised options with an aggregate gain of £1m).

12. STAFF NUMBERS AND COSTS

The average number of persons employed by the Group (including Directors) during the financial year, analysed by category, was as follows:

	Year ended 31 December 2023 Number	Year ended 31 December 2022 Number
Directors	**11**	10
Senior management	**142**	124
Staff	**1,052**	990
Average number of staff	**1,205**	1,124

The aggregate personnel costs were as follows:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Wages and salaries	**104**	86
Social security costs	**11**	10
Other pension costs	**6**	4
Share-based payment expense	**6**	6
Total	**127**	106

13. EMPLOYEE BENEFITS

Defined contribution pension scheme

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable to the fund and amounted to £6m (2022: £4m).

Employee share plans

The Group operates a number of employee share option plans. Details of those plans are as follows:

Long Term Incentive Plans ("LTIP")

The Group has made awards under the LTIP to Executive Directors and other senior managers. Awards granted prior to 9 May 2023 were granted under the Just Retirement Group plc 2013 Long Term Incentive Plan. Awards granted since 9 May 2023 are granted under the Just Group plc Long Term Incentive Plan. Awards are made in the form of nil-cost options which become exercisable on the third anniversary of the grant date, subject to the satisfaction of service and performance conditions set out in the Directors' Remuneration report. Options are exercisable until the tenth anniversary of the grant date, with the exception for good leavers in respect of awards granted after 9 May 2023 which are exercisable until the first anniversary of the vesting date. The majority of options granted are also subject to a two-year holding period after the options have vested.

The options are accounted for as equity-settled schemes.

The number and weighted-average remaining contractual life of outstanding options under the LTIP are as follows:

	Year ended 31 December 2023 Number of options	Year ended 31 December 2022 Number of options
Outstanding at 1 January	**25,935,723**	22,403,125
Granted[1]	**9,544,856**	8,563,671
Forfeited	**(2,902,296)**	(1,149,299)
Exercised	**(6,573,503)**	(2,679,669)
Expired	**–**	(1,202,105)
Outstanding at 31 December	**26,004,780**	25,935,723
Exercisable at 31 December	**4,546,466**	4,740,542
Weighted-average share price at exercise (£)	**0.85**	0.81
Weighted-average remaining contractual life (years)	**1.14**	1.09

1 Includes 294,437 options granted on 14 September 2023 under the Just Group plc Long Term Incentive Plan. All other options granted under the Just Retirement Group plc 2013 Long Term Incentive Plan.

The exercise price for options granted under the LTIP is nil.

During the year to 31 December 2023, awards of LTIPs were made on 23 March 2023, 30 March 2023 and 14 September 2023. The weighted-average fair value and assumptions used to determine the fair value of the LTIPs and the buy-out options granted during the year are as follows:

Fair value at grant date	£0.77
Option pricing models used	Black–Scholes, Stochastic, Finnerty
Share price at grant date	£0.84
Exercise price	Nil
Expected volatility – TSR performance	41.34%
Expected volatility – Other performance	44.36 – 44.43%
Expected volatility – holding period	37.52% – 37.60%
Option life	3 years + 2 year holding period
Dividend yield	HUB LTIP awards – 2.05%, Other – Nil
Risk-free interest rate – TSR performance	3.44%
Risk-free interest rate – holding period	3.25% – 3.41%

A Stochastic model is used where vesting is related to a total shareholder return target, a Black-Scholes option pricing model is used for all other performance vesting targets, and a Finnerty model is used to model the holding period.

For awards subject to a market performance condition, such as Total Shareholder Return ("TSR"), expected volatility has been calculated using historic volatility of the Company, and for each company in the TSR comparator group, over the period of time commensurate with the remainder of the performance period immediately prior to the date of grant. For awards not subject to a market performance condition, expected volatility has been calculated using historic volatility of the Company over the period of time commensurate with the expected award term immediately prior to the date of the grant. For awards with a holding period condition, expected volatility has been calculated using historic volatility of the Company over the period of time commensurate with the holding period immediately prior to the date of grant.

Deferred share bonus plan ("DSBP")

The DSBP is operated in conjunction with the Group's short-term incentive plan for Executive Directors and other senior managers of the Company or any of its subsidiaries, as explained in the Directors' Remuneration report. Awards are made in the form of nil-cost options which become exercisable on the third anniversary, and until the tenth anniversary, of the grant date.

The options are accounted for as equity-settled schemes.

The number and weighted-average remaining contractual life of outstanding options under the DSBP are as follows:

	Year ended 31 December 2023 Number of options	Year ended 31 December 2022 Number of options
Outstanding at 1 January	**5,998,639**	5,788,003
Granted	**1,278,872**	1,313,916
Forfeited	**(273,206)**	–
Exercised	**(1,603,924)**	(1,103,280)
Outstanding at 31 December	**5,400,381**	5,998,639
Exercisable at 31 December	**1,661,999**	1,652,826
Weighted-average share price at exercise (£)	**0.83**	0.83
Weighted-average remaining contractual life (years)	**0.85**	0.84

The exercise price for options granted under the DSBP is nil (2022: nil).

During the year to 31 December 2023, awards of DSBPs were made on 23 March 2023. The weighted-average fair value and assumptions used to determine the fair value of options granted during the year under the DSBP are as follows:

Fair value at grant date	£0.84
Option pricing model used	Black–Scholes
Share price at grant date	£0.84
Exercise price	Nil
Expected volatility	45.43%
Option life	3 years
Dividend yield	Nil
Risk-free interest rate	Nil

Expected volatility has been calculated using historic volatility of the Company over the period of time commensurate with the expected award term immediately prior to the date of the grant.

Save As You Earn ("SAYE") scheme

The Group operates SAYE plans for all employees, allowing a monthly amount to be saved from salaries over either a three- or five-year period that can be used to purchase shares in the Company at a predetermined price. The employee must remain in employment for the duration of the saving period and satisfy the monthly savings requirement (except in "good leaver" circumstances). Options are exercisable for up to six months after the saving period.

The options are accounted for as equity-settled schemes.

The number, weighted-average exercise price, weighted-average share price at exercise, and weighted-average remaining contractual life of outstanding options under the SAYE are as follows:

	Year ended 31 December 2023		Year ended 31 December 2022	
	Number of options	**Weighted-average exercise price £**	Number of options	Weighted-average exercise price £
Outstanding at 1 January	**12,918,140**	**0.45**	14,779,553	0.44
Granted	**3,910,005**	**0.67**	1,924,649	0.71
Forfeited	**(646,127)**	**0.56**	(791,758)	0.46
Cancelled	**(442,187)**	**0.71**	(526,561)	0.59
Exercised	**(7,794,942)**	**0.38**	(2,337,700)	0.50
Expired	**(91,501)**	**0.92**	(130,043)	0.79
Outstanding at 31 December	**7,853,387**	**0.60**	12,918,140	0.45
Exercisable at 31 December	**231,646**	**0.50**	233,954	0.59
Weighted-average share price at exercise (£)	**0.84**		0.72	
Weighted-average remaining contractual life (years)	**1.97**		1.22	

The range of exercise prices of options outstanding at the end of the year are as follows:

	2023 Number of options outstanding	2022 Number of options outstanding
£0.38	**2,043,899**	9,949,082
£0.52	**217,744**	395,051
£0.67	**3,647,050**	–
£0.71	**1,380,653**	1,718,536
£0.74	**562,516**	787,780
£1.07	**–**	66,166
£1.18	**1,525**	1,525
Total	**7,853,387**	12,918,140

During the year to 31 December 2023, awards of SAYEs were made on 18 April 2023. The weighted-average fair value and assumptions used to determine the fair value of options granted during the year under the SAYE are as follows:

Fair value at grant date	£0.38
Option pricing model used	Black–Scholes
Share price at grant date	£0.89
Exercise price	£0.67
Expected volatility – 3-year scheme	47.78%
Expected volatility – 5-year scheme	50.32%
Option life	3.37 or 5.37 years
Dividend yield	1.95%
Risk-free interest rate – 3-year scheme	3.65%
Risk-free interest rate – 5-year scheme	3.62%

Expected volatility has been calculated using historic volatility of the Company over the period of time commensurate with the expected term of the awards immediately prior to the date of grant.

14. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on dividing the profit or loss attributable to ordinary equity holders of the Company by the weighted-average number of ordinary shares outstanding, and by the diluted weighted-average number of ordinary shares potentially outstanding at the end of the year. The weighted-average number of ordinary shares excludes shares held by the Employee Benefit Trust on behalf of the Company to satisfy future exercises of employee share scheme awards.

Earnings for the purposes of determining earnings per share and diluted earnings per share is calculated by adjusting the profit or loss attributable to ordinary equity holders of the Company for amounts in respect of the RT1 notes. This is based on the judgement that the rights associated with the RT1 notes are similar to preference shares. Adjustments include coupon payments and any gains/losses on redemption.

	Year ended 31 December 2023			Year ended 31 December 2022 (restated)		
	Earnings £m	Weighted-average number of shares million	Earnings per share pence	Earnings £m	Weighted-average number of shares million	Earnings per share pence
Profit/(loss) attributable to equity holders of Just Group plc	**129**	**1,032**	**–**	(362)	1,032	–
Coupon payments in respect of Tier 1 notes (net of tax)	**(12)**	**–**	**–**	(14)	–	–
Profit/(loss) attributable to ordinary equity holders of Just Group plc (basic)	**117**	**1,032**	**11.3**	(376)	1,032	(36.3)
Effect of potentially dilutive share options[1]	**–**	**17**	**–**	–	–	–
Diluted profit/(loss) attributable to ordinary equity holders of Just Group plc	**117**	**1,049**	**11.2**	(376)	1,032	(36.3)

1 The weighted-average number of share options for the year ended 31 December 2022 that could have potentially diluted basic earnings per share in the future but are not included in diluted EPS because they would be anti dilutive was 23.3 million share options.

15. DIVIDENDS AND APPROPRIATIONS

Dividends and appropriations paid in the year were as follows:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Final dividend		
Final dividend in respect of prior year end (1.23 pence per ordinary share, paid on 17 May 2023)	**13**	10
Interim dividend		
Interim dividend in respect of current year end (0.58 pence per ordinary share, paid on 4 October 2023)	**6**	5
Total dividends paid	**19**	15
Coupon payments in respect of Tier 1 notes[1]	**16**	17
Total distributions to equity holders in the period	**35**	32

1 Coupon payments on Tier 1 notes are treated as an appropriation of retained profits and, accordingly, are accounted for when paid.

Subsequent to 31 December 2023, the Directors proposed a final dividend for 2023 of 1.50 pence per ordinary share (2022: 1.23 pence) and together with the interim dividend of 0.58 pence per ordinary share paid in 4 October 2023 amounting to £22m (2022: £18m) in total. Subject to approval by shareholders at the Company's 2024 AGM, the dividend will be paid on 15 May 2024 to shareholders on the register of members at the close of business on 12 April 2024, and will be accounted for as an appropriation of retained earnings in year ending 31 December 2024.

16. INTANGIBLE ASSETS

Year ended 31 December 2023	Acquired intangible assets Goodwill £m	Acquired intangible assets Intellectual property £m	PrognoSys™ £m	Software £m	Total £m
Cost					
At 1 January 2023 (restated)	**35**	**2**	**6**	**29**	**72**
At 31 December 2023	**35**	**2**	**6**	**29**	**72**
Amortisation and impairment					
At 1 January 2023 (restated)	**(1)**	**(1)**	**(3)**	**(20)**	**(25)**
Impairment	**–**	**–**	**–**	**(3)**	**(3)**
Charge for the year	**–**	**–**	**(1)**	**(2)**	**(3)**
At 31 December 2023	**(1)**	**(1)**	**(4)**	**(25)**	**(31)**
Net book value at 31 December 2023	**34**	**1**	**2**	**4**	**41**
Net book value at 31 December 2022 (restated)	**34**	**1**	**3**	**9**	**47**

Year ended 31 December 2022 – (restated)	Acquired intangible assets Goodwill £m	Acquired intangible assets Intellectual property £m	PrognoSys™ £m	Software £m	Total £m
Cost					
At 1 January 2022	35	2	6	25	68
Additions	–	–	–	4	4
At 31 December 2022	35	2	6	29	72
Amortisation and impairment					
At 1 January 2022	(1)	(1)	(3)	(18)	(23)
Charge for the year	–	–	–	(2)	(2)
At 31 December 2022	(1)	(1)	(3)	(20)	(25)
Net book value at 31 December 2022	34	1	3	9	47
Net book value at 31 December 2021	34	1	3	7	45

The amortisation and impairment charge is recognised in other operating expenses in profit or loss.

Impairment testing

The Group's goodwill of £34m at 31 December 2023 represents the following:

- £33m on the 2009 acquisition by Just Retirement Group Holdings Limited of Just Retirement (Holdings) Limited, the Holding Company of Just Retirement Limited ("JRL"); and
- £1m recognised on the 2018 acquisition of HUB Pension Consulting (Holdings) Limited.

The majority of the goodwill has been allocated to the cash-generating unit of Just Retirement (Holdings) Limited and its subsidiaries. The recoverable amounts of goodwill have been determined from the value-in-use of the cash generating unit.

	2023	2022
Period on which management approved forecasts are based	**5 years**	5 years
Discount rate (pre-tax)	**11.4%**	12.7%

The value-in-use of the cash-generating unit is considered by reference to the latest business plans over the next five years, which reflect management's best estimate of future cash flows based on historical experience, expected growth rates and

assumptions around market share, customer numbers, expense inflation and mortality rates. The discount rate was determined using a weighted average cost of capital approach, with appropriate adjustments to reflect a market participant's view. The outcome of the impairment assessment is that the goodwill allocated to the cash-generating unit is not impaired and that the value-in-use is higher than the carrying value of goodwill. Any reasonably possible changes in assumptions will not cause the carrying value of the goodwill to exceed the recoverable amounts.

17. PROPERTY AND EQUIPMENT

Year ended 31 December 2023	Freehold land and buildings £m	Computer equipment £m	Furniture and fittings £m	Right-of-use assets £m	Total £m
Cost or valuation					
At 1 January 2023	10	11	9	15	45
Acquired during the year	**–**	**1**	**–**	**2**	**3**
Disposals	**–**	**–**	**–**	**(1)**	**(1)**
At 31 December 2023	**10**	**12**	**9**	**16**	**47**
Depreciation and impairment					
At 1 January 2023	–	(10)	(6)	(7)	(23)
Depreciation charge for the year	**–**	**(1)**	**–**	**(1)**	**(2)**
At 31 December 2023	**–**	**(11)**	**(6)**	**(8)**	**(25)**
Net book value at 31 December 2023	**10**	**1**	**3**	**8**	**22**
Net book value at 31 December 2022	10	1	3	8	22

Year ended 31 December 2022	Freehold land and buildings £m	Computer equipment £m	Furniture and fittings £m	Right-of-use assets £m	Total £m
Cost or valuation					
At 1 January 2022	11	10	6	7	34
Acquired during the year	–	1	3	8	12
Revaluations	(1)	–	–	–	(1)
At 31 December 2022	10	11	9	15	45
Depreciation and impairment					
At 1 January 2022	–	(9)	(6)	(5)	(20)
Eliminated on revaluation	1	–	–	–	1
Depreciation charge for the year	(1)	(1)	–	(2)	(4)
At 31 December 2022	–	(10)	(6)	(7)	(23)
Net book value at 31 December 2022	10	1	3	8	22
Net book value at 31 December 2021	11	1	–	2	14

Included in freehold land and buildings is land of value £2m (2022: £2m).

The Group's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of freehold land and buildings as at 11 November 2022 were performed by Hurst Warne & Partners Surveyors Ltd, independent valuers not related to the Group. Hurst Warne & Partners Surveyors Ltd is registered for regulation by the Royal Institution of Chartered Surveyors ("RICS"). The valuation process relies on expert judgement which is heightened due to the macroeconomic-related uncertainty. The valuer has sufficient current local knowledge of the particular market, and the knowledge, skills and understanding to undertake the valuation competently. The fair value of the freehold land was undertaken using a residual valuation assuming a new build office on each site to an exact equivalent size as currently and disregarding the possibility of developing any alternative uses or possible enhancements. The fair value of the buildings was determined based on open market comparable evidence of market rent. The fair value measurement of revalued land and buildings has been categorised as Level 3 within the fair value hierarchy based on the non-observable inputs to the valuation technique used.

Revaluations during 2022 comprise a loss of £0.5m recognised in profit or loss, a gain of £0.5m recognised in other comprehensive income (gross of tax of £0.3m), partially reversing previously recognised gains of £4.3m (gross of tax of £0.7m), and the elimination of depreciation on the revaluations of £1m.

If freehold land and buildings were stated on the historical cost basis, the carrying values would be land of £4m (2022: £4m) and buildings of £4m (2022: £4m).

Right-of-use assets are property assets leased by the Group.

18. INVESTMENT PROPERTY

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
At 1 January	**40**	70
Net loss from fair value adjustment	**(8)**	(30)
At 31 December	**32**	40

Investment properties are leased to commercial tenants. Investment properties are valued using discounted cash flow analysis using assumptions based on the repayment of the underlying loan. The valuation model discounts the expected future cash flows using a discount rate which includes a credit spread allowance associated with that asset. The redemption and default assumptions are derived from the assumptions for the Group's bond portfolio.

Minimum lease payments receivable on leases of investment properties are as follows (undiscounted cash flows):

	2023 £m	2022 £m
Within 1 year	**1**	1
Between 1 and 2 years	**1**	1
Between 2 and 3 years	**1**	1
Between 3 and 4 years	**1**	1
Between 4 and 5 years	**1**	1
Later than 5 years	**127**	128
Total	**132**	133

19. FINANCIAL INVESTMENTS

The Group's financial investments that are measured at fair value through the profit or loss are either managed within a fair value business model, or mandatorily measured at fair value. The Group's financial investments that are measured at amortised cost are held within a business model where the intention of holding the instruments is to collect solely payments of principal and interest.

During the course of 2023, the Group purchased - in several transactions - nominal Gilts with a total value of ~£2.5bn with maturities between 10 and 30 years and the average weighted yield of ~4.2% (at the time of purchase). The purchase of these Gilts was financed through repurchase operations ("repos"). At the inception, repo maturities were from 12 to 21 months. The purpose of this purchase was to reduce the duration gap between the Solvency II and the IFRS exposure (Gilts were booked under the amortised cost basis under the IFRS).

The table below summarises the classification of the Group's financial assets and liabilities.

31 December 2023	Amortised cost £m	Fair value Mandatory £m	Fair value Designated £m	Total £m
Cash available on demand	**546**	**–**	**–**	**546**
Financial investments	**2,549**	**8,058**	**18,816**	**29,423**
Other receivables	**60**	**–**	**–**	**60**
Total financial assets	**3,155**	**8,058**	**18,816**	**30,029**
Underlying assets				
– Investment contracts	**–**	**–**	**35**	**35**
– Other	**3,155**	**8,058**	**18,781**	**29,994**
Total financial assets	**3,155**	**8,058**	**18,816**	**30,029**
Investment contract liabilities	**–**	**–**	**35**	**35**
Loans and borrowings	**686**	**–**	**–**	**686**
Other financial liabilities	**3,101**	**2,487**	**–**	**5,588**
Other payables	**20**	**–**	**–**	**20**
Total financial liabilities	**3,807**	**2,487**	**35**	**6,329**

31 December 2022 (restated)	Amortised cost £m	Fair value Mandatory £m	Fair value Designated £m	Total £m
Cash available on demand	482	–	–	482
Financial investments	–	7,583	15,769	23,352
Other receivables	33	–	–	33
Total financial assets	515	7,583	15,769	23,867
Underlying assets				
– Investment contracts	–	–	33	33
– Other	515	7,583	15,736	23,834
Total financial assets	515	7,583	15,769	23,867
Investment contract liabilities	–	–	33	33
Loans and borrowings	699	–	–	699
Other financial liabilities	623	3,046	–	3,669
Other payables	96	–	–	96
Total financial liabilities	1,418	3,046	33	4,497

Analysis of financial investments

	2023 £m	2022 (restated) £m
Units in liquidity funds	**1,141**	1,174
Investment funds	**495**	421
Debt securities and other fixed income securities	**13,654**	11,353
Deposits with credit institutions	**706**	908
Loans secured by residential mortgages	**5,681**	5,306
Loans secured by commercial mortgages	**764**	584
Long income real estate[1]	**779**	247
Infrastructure loans	**1,113**	948
Other loans	**164**	134
Derivative financial assets	**2,377**	2,277
Total investments measured at FVTPL	**26,874**	23,352
Gilts – subject to repurchase agreements	**2,549**	–
Total investments measured at amortised cost	**2,549**	–
Total financial investments	**29,423**	23,352

1. Includes £176m residential and £603m commercial ground rents. For further information on residential ground rents see note 1.7.

The majority of investments included in debt securities and other fixed income securities are listed investments.

Units in liquidity funds comprise wholly of units in funds which invest in very short dated liquid assets. However as they do not meet the definition of Cash available on demand, liquidity funds are reported within Financial investments. Liquidity funds do however meet the definition of cash equivalents for the purposes of disclosure in the Consolidated statement of cash flows.

Deposits with credit institutions with a carrying value of £706m (2022: £892m) have been pledged as collateral in respect of the Group's derivative financial instruments. Amounts pledged as collateral are deposited with the derivative counterparty.

Derivatives are reported within Financial investments where the derivative valuation is in an asset position, or alternatively within Other financial liabilities where the derivative is in a liability position.

As explained in note 1.2.2, financial investments are restated by £125m in respect of future funding commitments.

20. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

This note explains the methodology for valuing the Group's financial assets and liabilities fair value, including financial investments, and provides disclosures in accordance with IFRS 13 "Fair value measurement" including an analysis of such assets and liabilities categorised in a fair value hierarchy based on market observability of valuation inputs.

(a) Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1

Inputs to Level 1 fair values are unadjusted quoted prices in active markets for identical assets and liabilities that the entity can access at the measurement date.

Level 2

Inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the instrument. Level 2 inputs include the following:

- quoted prices for similar assets and liabilities in active markets;
- quoted prices for identical assets or similar assets in markets that are not active, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which very little information is released publicly;
- inputs other than quoted prices that are observable for the asset or liability; and

- market-corroborated inputs.

Level 3

Inputs to Level 3 fair values include significant unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Unobservable inputs reflect the same assumptions as those that the market participant would use in pricing the asset or liability including those about risk.

The sensitivity of Level 3 investments to reasonably possible alternative assumptions for unobservable inputs used in the valuation model that could give rise to significant changes in the fair value of the assets is included in section (d). The sensitivities in this note only consider the impact of the change in these assumptions on the fair value of the asset. Some of these sensitivities would also impact the yield on assets and hence the valuation discount rate used to determine liabilities. For some of these sensitivities, the impact on the value of insurance liabilities and hence profit before tax is included in note 26(h).

Assessment of the observability of pricing information

All Level 1 and 2 assets continue to have pricing available from actively quoted prices or observable market data.

Where the Group receives broker/asset manager quotes and the information is given a low score by Bloomberg's pricing service (BVAL), the investments are classified as Level 3 as are assets valued internally.

Debt securities and financial derivatives which are valued using independent pricing services or third party broker quotes are classified as Level 2.

The Group's assets and liabilities held at fair value which are valued using valuation techniques for which significant observable market data is not available and classified as Level 3 include loans secured by mortgages, long income real estate, infrastructure loans, private placement debt securities, investment funds, investment contract liabilities, and other loans.

(b) Analysis of assets and liabilities held at fair value according to fair value hierarchy

	2023				2022 (restated)			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets held at fair value through profit or loss								
Units in liquidity funds	**1,135**	**6**	**–**	**1,141**	1,170	4	–	1,174
Investment funds	**–**	**97**	**398**	**495**	–	83	338	421
Debt securities and other fixed income securities	**4,941**	**5,799**	**2,914**	**13,654**	3,844	5,904	1,605	11,353
Deposits with credit institutions	**706**	**–**	**–**	**706**	892	16	–	908
Loans secured by residential mortgages	**–**	**–**	**5,681**	**5,681**	–	–	5,306	5,306
Loans secured by commercial mortgages	**–**	**–**	**764**	**764**	–	–	584	584
Long income real estate	**–**	**–**	**779**	**779**	–	–	247	247
Infrastructure loans	**–**	**–**	**1,113**	**1,113**	–	–	948	948
Other loans	**–**	**41**	**123**	**164**	–	22	112	134
Derivative financial assets	**–**	**2,377**	**–**	**2,377**	–	2,277	–	2,277
Financial investments	**6,782**	**8,320**	**11,772**	**26,874**	5,906	8,306	9,140	23,352
Investment property	**–**	**–**	**32**	**32**	–	–	40	40
Fair value of financial assets held at amortised cost								
Gilts – subject to repurchase agreements (fair value)	**2,614**	**–**	**–**	**2,614**	–	–	–	–
Total financial assets and investment property	**9,396**	**8,320**	**11,804**	**29,520**	5,906	8,306	9,180	23,392
Liabilities held at fair value								
Investment contract liabilities	**–**	**–**	**35**	**35**	–	–	33	33
Derivative financial liabilities	**–**	**2,473**	**14**	**2,487**	–	3,004	42	3,046
Fair value of financial liabilities at amortised cost								
Obligations for repayment of cash collateral received (fair value)	**511**	**21**	**–**	**532**	593	30	–	623
Loans and borrowings at amortised cost (fair value)	**–**	**694**	**–**	**694**	–	704	–	704
Repurchase obligation (fair value)	**–**	**2,569**	**–**	**2,569**	–	–	–	–
Total financial liabilities	**511**	**5,757**	**49**	**6,317**	593	3,738	75	4,406

Other than freehold land and buildings disposed of in 2022, there are no non-recurring fair value measurements in either period.

(c) Transfers between levels

The Group's policy is to assess pricing source changes and determine transfers between levels as of the end of each half-yearly reporting period. Transfers between levels arise from changes in the pricing sources. During the year there were the following transfers between levels:

- Transfers from Level 2 to Level 1 as a result of improved pricing sources £1,492m (2022: £1,422m)
- Transfer from Level 1 to Level 2 due to a fall in pricing quality £279m (2022: £368m)
- Transfers from Level 3 to Level 2 as a result of improved pricing sources £15m (2022: £123m)
- Transfer from Level 2 to Level 3 due to a fall in pricing quality £157m (2022: nil)

(d) Level 3 assets and liabilities measured at fair value

Reconciliation of the opening and closing recorded amount of Level 3 assets and liabilities held at fair value. The sensitivities disclosed in this note only consider the impact of the change in these assumptions on the fair value of the investment assets. Some of these sensitivities would also impact the yield on assets and hence the valuation discount rate used to determine the insurance contract liabilities. For some of these sensitivities, the impact on the value of insurance liabilities and hence profit before tax is included in note 26(h).

Year ended 31 December 2023	Investment funds £m	Debt securities and other fixed income securities £m	Loans secured by residential mortgages £m	Loans secured by commercial mortgages £m	Long income real estate £m	Infra-structure loans £m	Other loans £m	Derivative financial assets £m	Investment contract liabilities £m	Derivative financial liabilities £m
At 1 January 2023	338	1,605	5,306	584	247	948	112	–	(33)	(42)
Purchases/advances/deposits	56	1,195	186	256	529	138	17	–	(12)	–
Transfers to Level 2	–	142	–	–	–	–	–	–	–	–
Sales/redemptions/payments	4	(116)	(342)	(110)	(4)	(50)	–	–	1	23
Recognised in profit or loss in Investment return										
– Realised gains and losses	–	–	122	–	–	–	–	–	–	–
– Unrealised gains and losses	–	93	164	32	7	72	(16)	–	–	5
Interest accrued	–	(5)	245	2	–	5	10	–	–	–
Change in fair value of liabilities recognised in profit or loss	–	–	–	–	–	–	–	–	9	–
At 31 December 2023	**398**	**2,914**	**5,681**	**764**	**779**	**1,113**	**123**	**–**	**(35)**	**(14)**

Year ended 31 December 2022 (restated)	Investment funds £m	Debt securities and other fixed income securities £m	Loans secured by residential mortgages £m	Loans secured by commercial mortgages £m	Long income real estate £m	Infra-structure loans £m	Other loans £m	Derivative financial assets £m	Investment contract liabilities £m	Derivative financial liabilities £m
At 1 January 2022	233	1,450	7,423	678	190	993	90	8	(34)	(9)
Purchases/advances/deposits	107	699	539	92	217	233	–	–	(14)	–
Transfers to Level 2	–	(123)	–	–	–	–	–	–	–	–
Sales/redemptions/payments	(18)	(101)	(543)	(135)	(11)	(22)	(14)	–	12	–
Disposal of a portfolio of LTMs[1]	–	–	(751)	–	–	–	–	–	–	–
Recognised in profit or loss in Investment return										
– Realised gains and losses	–	–	(87)	(2)	–	–	–	–	–	–
– Unrealised gains and losses	16	(304)	(1,434)	(49)	(149)	(258)	36	(8)	–	(33)
Interest accrued	–	(16)	159	–	–	2	–	–	–	–
Change in fair value of liabilities recognised in profit or loss	–	–	–	–	–	–	–	–	3	–
At 31 December 2022	338	1,605	5,306	584	247	948	112	–	(33)	(42)

1 In February 2022 the Group disposed of a portfolio of loans secured by residential mortgages with a fair value of £751m. The transaction was part of the Group's strategy to reduce exposure and sensitivity of the balance sheet to the UK property market following changes in the regulatory environment in 2018.

(i) Investment funds

Investment funds classified as Level 3 are structured entities that operate under contractual arrangements which allow a group of investors to invest in a pool of corporate loans without any one investor having overall control of the entity.

Principal assumptions underlying the calculation of investment funds classified as Level 3

Discount rate

Discount rates are the most significant assumption applied in calculating the fair value of investment funds. The average discount rate used is 10% (2022: 7.0%).

Sensitivity analysis

Reasonably possible alternative assumptions for unobservable inputs used in the valuation model either as at the valuation date or from a suitable recent reporting period where appropriate to do so could give rise to significant changes in the fair value of the assets. The sensitivity of the valuation of investment funds is determined by reference to the movement in credit spreads. The Group has estimated the impact on fair value to changes to these inputs as follows:

Investment funds net increase/(decrease) in fair value (£m)	Credit spreads +100bps
2023	**(10)**
2022	(9)

(ii) Debt securities and other fixed income securities

Fixed income securities, in line with market practice, are generally valued using an independent pricing service. These valuations are determined using independent external quotations from multiple sources and are subject to a number of monitoring controls, such as monthly price variances, stale price reviews and variance analysis. Pricing services, where available, are used to obtain the third party broker quotes. When prices are not available from pricing services, prices are sourced from external asset managers or internal models and classified as Level 3 under the fair value hierarchy due to the use of significant unobservable inputs. These include private placement bonds and asset backed securities as well as less liquid corporate bonds.

Principal assumptions underlying the calculation of the debt securities and other fixed income securities classified as Level 3

Credit spreads

The valuation model discounts the expected future cash flows using a discount rate which includes a credit spread allowance associated with that asset.

Sensitivity analysis

Reasonably possible alternative assumptions for unobservable inputs used in the valuation model either as at the valuation date or from a suitable recent reporting period where appropriate to do so could give rise to significant changes in the fair value of the assets. The sensitivity of the valuation of bonds is determined by reference to movement in credit spreads. The Group has estimated the impact on fair value to changes to these inputs as follows:

Debt securities and other fixed income securities net increase/(decrease) in fair value (£m)	Credit spreads +100bps
2023	**(293)**
2022	(138)

(iii) Loans secured by residential mortgages

Methodology and judgement underlying the calculation of loans secured by residential mortgages

The valuation of loans secured by residential mortgages is determined using internal models which project future cash flows expected to arise from each loan. Future cash flows allow for assumptions relating to future expenses, future mortality experience, voluntary redemptions and repayment shortfalls on redemption of the mortgages due to the NNEG. The fair value is calculated by discounting the future cash flows at a swap rate plus a liquidity premium.

Under the NNEG, the amount recoverable by the Group on eligible termination of mortgages is capped at the net sale proceeds of the property. A key judgement is with regard to the calculation approach used. The Black 76 variant of the Black-Scholes option pricing model has been used in conjunction with an approach using best estimate future house price growth assumptions.

Cash flow models are used in the absence of a deep and liquid market for loans secured by residential mortgages. The bulk sales of the portfolios of Just LTMs in recent years represented market prices specific to the characteristics of the underlying portfolios of loans sold, in particular: loan rates; loan-to-value ratios; and customer age. This was considered insufficient to affect the judgement of the methodology and assumptions underlying the discounted cash flow approach used to value individual loans in the remaining portfolio. The methodology and assumptions used would be reconsidered if any information is obtained from future portfolio sales that is relevant and applicable to the remaining portfolio.

Principal assumptions underlying the calculation of loans secured by residential mortgages

All gains and losses arising from loans secured by mortgages are largely dependent on the term of the mortgage, which in turn is determined by the longevity of the customer. Principal assumptions underlying the calculation of loans secured by mortgages include the items set out below. These assumptions are also used to provide the expected cash flows from the loans secured by residential mortgages which determine the yield on this asset. This yield is used for the purpose of setting valuation discount rates on the liabilities supported, as described in note 26(b).

Maintenance expenses

Assumptions for future policy expense levels are based on the Group's recent expense analyses. The assumed future expense levels incorporate an annual inflation rate allowance of 3.6% (2022: 3.9%).

Mortality

Mortality assumptions have been derived with reference to England and Wales population mortality using the CMI 2022 (2022: CMI 2021) model for mortality improvements. These base mortality and improvement tables have been adjusted to reflect the expected future mortality experience of mortgage contract holders, taking into account the medical and lifestyle evidence collected during the sales process and the Group's assessment of how this experience will develop in the future. This assessment takes into consideration relevant industry and population studies, published research materials and management's own experience. The Group has considered the possible impact of the COVID-19 pandemic on its mortality assumptions and has included an allowance for the expected future direct and indirect impacts of this and wider UK mortality trends, updated from that which applied at 31 December, 2022. Further details of the matters considered in relation to mortality assumptions at 31 December 2023 are set out in note 26(b).

Property prices

The approach in place at 31 December 2023 is to calculate the value of a property by taking the latest Automated Valuation Model "AVM" result, or latest surveyor value if more recent, indexing this to the balance sheet date using Nationwide UK house price indices and then making a further allowance for property dilapidation since the last revaluation date. To the extent that this reflects market values as at 31 December 2023, no additional short-term adjustment is allowed for.

The appropriateness of this valuation basis is regularly tested on the event of redemption of mortgages. The sensitivity of loans secured by mortgages to a fall in property prices is included in the table of sensitivities below.

Future property price

In the absence of a reliable long-term forward curve for UK residential property price inflation, the Group has made an assumption about future residential property price inflation based upon available market and industry data. These assumptions have been derived with reference to the long-term expectation of the UK consumer price inflation, "CPI", plus an allowance for the expectation of house price growth above CPI (property risk premium) less a margin for a combination of risks including property dilapidation and basis risk. An additional allowance is made for the volatility of future property prices. This results in a single rate of future house price growth of 3.3% (2022: 3.3%), with a volatility assumption of 13% per annum (2022: 13%). The setting of these assumptions includes consideration of future long and short-term forecasts, the Group's historical experience, benchmarking data, and future uncertainties including the possible impacts of the COVID-19 pandemic and a higher interest and inflation rate economic environment on the UK property market. House price reductions have been experienced across much of the UK over the year, albeit these have been more modest than some forecasts for the period. As such, at this stage our view is that there is no clear indication of a change in the long-term prospects of the housing market. In light of this, the future house price growth and property volatility assumptions have been maintained at the same level as assumed at 31 December 2022. The sensitivity of loans secured by mortgages to changes in future property price growth, and to future property price volatility, are included in the table of sensitivities below.

Voluntary redemptions

Assumptions for future voluntary redemption levels are based on the Group's recent analyses. The assumed redemption rate varies by duration and product line between 0.5% and 4.1% for loans in JRL (2022: 0.5% and 4.1%) and between 0.6% and 6.8% for loans in PLACL (2022: 0.6% and 6.8%).

Liquidity premium

The liquidity premium at initial recognition is set such that the fair value of each loan is equal to the face value of the loan. The liquidity premium partly reflects the illiquidity of the loan and also spreads the recognition of profit over the lifetime of the loan. Once calculated, the liquidity premium remains unchanged at future valuations except when further advances are taken out. In this situation, the single liquidity premium to apply to that loan is recalculated allowing for all advances. The average liquidity premium for loans held within JRL is 3.2% (2022: 3.2%) and for loans held within PLACL is 3.3% (2022: 3.5%). The movement over the period observed in both JRL and PLACL is a function of the liquidity premiums on new loan originations compared to the liquidity premiums on those policies which have redeemed over the period, both in reference to the average spread on the back book of business.

Sensitivity analysis

Reasonably possible alternative assumptions for unobservable inputs used in the valuation model could give rise to significant changes in the fair value of the assets. The Group has estimated the impact on fair value to changes to these inputs as follows:

Loans secured by residential mortgages net increase/(decrease) in fair value (£m)	Maintenance expenses +10%	Base mortality -5%	Mortality improvement +10%	Immediate property price fall -10%	Future property price growth -0.5%	Future property price volatility +1%	Voluntary redemptions +10%	Liquidity premium +10bps
2023	**(5)**	**(15)**	**(3)**	**(83)**	**(50)**	**(34)**	**19**	**(49)**
2022	(5)	(14)	(4)	(75)	(49)	(32)	20	(48)

The sensitivity factors are applied via financial models either as at the valuation date or from a suitable recent reporting period where appropriate to do so. The analysis has been prepared for a change in each variable with other assumptions remaining constant. In reality such an occurrence is unlikely due to correlation between the assumptions and other factors. It should be noted that some of these sensitivities are non-linear and larger or smaller impacts should not be simply interpolated or extrapolated from these results. For example, the impact from a 5% fall in property prices would be slightly less than half of that disclosed in the table above. The mortality improvement sensitivity applies a multiplicative adjustment to improvement rates.

The impact on insurance liabilities of sensitivities to mortality is included in note 26(h).

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represents the Group's view of reasonably possible near-term market changes that cannot be predicted with any certainty.

(iv) Loans secured by commercial mortgages

Loans secured by commercial mortgages are valued using discounted cash flow analysis using assumptions based on the repayment of the underlying loan.

Principal assumptions underlying the calculation of loans secured by commercial mortgages

Credit spreads

The valuation model discounts the expected future cash flows using a discount rate which includes a credit spread allowance associated with that asset.

Sensitivity analysis

Reasonably possible alternative assumptions for unobservable inputs used in the valuation model either as at the valuation date or from a suitable recent reporting period where appropriate to do so could give rise to significant changes in the fair value of the assets. The sensitivity of the valuation of commercial mortgages is determined by reference to movement in credit spreads. The Group has estimated the impact on fair value to changes to these inputs as follows:

Loans secured by commercial mortgages net increase/(decrease) in fair value (£m)	Credit spreads +100bps
2023	**(27)**
2022	(19)

(v) Long income real estate

Long income real estate is valued using discounted cash flow analysis using assumptions based on the repayment of the underlying loan.

Principal assumptions underlying the calculation of long income real estate

In determining the credit spreads for the valuation of residential ground rents, the Group has taken a market participant approach, which requires consideration of the assumptions, including those about risk, that a market participant would make at the balance sheet date for valuing such assets. The Group notes the significant uncertainty regarding the outcome of the Government consultation regarding restriction of residential ground rents as explained in the Risk Management report and has included an adjustment to the valuation of its residential ground rents portfolio to reflect this uncertainty in the fair value that a market participant would be willing to exchange such assets at the balance sheet date.

The value of these assets has been adjusted to reflect an expected increase in credit spread and consequential increase the credit risk deduction for defaults.

Credit spreads

The valuation model discounts the expected future cash flows using a discount rate which includes a credit spread allowance associated with that asset.

Sensitivity analysis

Reasonably possible alternative assumptions for long income real estate are a +100 basis point change in credit spreads. Given the ongoing Government consultation regarding residential ground rents, the Group has performed additional sensitivity analysis over the residential ground rents within the long income real estate portfolio. The sensitivity of residential ground rents to more significant adverse changes in credit quality has been evaluated in light of the potential scenarios proposed in the Government consultation. An additional sensitivity has been performed under the scenario that the credit rating of the Group's holding in residential ground rents reduces to BBB.

Reasonably possible alternative assumptions for unobservable inputs used in the valuation model either as at the valuation date or from a suitable recent reporting period where appropriate to do so could give rise to significant changes in the fair value of the assets. The sensitivity of the valuation of ground rents is determined by reference to movement in credit spreads. The Group has estimated the impact on fair value to changes to these inputs as follows:

Long income real estate net increase/(decrease) in fair value (£m)	Credit spread +100bps	Residential ground rent downgraded to BBB
2023	**(158)**	**(11)**
2022	(78)	N/A

(vi) Infrastructure loans

Infrastructure loans are valued using discounted cash flow analyses.

Principal assumptions underlying the calculation of infrastructure loans classified at Level 3
Credit spreads

The valuation model discounts the expected future cash flows using a discount rate which includes a credit spread allowance associated with that asset.

Sensitivity analysis

Reasonably possible alternative assumptions for unobservable inputs used in the valuation model either as at the valuation date or from a suitable recent reporting period where appropriate to do so could give rise to significant changes in the fair value of the assets. The sensitivity of the valuation of infrastructure loans is determined by reference to movement in credit spreads. The Group has estimated the impact on fair value to changes to these inputs as follows:

Infrastructure loans net increase/(decrease) in fair value (£m)	Credit spreads +100bps
2023	**(78)**
2022	(72)

(vii) Other loans

Other loans classified as Level 3 are mainly commodity trade finance loans. These are valued using discounted cash flow analyses.

Principal assumptions underlying the calculation of other loans classified at Level 3
Credit spreads

The valuation model discounts the expected future cash flows using a discount rate which includes a credit spread allowance associated with that asset.

Sensitivity analysis

The sensitivity of fair value to changes in credit spread assumptions in respect of other loans is not material.

(viii) Investment contract liabilities

Investment contracts are valued using an internal model and determined on a policy-by-policy basis using a prospective valuation of future retirement income benefit and expense cash flows.

Principal assumptions underlying the calculation of investment contract liabilities
Valuation discount rates

The valuation model discounts the expected future cash flows using a discount rate derived from the assets hypothecated to back the liabilities. The discount rate used for the fixed term annuity product treated as investment business is based on a curve where 6.88% is the one-year rate and 5.47% is the five-year rate (31 December 2022: 5.67%).

Sensitivity analysis

The sensitivity of fair value to changes in the discount rate assumptions in respect of investment contract liabilities is not material and is linked to the value of the contract.

21. DEFERRED TAX ASSETS

	Year ended 31 December 2023 £m	Year ended 31 December 2022 (restated) £m
Transitional tax relief on adoption of IFRS 17	**307**	341
Tax losses and other	**98**	108
Transitional tax on adoption of IFRS	**1**	1
Land and buildings	**–**	(1)
Total	**406**	449

The impact on deferred tax from implementation of IFRS 17 of £356m is represented by creation of a £341m deferred tax asset in respect of transitional tax relief, and elimination of a £15m deferred tax liability in respect of purchased value of in force. The transitional tax relief will be recognised over a period of ten years commencing 1 January 2023.

The movement in the net deferred tax balance was as follows:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 (restated) £m
Net balance at 1 January	**449**	304
Recognised in profit or loss	**(43)**	141
Recognised in equity	**–**	4
Net balance at 31 December	**406**	449

The group has unrecognised deferred tax assets of £6m (2022: £6m).

The net balance of deferred tax at 1 January 2022 has been restated by £310m due to the adoption of IFRS 17 Insurance Contracts. On 13 November 2022, the tax authorities agreed that the tax impact from the restatement of prior year profits recognised as a result of the IFRS 17 transitional adjustment should be spread over a period of ten years. The deferred tax asset created on transition to IFRS 17 represents tax previously paid on profits under IFRS 4.

Deferred tax assets have been recognised because it is probable that these assets will be recovered. Deferred tax assets principally comprise of the transitional tax asset of £307m recognised on the gross IFRS 17 transitional adjustment of £1,228m and the deferred tax asset of £91m recognised on the balance of tax losses carried forward of £364m, which can used to offset taxable future profits of group entities.

22. CASH AND CASH EQUIVALENTS

	2023 £m	2022 £m
Cash available on demand	**546**	482
Units in liquidity funds	**1,141**	1,174
Cash and cash equivalents in the Consolidated statement of cash flows	**1,687**	1,656

Units in liquidity funds comprise wholly of units in funds which invest in very short dated liquid assets. However as they do not meet the definition of Cash available on demand, liquidity funds are reported within financial investments (see note 19). Liquidity funds do however meet the definition of cash equivalents for the purposes of disclosure in the Consolidated statement of cash flows.

23. SHARE CAPITAL AND SHARE PREMIUM

The allotted, issued and fully paid ordinary share capital of Just Group plc is detailed below:

	Number of £0.10 ordinary shares	Share capital £m	Share premium £m
At 1 January 2023	**1,038,702,932**	**104**	**95**
At 31 December 2023	**1,038,702,932**	**104**	**95**
At 1 January 2022	1,038,537,044	104	95
In respect of employee share schemes	165,888	–	–
At 31 December 2022	1,038,702,932	104	95

The Company does not have a limited amount of authorised share capital.

24. OTHER RESERVES

	2023 £m	2022 £m
Merger reserve	**597**	597
Reorganisation reserve	**348**	348
Revaluation reserve	**3**	3
Share held by trusts	**(5)**	(10)
Total	**943**	938

The merger reserve is the result of a placing of 94,012,782 ordinary shares in 2019 and the acquisition of 100% of the equity of Partnership Assurance Group plc in 2016. The placing was achieved by the Company acquiring 100% of the equity of a limited company for consideration of the new ordinary shares issued. Accordingly, merger relief under Section 612 of the Companies Act 2006 applies, and share premium has not been recognised in respect of this issue of shares. The merger reserve recognised represents the premium over the nominal value of the shares issued.

25. TIER 1 NOTES

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
At 1 January	**322**	322
At 31 December	**322**	322

On 16 September 2021 the Group issued £325m 5.0% perpetual restricted Tier 1 contingent convertible notes, incurring issue costs of £3m.

During the year, interest of £16m was paid to holders of the Tier 1 notes (2022: £17m). The Tier 1 notes bear interest on the principal amount up to 30 September 2031 (the first reset date) at the rate of 5.0% per annum, and thereafter at a fixed rate of interest reset on the first call date and on each fifth anniversary thereafter. Interest is payable on the Tier 1 notes semi-annually in arrears on 30 March and 30 September each year which commenced on 30 March 2022.

The Group has the option to cancel the coupon payment at its discretion and cancellation of the coupon payment becomes mandatory upon non-compliance with the solvency capital requirement or minimum capital requirement or where the Group has insufficient distributable funds. Cancelled coupon payments do not accumulate or become payable at a later date and do not constitute a default. In the event of non-compliance with specific solvency requirements, the conversion of the Tier 1 notes into ordinary shares could be triggered.

The Tier 1 notes are treated as a separate category within equity and the coupon payments are recognised outside of the profit after tax result and directly in shareholders' equity.

26. INSURANCE CONTRACTS AND RELATED REINSURANCE

	31 December 2023 £m	31 December 2022 (restated) £m
Gross insurance liabilities	**24,131**	19,647
Reinsurance contract assets	**(1,143)**	(776)
Reinsurance contract liabilities	**125**	121
Net reinsurance contracts	**(1,018)**	(655)
Net insurance liabilities	**23,113**	18,992

Insurance liabilities and reinsurance assets and liabilities include valuation of the Best estimate of the present value of future cash flows, the Risk adjustment for non-financial risk and the Contractual service margin. A summary of the movement in insurance liabilities and net reinsurance contracts is presented below.

	Year ended 31 December 2023			Year ended 31 December 2022 (restated)		
	Gross £m	Net Reinsurance £m	Net £m	Gross £m	Net Reinsurance £m	Net £m
Best estimate	**17,030**	**76**	**17,106**	20,574	257	20,831
Risk adjustment	**674**	**(399)**	**275**	1,023	(603)	420
CSM	**1,943**	**(332)**	**1,611**	1,489	(205)	1,284
Net opening balance	**19,647**	**(655)**	**18,992**	23,086	(551)	22,535
CSM recognised for services provided	**(156)**	**27**	**(129)**	(120)	25	(95)
CSM accretion	**79**	**(12)**	**67**	41	(6)	35
Other movements in the CSM	**583**	**(173)**	**410**	533	(146)	387
Release from risk adjustment	**(11)**	**4**	**(7)**	(13)	5	(8)
Other movements in risk adjustment	**261**	**(197)**	**64**	(336)	199	(137)
Movements in best estimate	**3,728**	**(12)**	**3,716**	(3,544)	(181)	(3,725)
Net closing balance	**24,131**	**(1,018)**	**23,113**	19,647	(655)	18,992
Best estimate	**20,758**	**64**	**20,822**	17,030	76	17,106
Risk adjustment	**924**	**(592)**	**332**	674	(399)	275
CSM	**2,449**	**(490)**	**1,959**	1,943	(332)	1,611
Net closing balance	**24,131**	**(1,018)**	**23,113**	19,647	(655)	18,992

The detailed movements analysis of insurance liabilities and reinsurance assets and liabilities are presented in note 26 (c) and (d) respectively. The movements include the CSM split between contracts under the Fair Value Approach ("FVA") and the General Measurement Model ("GMM") including those measured under the Fully Retrospective Approach ("FRA") at transition to IFRS 17.

(a) Terms and conditions of insurance and reinsurance contracts

The Group's long-term insurance contracts, written by the Group's life companies JRL and PLACL, include Retirement Income (Defined Benefit, Guaranteed Income for Life, and Care Plans), and whole of life and term protection insurance.

Although the process for the establishment of insurance liabilities follows specified rules and guidelines, the liabilities that result from the process remain uncertain. As a consequence of this uncertainty, the eventual value of claims could vary from the amounts provided to cover future claims.

The estimation process used in determining insurance liabilities involves projecting future annuity payments and the cost of maintaining the contracts.

The Group uses reinsurance as an integral part of its risk and capital management activities.

New business is reinsured via longevity swap and quota share arrangements as follows:

- GIfL was reinsured using longevity swap reinsurance at 90% during 2023.

- Care new business was not reinsured in 2023.
- DB was reinsured using longevity swap reinsurance at c.90% and a small proportion was reinsured using quota share reinsurance in 2023.

In-force business is reinsured under longevity swap and quota share treaties.

The reinsurance on JRL GIfL in-force business is as described for new business, noting the following differences in proportion reinsured:

- Business written between 1 January 2016 and 31 December 2019 is reinsured at 100% following a change implemented in 2020 for in-force policies, which increased the reinsurance coverage from 75% to 100%.
- Business written prior to March 2015 is not reinsured; business written from March to December 2015 is reinsured at 45%.

The reinsurance on JRL DB written:

- Between 1 January 2016 and 30 June 2019 is reinsured at 100% following a change implemented in 2019 for in-force policies, which increased the reinsurance coverage from 55% for underwritten schemes and 75% for non-underwritten schemes.
- Between 1 July 2019 and 31 December 2022 is reinsured at 90% for non-underwritten schemes and 75% for underwritten schemes, and a small proportion was reinsured using quota share reinsurance in 2022 and 2020.

The reinsurance arrangements above are subject to collateral arrangements in order to mitigate the credit risk created by such contracts. Collateral arrangements for both quota share and longevity swap treaties are described in note 34(c)(iii).

(b) Measurement of insurance contracts

The Group's long-term insurance contracts include retirement annuities, namely Defined Benefit and Guaranteed Income for Life products, and annuities to fund care fees (immediate needs and deferred).

The value of insurance contracts in the financial statements comprises the following components:

- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows;
- a risk adjustment for non-financial risk; and
- a contractual service margin.

(i) Estimates of future cash flows

In estimating future cash flows, the Group incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events. When estimating future cash flows, the Group takes into account current expectations of future events that might affect those cash flows.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs, including investment expenses, that are incurred when fulfilling contracts. The valuation of future policyholder payments is by its nature inherently uncertain, and is based on recognised mortality assumptions as described below.

Insurance acquisition cash flows, and other costs that are incurred in fulfilling contracts, comprise both direct costs and an allocation of fixed and variable overheads. These may include costs incurred in providing the required level of benefits; policy administration and maintenance costs; transaction-based taxes and levies directly associated with the insurance contract; payments by the insurer in a fiduciary capacity to meet tax obligations incurred by the policyholder, and related receipts; costs the entity will incur performing investment activities to the extent the entity performs that activity to enhance benefits from insurance coverage for policyholders; and an allocation of fixed and variable overheads.

Cash flows are attributed to acquisition activities, other fulfilment activities and other activities using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics. Other costs are recognised in profit or loss as they are incurred.

(ii) Mortality assumptions

Mortality assumptions have been set by reference to appropriate standard mortality tables. These tables have been adjusted to reflect the future mortality experience of the policyholders, taking into account the medical and lifestyle evidence collected during the underwriting process, premium size, gender and the Group's assessment of how this experience will develop in the future. The assessment takes into consideration relevant industry and population studies, published research materials, and management's own industry experience.

The expected impact on future mortality rates over the short and long term has been considered. Mortality experience has been volatile and at times significantly higher in aggregate than expected since March 2020 due to the COVID-19 pandemic.

There is some evidence that the outlook is stabilising with insights emerging suggesting that the pandemic will have enduring direct and indirect influences on future mortality experience.

At 31 December 2022, we considered it appropriate to make an explicit allowance in the Group's assumptions for the impact of the pandemic on future mortality experience. From 31 December 2023, the explicit allowance was revised to reflect the change in our estimates in light of the emerging evidence of the future impacts of COVID infections and continuing and likely long-lasting disruption to healthcare services. This explicit allowance involved a mortality uplift of +6.1% over 2024-2026, +4.0% over 2027-36 and +2.2% over 2037-53, leading to higher assumed rates of mortality improvements over the short to medium term relative to our view prior to the pandemic. Further, it was considered appropriate to make adjustments to the Group's assumptions on current mortality rates as the Office for National Statistics released revised population estimates based on the 2021 Census that suggested that historical mortality rates for older lives had been understated. The mortality uplift applies uniform multipliers to mortality ages across all ages.

The Group will continue to follow closely the actual impact of COVID-19 on mortality and separately consider direct and indirect future impacts of the pandemic. The Group will consider the conclusions of such analysis, alongside assessment of other factors influencing mortality trends, in keeping its assumptions under regular review.

The standard tables which underpin the mortality assumptions are summarised in the table below.

Product group	Entity	**2023**	2022
Individually underwritten Guaranteed Income for Life Solutions	JRL	**Modified E and W Population mortality, with CMI 2022 model mortality improvements**	Modified E and W Population mortality, with CMI 2021 model mortality improvements
Individually underwritten Guaranteed Income for Life Solutions	PLACL	**Modified E and W Population mortality, with CMI 2022 model mortality improvements**	Modified E and W Population mortality, with CMI 2021 model mortality improvements
Defined Benefit	JRL	**Modified E and W Population mortality, with CMI 2022 model mortality improvements. Medically underwritten unchanged from 2022**	Modified E and W Population mortality, with CMI 2021 model mortality improvements. Medically underwritten unchanged from 2021
Defined Benefit	PLACL	**Modified E and W Population mortality, with CMI 2022 model mortality improvements**	Modified E and W Population mortality, with CMI 2021 model mortality improvements
Care Plans and other annuity products	PLACL	**Modified PCMA/PCFA or modified E and W Population mortality with CMI 2022 model mortality improvements**	Modified PCMA/PCFA or modified E and W Population mortality with CMI 2019 model mortality improvements
Protection	PLACL	**Unchanged from 2022**	TM/TF00 Select

The long-term improvement rates in the CMI 2022 model are 1.5% for males and 1.25% for females (2022: 1.5% for males and 1.25% for females). The period smoothing parameter in the modified CMI 2022 model has been set to 7.0 (2022: 7.0). The addition to initial rates ("A") parameter in the model varies between 0% and 0.25% depending on product (2022: between 0% and 0.25% depending on product). A 0% weighting has been given to 2022 CMI mortality experience (2022: n/a for CMI 2021 model). All other CMI model parameters are the defaults (2022: other parameters set to defaults).

(iii) Discount rates

All cash flows are discounted using investment yield curves adjusted to allow for expected and unexpected credit risk. For non-lifetime mortgage assets, this adjustment is comprised of an element based upon historic default experience and an element based upon current spread levels where both elements are relevant to the asset in question. The yields on lifetime mortgage assets are derived using the assumptions described in note 20 with an additional reduction to the future house price growth rate of 50bps (2022: 50bps) allowed for. The yields on residential ground rents are derived using the assumptions described in note 20(d)(v) and the adjustments set out in note 1.7 in light of the uncertainty introduced by the announcement of the government consultation regarding these investments.

The overall reduction in yield to allow for the risk of defaults from all non-LTM assets (including gilts, corporate bonds, infrastructure loans, private placements and commercial mortgages) and the adjustment from LTMs, which included a combination of the NNEG and the additional reduction to future house price growth rate, was 58bps for JRL (2022: 58bps) and 69bps for PLACL (2022: 69bps).

Discount rates at the inception of each contract are based on the yields within a hypothetical reference portfolio of assets which the Group expects to acquire to back the portfolio of new insurance liabilities (the "target portfolio"). A weighted

average of these discount rate curves is determined for the purpose of calculating movements in the CSM relating to each group of contracts.

Separate weighted average discount curves are calculated for each new business product line. The point of sale discount curves are weighted by the value of projected claims payments.

At each valuation date, the estimate of the present value of future liability cash flows and the risk adjustment for non-financial risks are discounted based on the yields from a reference portfolio consisting of the actual asset portfolio backing the net of reinsurance best estimate liabilities and risk adjustment. The reference portfolio is adjusted in respect of new contracts incepting in the period to allow for a period of transition from the actual asset holdings to the target portfolio where necessary. Typically, this period of transition can be up to six months but is dependent on the volume of new business transactions completed.

The target asset portfolio seeks to select the appropriate mix of assets to match the underlying net insurance contract liabilities. The target asset portfolio consists of listed bonds, unlisted illiquid investments and loans secured by residential mortgages.

The tables below set out rates at certain points on the yield curves used to discount the best estimate liability and risk adjustment reserves as at 31 December together with the weighted average discount rates applied to the new business cohorts for the principal insurance product lines. The discount rates used for the gross insurance and reinsurance contracts at the year end date are consistent, having been based on a single investment portfolio for each legal entity. The discount rates used for locking-in the CSM for the new business cohort are based on the interest rates applicable on the first day of the reinsurance treaty notice periods for reinsurance and the dates of recognition for underlying business. For 2022 and 2023 the reinsurance rates are not materially different to the gross insurance discount rates. As such only the rates for underlying business are presented below.

Discount rate – insurance contracts JRL

	2023			2022 (restated)		
	Valuation rate at 31 December	**New business cohort (Locked-in rates)**		Valuation rate at 31 December	New business cohort (Locked-in rates)	
	All products	**GIfL**	**DB**	All products	GIfL	DB
1 year	**6.9%**	**7.1%**	**7.0%**	6.6%	5.4%	5.6%
5 year	**5.5%**	**6.5%**	**6.3%**	6.3%	4.9%	5.3%
10 year	**5.4%**	**6.2%**	**6.0%**	5.9%	4.5%	4.9%
20 year	**5.5%**	**6.0%**	**5.9%**	5.8%	4.5%	4.8%
30 year	**5.5%**	**5.9%**	**5.6%**	5.6%	4.5%	4.7%

Discount rates have been disclosed in aggregate and have not been split according to their profitability groupings.

Discount rate – insurance contracts PLACL

	2023	2022 (restated)
	Valuation rate at 31 December	Valuation rate at 31 December
	GIfL/DB	GIfL/DB
1 year	**6.8%**	6.6%
5 year	**5.5%**	6.3%
10 year	**5.4%**	5.9%
20 year	**5.5%**	5.7%
30 year	**5.5%**	5.5%

Care new business forms an immaterial part of the Group's insurance contract liabilities and therefore not shown in the table above.

(iv) Inflation

Assumptions for annuity escalation are required for RPI, CPI and LPI index-linked liabilities, the majority of which are within the Defined Benefit business. The inflation curve assumed in each case is that which is implied by market swap rates, using a mark to model basis for LPI inflation, taking into account any escalation caps and/or floors applicable. This methodology is unchanged compared to the previous period.

For the purposes of calculating movements in the CSM relating to each group of contracts, for JRL separate weighted average inflation curves for each index are calculated and locked-in for each annual cohort. The inflation curves from each day are weighted by the business volumes completed on that day to which that inflation variant applies.

(v) Future expenses

Assumptions for future costs of maintaining policies are set with reference to analysis of the existing expense base and actual fees payable under the contracts for those services outsourced. The assumptions cover both the direct and indirect costs of maintaining policies. The JRL GIfL maintenance expense assumption used was £25.37 per plan (2022: £23.98), and the JRL DB maintenance assumption used was £68.49 per scheme member (2022: £62.73). The PLACL GIfL maintenance expense assumption used was £28.85 per plan (2022: £28.42), and the PLACL DB maintenance assumption used was £203.50 per scheme member (2022: £207.49).

Assumptions for future policy expense levels are determined from the Group's recent expense analyses and incorporate an annual inflation rate allowance of 3.6% (2022: 3.90%) derived from the expected retail price and consumer price indices implied by inflation swap rates and an additional allowance for earnings inflation. The annual inflation rate allowance is regarded as a financial assumption and therefore all changes in expense inflation rates are recognised in the profit or loss account.

(vi) Risk adjustment

The best estimate liability represents the present value of future net cash outflows to settle claims and expenses quantified at the 50th percentile confidence interval. The risk adjustment for non-financial risk is determined to reflect the compensation that the Group requires for bearing longevity, expense, and insurance-contract specific operational risks. The risk adjustment represents an additional reserve held that increases the ultimate time horizon confidence interval by 20% up to the 70th percentile and amounts to £0.3bn (2022 £0.3bn) net of reinsurance. Based upon the latest risk adjustment calibration exercise, a 5% increase in the ultimate run-off confidence interval would increase the net of reinsurance risk adjustment by c£0.1bn (2022: c£0.1bn).

The Group determines the risk adjustment for non-financial risk using a "value at risk" technique. The primary non-financial risks allowed for are longevity and expenses, which is consistent with the primary life underwriting risks allowed for in Solvency II reporting. On an annual basis, the Group uses the probability distributions of the future net of reinsurance cash flows from insurance contracts on a one-year time horizon as used within JRL's internal model for Solvency II reporting for the aforementioned non-financial risks, which are then converted to ultimate horizon distributions in order to determine stress parameters at the target percentile. The risk adjustment in PLACL uses the same risk adjustment stress factors as determined for JRL as these represent the compensation the Group requires in light of there being no standalone PLACL internal model for Solvency II reporting. Financial risks are reflected as adjustments to discount rates (by comparison, both financial and non-financial risks are included in the Solvency II SCR).

The risk adjustment for non-financial risk is then calculated as the excess of the value at risk at the target confidence level percentile over the expected present value of the future cash flows. The Group targets an ultimate confidence interval at the 70th percentile. At the point of calibration, this calibration represents an approximately one-in-ten year stress on a one-year basis. The calibration is carried out on an annual basis ahead of the financial reporting year end, therefore the actual confidence interval as at the valuation date may differ slightly, for example, due to economic movements in the intervening period.

The Group's IFRS risk adjustment for non-financial risk is considered by management to provide an economic view of the profitability of new business and is therefore used for pricing purposes as well as representing the basis used within the new business profits KPI.

The confidence level is targeted on a net of reinsurance basis as this reflects how insurance risk is managed by the Group. The reinsurance risk adjustment represents the amount of risk being transferred by the holder of the reinsurance contract to the issuer of that contract. Reinsurance contracts held by the Group transfer longevity risk proportional to the underlying insurance contract. Consequently, the same risk adjustment stresses for this non-financial risk are applied to both gross and reinsurance contracts to determine the respective risk adjustment for each. Expense and operational risks are not transferred to reinsurers as part of the reinsurance contract held by the Group and hence there are no stresses applied for these in the reinsurance risk adjustment.

Allowance is made for diversification between risks within legal entities, but not between the different legal entities within the Group.

(c) Movements analyses – insurance contracts

(i) Insurance contracts analysis of remaining coverage

Year ended 31 December 2023	Liability for remaining coverage £m	Incurred claims £m	Total £m
Opening insurance contract liabilities balance (restated)	(19,720)	73	(19,647)
Changes in the statement of comprehensive income			
Insurance revenue	**1,555**	**–**	**1,555**
Insurance service expenses			
– Incurred claims and directly attributable expenses	**–**	**(1,377)**	**(1,377)**
– Amortisation of insurance acquisition cash flows	**(19)**	**–**	**(19)**
	(19)	**(1,377)**	**(1,396)**
Insurance service result	**1,536**	**(1,377)**	**159**
Investment component	**233**	**(233)**	**–**
Net finance expenses from insurance contracts	**(2,006)**	**–**	**(2,006)**
Exchange rate movements	**26**	**–**	**26**
Total changes in the statement of comprehensive income	**(211)**	**(1,610)**	**(1,821)**
Cash flows			
Premiums received	**(4,494)**	**–**	**(4,494)**
Claims and other insurance service expenses paid, including investment components	**–**	**1,648**	**1,648**
Insurance acquisition cash flows	**183**	**–**	**183**
Total cash flows	**(4,311)**	**1,648**	**(2,663)**
Closing insurance contract liabilities balance	**(24,242)**	**111**	**(24,131)**

Year ended 31 December 2022 (restated)	Liability for remaining coverage £m	Incurred claims £m	Total £m
Opening insurance contract liabilities balance	(23,154)	68	(23,086)
Changes in the statement of comprehensive income			
Insurance revenue	1,325	–	1,325
Insurance service expenses			
– Incurred claims and directly attributable expenses	–	(1,188)	(1,188)
– Amortisation of insurance acquisition cash flows	(8)	–	(8)
	(8)	(1,188)	(1,196)
Insurance service result	1,317	(1,188)	129
Investment component	292	(292)	–
Net finance expenses from insurance contracts	4,823	–	4,823
Exchange rate movements	(8)	–	(8)
Total changes in the statement of comprehensive income	6,424	(1,480)	4,944
Cash flows			
Premiums received	(3,114)	–	(3,114)
Claims and other insurance service expenses paid, including investment components	–	1,485	1,485
Insurance acquisition cash flows	124	–	124
Total cash flows	(2,990)	1,485	(1,505)
Closing insurance contract liabilities balance	(19,720)	73	(19,647)

Liabilities for remaining coverage represent the present value of cash flows due for payment in future years adjusted for non-financial risk, together with the value of unamortised CSM. This balance includes guarantee period payments due in future years (together with related CSM) regardless of whether or not the guarantees have crystallised.

Incurred claims represent the value of annuity payments due in the current year. Payments of annuities in advance, notably where due dates fall on non-working days, are treated as prepaid incurred claims.

There were no material loss components during the year.

Insurance service result

Insurance revenue and insurance service expenses are explained in more detail in notes 2 and 3 respectively.

Investment component

Investment component represents the value of payments due to annuitants in the year that fall within guarantee periods. These payments are made to annuitants or their beneficiaries regardless of any insurance event and are excluded from insurance revenue and insurance service expenses.

Transfer payments and tax-free cash paid to DB scheme members at retirement are treated by the Group as non-insurance cash flows, not relating to any insurance event, and are therefore also included as investment component and also excluded from insurance revenue and insurance service expenses.

This is further explained in accounting policy note 1.5.9.1.

Net finance expenses from insurance contracts

Net finance expenses are explained in note 6.

Exchange rate movements

Exchange rate movements of £26m in 2023 (2022: £8m) reflect the impact of change in converting the reserves of Just Retirement South Africa into sterling at year end exchange rates.

Cash flows

Premiums received and claims paid represent the cash flows received from, and paid to, policyholders in the year respectively. Insurance acquisition cash flows represent the costs of acquiring new business incurred in the year.

(ii) Insurance contracts analysed by measurement component

Year ended 31 December 2023	Estimate of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contractual service margin		Total £m
			Contracts under FRA and GMM £m	Contracts under FVA £m	
Opening insurance contract liabilities balance (restated)	(17,030)	(674)	(589)	(1,354)	(19,647)
Changes in the statement of comprehensive income					
Changes that relate to current service					
CSM recognised for service provided	–	–	47	109	156
Change in risk adjustment for non-financial risk for risk expired	–	11	–	–	11
Experience adjustments	(8)	–	–	–	(8)
Changes that relate to future service					
Contracts initially recognised in the year	542	(162)	(380)	–	–
Changes in estimates that adjust the CSM	292	(89)	(53)	(150)	–
Insurance service result	826	(240)	(386)	(41)	159
Net finance expenses from insurance contracts	(1,917)	(10)	(37)	(42)	(2,006)
Exchange rate movement	26	–	–	–	26
Total changes in the statement of comprehensive income	(1,065)	(250)	(423)	(83)	(1,821)
Cash flows					
Premiums received	(4,494)	–	–	–	(4,494)
Claims and other insurance service expenses paid, including investment components	1,648	–	–	–	1,648
Insurance acquisition cash flows	183	–	–	–	183
Total cash flows	(2,663)	–	–	–	(2,663)
Closing insurance contract liabilities balance	(20,758)	(924)	(1,012)	(1,437)	(24,131)

Year ended 31 December 2022 (restated)	Estimate of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contractual service margin		Total £m
			Contracts under FRA and GMM £m	Contracts under FVA £m	
Opening insurance contract liabilities balance (restated)	(20,574)	(1,023)	(262)	(1,227)	(23,086)
Changes in the statement of comprehensive income					
Changes that relate to current service					
CSM recognised for service provided	–	–	18	102	120
Change in risk adjustment for non-financial risk for risk expired	–	13	–	–	13
Experience adjustments	(4)	–	–	–	(4)
Changes that relate to future service					
Contracts initially recognised in the year	469	(149)	(320)	–	–
Changes in estimates that adjust the CSM	172	41	(16)	(197)	–
Insurance service result	637	(95)	(318)	(95)	129
Net finance income/(expenses) from insurance contracts	4,420	444	(9)	(32)	4,823
Exchange rate movement	(8)	–	–	–	(8)
Total changes in the statement of comprehensive income	5,049	349	(327)	(127)	4,944
Cash flows					
Premiums received	(3,114)	–	–	–	(3,114)
Claims and other insurance service expenses paid, including investment components	1,485	–	–	–	1,485
Insurance acquisition cash flows	124	–	–	–	124
Total cash flows	(1,505)	–	–	–	(1,505)
Closing insurance contract liabilities balance	(17,030)	(674)	(589)	(1,354)	(19,647)

Changes that relate to current service

CSM recognised in the period is computed based on the provision of benefits based on the policy as outlined in note 1.5.6 and note 2 Insurance revenue. Change in risk adjustment for non-financial risk for risk expired is also explained in note 2. Experience adjustments represent the difference between the expected value of claims and expenses projected as at the start of the year included in insurance revenue, and the actual value of claims and expenses due in the year included in insurance service expense. The experience adjustment of £(8)m in 2023 (2022: £(4)m) should be viewed in the context of £1,648m (2022: £1,485m) of claims and expenses paid, and reflected investment management expenses in excess of amounts held within the opening reserve as the Group pursued a strategy of investing in higher yielding illiquid assets; mortality experience was favourable.

Changes that relate to future service

Contracts initially recognised in the year

The value of contracts initially recognised in the year is presented in note 26(e).

Changes in estimates that adjust the CSM

Changes in estimates that adjust the CSM represent changes in projected future years cash flows that arise from experience in the period and non-economic assumption changes, measured at locked-in discount rates.

In 2023, the £292m release from estimate of present value of future cash flows mainly reflected the improvement to longevity assumptions and was offset by a £89m increase in the risk adjustment reserve following the recalibration of risk stress parameters at the year end. The 2022 results also included an improvement to longevity assumptions which was the main driver behind the increase in estimate of present value of future cash flows of £172m; the recalibration of the risk adjustment lead to a £41m release at locked in discount rates.

Net finance (expenses)/income from insurance contracts

Total net finance expenses from insurance contracts of £2,006m in 2023 compared with net finance income of £4,823m in 2022, with the year on year change driven by the decrease in yields experienced in 2023 which followed the substantial increase in 2022. The net finance expense represents a combination of unwind of discount rates and impact of changes in

discount rates for the Estimate of present value of future cash flows and Risk adjustment, and unwind of discount rates alone for the CSM, which is measured using locked-in discount rates.

The £79m of accretion of CSM (discount unwind of which £37m was in FRA/GMM cohorts and £42m in FVA cohorts) in 2023 compared with £41m in 2022, with the increase reflecting a combination of higher discount rates applicable to the 2023 cohort and an increase on prior years due to the upwards shape of the yield curves for earlier years.

Cash flow items are described in the previous section.

(d) Movements analysis – reinsurance contracts

(i) Reinsurance contracts analysis of remaining coverage

Year ended 31 December 2023	Remaining coverage £m	Incurred claims £m	Total £m
Opening reinsurance contract asset (restated)	769	7	776
Opening reinsurance contract liability (restated)	(114)	(7)	(121)
Net opening balance	655	–	655
Changes in the statement of comprehensive income			
Reinsurance expenses	**(857)**	**–**	**(857)**
Claims recovered	**–**	**816**	**816**
Net expenses from reinsurance contracts	**(857)**	**816**	**(41)**
Net finance expenses from reinsurance contracts	**108**	**–**	**108**
Total changes in the statement of comprehensive income	**(749)**	**816**	**67**
Cash flows			
Premiums paid	**1,196**	**–**	**1,196**
Claims received	**–**	**(900)**	**(900)**
Total cash flows	**1,196**	**(900)**	**296**
Closing reinsurance contract asset	**1,136**	**7**	**1,143**
Closing reinsurance contract liability	**(34)**	**(91)**	**(125)**
Net closing balance	**1,102**	**(84)**	**1,018**

Year ended 31 December 2022 (restated)	Remaining coverage £m	Incurred claims £m	Total £m
Opening reinsurance contract asset	700	16	716
Opening reinsurance contract liability	(159)	(6)	(165)
Net opening balance	541	10	551
Changes in the statement of comprehensive income			
Reinsurance expenses	(599)	–	(599)
Claims recovered	–	569	569
Net expenses from reinsurance contracts	(599)	569	(30)
Net finance expenses from reinsurance contracts	(91)	–	(91)
Total changes in the statement of comprehensive income	(690)	569	(121)
Cash flows			
Premiums paid	804	–	804
Claims received	–	(579)	(579)
Total cash flows	804	(579)	225
Closing reinsurance contract asset	769	7	776
Closing reinsurance contract liability	(114)	(7)	(121)
Net closing balance	655	–	655

Liabilities for remaining coverage represent the present value of reinsurance cash flows due for payment in future years adjusted for non-financial risk, together with the value of unamortised CSM.

Incurred claims represent the value of net reinsurance settlements on longevity swaps, facultative reinsurance, and other reinsurance arrangements during the period.

As noted in note 1.5.3, reinsurance contracts in each legal entity are allocated to either a portfolio of treaties transferring longevity and inflation risks, or a portfolio transferring longevity risk alone. Portfolios may be in either net asset or liability positions including CSM.

Within the table above, the value of fixed legs of longevity swaps are presented as Reinsurance expenses and Premiums paid, and the value of floated legs of longevity swaps are presented as Claims recovered and Claims received.

The net expenses from reinsurance contracts in 2023 of £41m (2022: £30m) are explained in note 4.

Premiums paid of £1,196m in 2023 mainly represented new quota share premiums of £397m and current year fixed leg values on longevity swaps of £761m (2022: £246m and £525m respectively).

(ii) Reinsurance contracts analysed by measurement component

Year ended 31 December 2023	Estimate of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contractual service margin		Total £m
			Contracts under FRA and GMM £m	Contracts under FVA £m	
Opening reinsurance contract asset (restated)	589	80	32	75	776
Opening reinsurance contract liability (restated)	(665)	319	88	137	(121)
Net opening balance	(76)	399	120	212	655
Changes in the statement of comprehensive income					
Changes that relate to current service					
CSM recognised for service received	–	–	**(7)**	**(20)**	**(27)**
Change in risk adjustment for non-financial risk for risk expired	–	**(4)**	–	–	**(4)**
Experience adjustments	**(10)**	–	–	–	**(10)**
Changes that relate to future service					
Contracts initially recognised in the year	**(168)**	**131**	**37**	–	–
Change in estimates that adjust the CSM	**(200)**	**64**	**63**	**73**	–
Net (expenses)/income from reinsurance contracts	**(378)**	**191**	**93**	**53**	**(41)**
Net finance income from reinsurance contracts	**94**	**2**	**6**	**6**	**108**
Total changes in the statement of comprehensive income	**(284)**	**193**	**99**	**59**	**67**
Cash flows					
Premiums paid	**1,196**	–	–	–	**1,196**
Claims received	**(900)**	–	–	–	**(900)**
Total cash flows	**296**	–	–	–	**296**
Closing reinsurance contract asset	**937**	**106**	**32**	**68**	**1,143**
Closing reinsurance contract liability	**(1,001)**	**486**	**187**	**203**	**(125)**
Net closing balance	**(64)**	**592**	**219**	**271**	**1,018**

Year ended 31 December 2022 (restated)	Estimate of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contractual service margin		Total £m
			Contracts under FRA and GMM £m	Contracts under FVA £m	
Opening reinsurance contract asset	546	116	–	54	716
Opening reinsurance contract liability	(803)	487	32	119	(165)
Net opening balance	(257)	603	32	173	551
Changes in the statement of comprehensive income					
Changes that relate to current service					
CSM recognised for service received	–	–	(3)	(22)	(25)
Change in risk adjustment for non-financial risk for risk expired	–	(5)	–	–	(5)
Changes that relate to future service					
Contracts initially recognised in the period	(165)	115	50	–	–
Change in estimates that adjust the CSM	(61)	(35)	40	56	–
Net expenses from reinsurance contracts	(226)	75	87	34	(30)
Net finance expenses from reinsurance contracts	182	(279)	1	5	(91)
Total changes in the statement of comprehensive income	(44)	(204)	88	39	(121)
Cash flows					
Premiums paid	804	–	–	–	804
Claims received	(579)	–	–	–	(579)
Total cash flows	225	–	–	–	225
Closing reinsurance contract asset	589	80	32	75	776
Closing reinsurance contract liability	(665)	319	88	137	(121)
Net closing balance	(76)	399	120	212	655

The changes that relate to current service in 2023 of £41m (2022: £30m) are explained in note 4.

The value of contracts initially recognised in the year are explained in note 26(e).

The change in estimates that adjust the CSM recognised in the estimate of present value of future cash flows and risk adjustment in 2023 of £(200)m and £64m respectively represent the reinsurers' share of the equivalent gross changes of £292m and £(89)m respectively explained in note 26(cii).

Net finance income from reinsurance contracts of £108m (2022: £91m expenses) reflect the impact of changes in discount rates and unwinding of discounting. Accretion of the reinsurance CSM was £12m in 2023 compared with £6m in 2022, with the increase reflecting an additional year's cohort and the upwards shape of the yield curve applying to the in-force business, as noted earlier for gross business.

e) New insurance contracts issued and reinsurance contracts held

The tables below present the CSM at point of inception of new contracts sold in the year together with CSM for the related reinsurance:

	2023 £m	2022 (restated) £m
Insurance contracts issued		
Insurance acquisition cash flows	**(183)**	(124)
Estimate of present value of future cash outflows	**(3,580)**	(2,797)
Estimate of present value of future cash inflows	**4,305**	3,390
Estimates of net present value of cash flows	**542**	469
Risk adjustment	**(162)**	(149)
Contractual service margin	**380**	320

The amount recognised in the CSM represents the value of new business acquired in the period valued based on point of sale economic and non-economic assumptions.

Insurance acquisition cash flows are deducted from CSM at point of sale and recognised in Insurance revenue and Insurance services expenses over the life of contracts. The total of £183m in 2023 increased compared with the prior year amount of £124m mainly reflecting growth in business volumes combined with higher investment acquisition costs as the Group has increased its investment in illiquid assets.

The estimate of present value of future cash outflows of £3,580m (2022: £2,797m) represents the present value of claims and maintenance expenses quantified at the discount rates applicable at date of inception of contracts. The expense loading is determined based on incremental marginal costs including overheads that are attributable to the new contracts signed in the current period and does not include costs which have been previously allocated to existing contracts in prior years. The increase reflects the increase in business sold in the year, with premiums receivable increasing from £3,390m in 2022 to £4,305m in 2023.

	2023			2022 (restated)	
	Originated with a positive CSM £m	Originated with a negative CSM £m	Total £m	Originated with a negative CSM £m	Total £m
Reinsurance contracts ceded					
Estimate of present value of future net cash outflows	**(19)**	**(149)**	**(168)**	(165)	(165)
Risk adjustment	**31**	**100**	**131**	115	115
Contractual service margin	**12**	**(49)**	**(37)**	(50)	(50)

A negative reinsurance CSM reflect costs that will be incurred by the Group on entering into the reinsurance arrangement, whereas a positive CSM for reinsurance reflects when a gain is made on entering into a reinsurance contract. Under IFRS 17, reinsurance CSM can be either positive or negative at initial recognition, and then amortised over the life of the underlying contracts based on coverage units.

During 2023 the Group broadened its use of reinsurers for new DB business which resulted in recognition of contracts with positive CSM.

(f) Contractual service margin run-off

The following represents the current view of the run-off of the CSM.

	CSM release before the impact of accretion			After accretion
31 December 2023	Insurance contract liability £m	Net reinsurance £m	Net £m	Net after accretion £m
Within 1 year	172	(31)	141	61
1–2 years	170	(30)	140	67
2–3 years	168	(30)	138	68
3–4 years	167	(30)	137	72
4–5 years	164	(30)	134	74
5–10 years	777	(149)	628	363
10–20 years	1,247	(266)	981	614
20–30 years	724	(174)	550	376
Over 30 years	437	(114)	323	264
Total	4,026	(854)	3,172	1,959

	CSM release before the impact of accretion			After accretion
31 December 2022 (restated)	Insurance contract liability £m	Net reinsurance £m	Net £m	Net after accretion £m
Within 1 year	133	(21)	112	55
1–2 years	131	(21)	110	58
2–3 years	129	(20)	109	59
3–4 years	127	(20)	107	61
4–5 years	125	(20)	105	64
5–10 years	584	(95)	489	308
10–20 years	928	(166)	762	523
20–30 years	515	(105)	410	304
Over 30 years	274	(62)	212	179
Total	2,946	(530)	2,416	1,611

(g) Estimated timing of net cash outflows from insurance contract liabilities

The following table shows the insurance contract balances analysed by duration. The total balances are split by duration of payments in proportion to the policy cash flows estimated to arise during the year, measured as the expected undiscounted net cash flows.

31 December 2023	Insurance contract liability £m	Reinsurance contract assets £m	Reinsurance contract liabilities £m	Net £m
Less than 1 year	1,731	(73)	30	1,688
1–2 years	1,715	(75)	31	1,671
2–3 years	1,697	(76)	33	1,654
3–4 years	1,679	(76)	34	1,637
4–5 years	1,662	(76)	35	1,621
5–10 years	7,971	(378)	187	7,780
10–20 years	13,317	(659)	324	12,982
20–30 years	8,325	(408)	86	8,003
Over 30 years	5,802	(253)	(130)	5,419
Total value (undiscounted)	43,899	(2,074)	630	42,455
Carrying value (discounted)	21,789	(1,039)	426	21,176

31 December 2022 (restated)	Insurance contract liability £m	Reinsurance contract assets £m	Reinsurance contract liabilities £m	Net £m
Less than 1 year	1,508	(55)	28	1,481
1–2 years	1,492	(56)	30	1,466
2–3 years	1,473	(56)	30	1,447
3–4 years	1,450	(55)	31	1,426
4–5 years	1,430	(55)	32	1,407
5–10 years	6,800	(265)	157	6,692
10–20 years	11,012	(427)	220	10,805
20–30 years	6,237	(198)	42	6,081
Over 30 years	3,556	(47)	(32)	3,477
Total value (undiscounted)	34,958	(1,214)	538	34,282
Carrying value (discounted)	17,704	(669)	346	17,381

The tables above present the timing and amount of expected future cash flows excluding both current insurance related accruals and prepayments, and the CSM release as presented in Note 26(f). Contractual amounts payable on demand include amounts that DB scheme members may transfer out in the deferred phase prior to retirement of £2,868m at 31 December 2023 (31 December 2022: £1,467m).

(h) Sensitivity analysis

The Group has estimated the impact on profit before tax for the year in relation to insurance contracts and related reinsurance from reasonably possible changes in key assumptions relating to financial assets and to liabilities. The sensitivities capture the liability impacts arising from the impact on the yields of the assets backing liabilities in each sensitivity. The impact of changes in the value of assets and liabilities has been shown separately to aid the comparison with the change in value of assets for the relevant sensitivities in note 20.

The sensitivity factors are applied via financial models either as at the valuation date or from a suitable recent reporting period where appropriate to do so. The analysis has been prepared for a change in each variable with other assumptions remaining constant. In reality, such an occurrence is unlikely, due to correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts cannot necessarily be interpolated or extrapolated from these results. The extent of non-linearity grows as the severity of any sensitivity is increased. For example, in the specific scenario of property price falls, the impact on IFRS profit before tax from a 5% fall in property prices would be slightly less than half of that disclosed in the table below. Furthermore, in the specific scenario of a

mortality reduction, a smaller fall in fulfilment cash flows than disclosed in the table below or a similar increase in mortality may be expected to result in broadly linear impacts. However, it becomes less appropriate to extrapolate the expected impact for more severe scenarios. The sensitivity factors take into consideration that the Group's assets and liabilities are actively managed and may vary at the time that any actual market movement occurs. The sensitivities below cover the changes on all assets and liabilities from the given stress. Parameters that have had limited sensitivity both historically and currently are not included, such as inflation for which the risk is substantially hedged. The impact of these sensitivities on IFRS net equity is the impact on profit before tax as set out in the table below less tax at the current tax rate.

Sensitivity factor	Description of sensitivity factor applied
Interest rate and investment return	The impact of a change in the market interest rates by +/- 1% (e.g. if a current interest rate is 5%, the impact of an immediate change to 4% and 6% respectively). The test consistently allows for similar changes to both assets and liabilities
Expenses	The impact of an increase in maintenance expenses by 10%
Base mortality rates	The impact of a decrease in base table mortality rates by 5% applied to both Retirement Income liabilities and loans secured by residential mortgages
Mortality improvement rates	The impact of a level increase in mortality improvement rates of 10% for both Retirement Income liabilities and LTMs. This sensitivity applies a multiplicative adjustment to the improvement rates.
Immediate property price fall	The impact of an immediate decrease in the value of properties on loans secured by residential mortgages by 10%
Future property price growth	The impact of a reduction in future property price growth on loans secured by residential mortgages by 0.5%
Future property price volatility	The impact of an increase in future property price volatility on loans secured by residential mortgages by 1%
Voluntary redemptions	The impact of an increase in voluntary redemption rates on loans secured by residential mortgages by 10%
Credit defaults	The impact of an increase in the credit default assumption of 10bps

Impact of sensitivities

31 December 2023		Insurance contract liabilities £m	Reinsurance contracts (net) held £m	Net insurance contract liabilities £m	Valuation of assets £m	Net impact on profit and loss £m
Interest rate and investments + 1%	Fulfilment cash flows	1,970	(77)	1,893	–	–
	Contractual service margin	–	–	–	–	–
	Profit/(loss) before tax	1,970	(77)	1,893	(1,933)	(40)
Interest rate and investments - 1%	Fulfilment cash flows	(2,366)	100	(2,266)	–	–
	Contractual service margin	–	–	–	–	–
	Profit/(loss) before tax	(2,366)	100	(2,266)	2,316	49
Maintenance expenses +10%	Fulfilment cash flows	(30)	–	(30)	–	–
	Contractual service margin	31	–	31	–	–
	Profit/(loss) before tax	1	–	1	(5)	(5)
Decrease in base mortality by 5%	Fulfilment cash flows	(327)	196	(131)	–	–
	Contractual service margin	476	(293)	182	–	–
	Profit/(loss) before tax	148	(97)	51	(14)	37
Mortality improvements rates +10%	Fulfilment cash flows	(178)	106	(72)	–	–
	Contractual service margin	263	(172)	91	–	–
	Profit/(loss) before tax	85	(66)	20	(3)	17
Immediate fall of 10% in house prices	Fulfilment cash flows	(46)	2	(44)	–	–
	Contractual service margin	–	–	–	–	–
	Profit/(loss) before tax	(46)	2	(44)	(68)	(113)
Future property price growth reduces by 0.5%	Fulfilment cash flows	(38)	2	(36)	–	–
	Contractual service margin	–	–	–	–	–
	Profit/(loss) before tax	(38)	2	(36)	(38)	(74)
Future property price volatility increase by 1%	Fulfilment cash flows	(18)	1	(17)	–	–
	Contractual service margin	–	–	–	–	–
	Profit/(loss) before tax	(18)	1	(17)	(27)	(44)
Voluntary redemptions increase by 10%	Fulfilment cash flows	(24)	1	(23)	–	–
	Contractual service margin	–	–	–	–	–
	Profit/(loss) before tax	(24)	1	(23)	19	(4)
Credit default allowance – increase by 10bps[1]	Fulfilment cash flows	(213)	9	(204)	–	–
	Contractual service margin	–	–	–	–	–
	Profit/(loss) before tax	(213)	9	(204)	–	(204)

1 Over that included in the discount rate section in note 26(b).

31 December 2022 (restated)		Insurance contract liabilities £m	Reinsurance contracts (net) held £m	Net insurance contract liabilities £m	Valuation of assets £m	Net impact on profit and loss £m
Interest rate and investments + 1%	Fulfilment cash flows	1,555	(37)	1,518	–	–
	Contractual service margin	–	–	–	–	–
	Profit/(loss) before tax	1,555	(37)	1,518	(1,545)	(28)
Interest rate and investments - 1%	Fulfilment cash flows	(1,860)	47	(1,813)	–	–
	Contractual service margin	–	–	–	–	–
	Profit/(loss) before tax	(1,860)	47	(1,813)	1,838	25
Maintenance expenses +10%	Fulfilment cash flows	(28)	1	(27)	–	–
	Contractual service margin	27	–	27	–	–
	Profit/(loss) before tax	(1)	1	–	(5)	(5)
Decrease in base mortality by 5%	Fulfilment cash flows	(269)	157	(112)	–	–
	Contractual service margin	428	(256)	173	–	–
	Profit/(loss) before tax	160	(99)	60	(13)	47
Mortality improvements rates +10%	Fulfilment cash flows	(160)	86	(74)	–	–
	Contractual service margin	253	(155)	98	–	–
	Profit/(loss) before tax	93	(69)	24	(4)	20
Immediate fall of 10% in house prices	Fulfilment cash flows	(59)	3	(56)	–	–
	Contractual service margin	–	–	–	–	–
	Profit/(loss) before tax	(59)	3	(56)	(63)	(119)
Future property price growth reduces by 0.5%	Fulfilment cash flows	(50)	2	(48)	–	–
	Contractual service margin	–	–	–	–	–
	Profit/(loss) before tax	(50)	2	(48)	(37)	(85)
Future property price volatility increase by 1%	Fulfilment cash flows	(25)	1	(24)	–	–
	Contractual service margin	–	–	–	–	–
	Profit/(loss) before tax	(25)	1	(24)	(26)	(49)
Voluntary redemptions increase by 10%	Fulfilment cash flows	(33)	1	(32)	–	–
	Contractual service margin	–	–	–	–	–
	Profit/(loss) before tax	(33)	1	(32)	19	(13)
Credit default allowance – increase by 10bps[1]	Fulfilment cash flows	(170)	5	(165)	–	–
	Contractual service margin	–	–	–	–	–
	Profit/(loss) before tax	(170)	5	(165)	–	(165)

1 Over that included in the discount rate section in note 26(b).

A guide to the sensitivity table is provided below:

Metric	Impact
Fulfilment cash flows	Positive values represent cash inflows or lower cash outflows resulting in reductions in insurance contract liabilities or an increase in reinsurance contracts assets. Negative values represent cash outflows or higher cash outflows resulting in increased insurance contract liabilities or a decrease in reinsurance contracts assets.
Contractual service margin	Positive values represent a reduction in the CSM Negative values represent an increase in the CSM
Profit/(loss) before tax	Profit – increase in pre-tax profit (Loss) – decrease in pre-tax profit Sensitivities can result in an opposite impact on Profit/(loss) before and after allowance for the CSM due to the impact of the use of locked-in rates for the CSM.

27. INVESTMENT CONTRACT LIABILITIES

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
At 1 January	**33**	34
Deposits received from policyholders	**12**	14
Payments made to policyholders	**(1)**	(12)
Change in contract liabilities recognised in profit or loss	**(9)**	(3)
At 31 December	**35**	33

(a) Terms and conditions of investment contracts

The Group has written Capped Drawdown products for the at-retirement market. In return for a single premium, these contracts pay a guaranteed lump sum on survival to the end of the fixed term. There is an option at the outset to select a lower sum at maturity and regular income until the earlier of death or maturity. Upon death of the policyholder and subject to the option selected at the outset, there may be a return of premium less income received or income payable to a dependant until the death of that dependant. Capped Drawdown pension business is classified as investment contracts as there is no transfer of longevity risk due to the premium protection option within these fixed term contracts.

The Group has also written linked endowment contracts and term-certain GIfL contracts for the at-retirement market in South Africa which are classified as investment contracts.

(b) Principal assumptions underlying the calculation of investment contracts

Valuation discount rates

Valuation discount rate assumptions for investment contracts are set with regard to yields on supporting assets. The yields on lifetime mortgage assets are derived using the assumptions described in note 20(d)(iii) with allowance for risk through the deductions related to the NNEG. An explicit allowance for credit risk is included by making an explicit deduction from the yields on debt and other fixed income securities, loans secured by commercial mortgages, and other loans based on an expectation of default experience of each asset class and application of a prudent loading. Allowances vary by asset category and by rating.

Our underlying default methodology allows for the impact of credit rating downgrades and changes in spreads and hence we have maintained the same methodology at 31 December 2023. As explained in note 20(d)(viii) the discount rate used for the fixed term annuity product treated as investment business is based on a curve where 6.88% is the one-year rate and 5.47% is the five-year rate (31 December 2022: 5.67%).

28. LOANS AND BORROWINGS

	Carrying value		Fair value	
	2023 £m	2022 £m	**2023 £m**	2022 £m
£250m 9.0% 10-year subordinated debt 2026 (Tier 2) issued by Just Group plc (£150m principal outstanding)	**152**	174	**164**	188
£125m 8.125% 10-year subordinated debt 2029 (Tier 2) issued by Just Group plc	**126**	122	**127**	130
£250m 7.0% 10.5-year subordinated debt 2031 non-callable for first 5.5 years (Green Tier 2) issued by Just Group plc	**251**	248	**252**	245
£230m 3.5% 7-year subordinated debt 2025 (Tier 3) issued by Just Group plc (£155m principal outstanding)	**157**	155	**151**	141
Total	**686**	699	**694**	704

The £250m 7.0% bond is callable after October 2025. The maturity analysis in note 26(d) assumes it is called at the first possible date.

The Group also has an undrawn revolving credit facility held by the Parent Company of up to £300m for general corporate and working capital purposes available until 13 June 2025. Interest is payable on any drawdown loans at a rate of SONIA plus a margin of between 1.50% and 2.75% per annum depending on the Group's ratio of net debt to net assets.

Movements in borrowings during the year were as follows:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
At 1 January	**699**	774
Coupon payments	**(48)**	(44)
Repayment of Just Group plc Tier 2 subordinated debt	**(24)**	(76)
Financing cash flows	**(72)**	(120)
Transfer brought forward interest from accruals	**10**	–
Interest charged at the effective interest rate	**48**	44
Amortisation of issue costs	**1**	1
Non-cash movements	**59**	45
At 31 December	**686**	699

During the year the Company redeemed a further £24m of the 2026 9% Tier 2 subordinated debt (2022: £76m). A loss of £2m (2022: £5m) was recognised on redemption.

29. OTHER FINANCIAL LIABILITIES

	31 December 2023 £m	31 December 2022 (restated) £m
Derivative financial liabilities	**2,487**	3,046
Repurchase obligation	**2,569**	–
Obligations for repayment of cash collateral received	**532**	623
Total	**5,588**	3,669

Derivative financial liabilities are classified as mandatorily FVTPL and are analysed in note 30 below. The restatement of Other financial liabilities including the treatment of reinsurance deposit-back monies under IFRS 17 and commitments for future investments is explained in note 1.2.

As described in note 19, the Group has entered into a number of repurchase agreements whereby a fixed amount is repayable at a certain date. At the inception of these agreements they had durations of between 12 and 21 months. The repurchase agreements are measured at amortised cost in the financial statements. The fair value of these agreements is £2,569m (2022 not applicable).

Obligations to repay cash collateral is measured at amortised cost and there is no material difference between the fair value and amortised cost of the instruments.

30. DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses various derivative financial instruments to manage its exposure to interest rates, counterparty credit risk, inflation and foreign exchange risk.

	31 December 2023			31 December 2022 (restated)		
Derivatives	Asset fair value £m	Liability fair value £m	Notional amount £m	Asset Fair value £m	Liability fair value £m	Notional Amount £m
Foreign currency swaps	**515**	**857**	**16,607**	413	1,320	12,663
Interest rate swaps	**1,435**	**1,512**	**26,995**	1,408	1,580	13,648
Inflation swaps	**409**	**102**	**5,681**	438	80	4,293
Forward swaps	**4**	**1**	**630**	5	10	546
Total return swaps	**–**	**–**	**–**	13	14	–
Put options on property index (NNEG hedges)	**–**	**14**	**380**	–	19	705
Interest rate options	**–**	**1**	**100**	–	–	–
Investment asset derivatives	**14**	**–**	**–**	–	23	149
Total	**2,377**	**2,487**	**50,393**	2,277	3,046	32,004

As explained in note 1.2.2, derivative liabilities are restated by £23m in respect of future funding commitments.

The Group's derivative financial instruments are not designated as hedging instruments and changes in their fair value are included in profit or loss. All over-the-counter derivative transactions are conducted under standardised International Swaps and Derivatives Association Inc. master agreements, and the Group has collateral agreements between the individual Group entities and relevant counterparties in place under each of these market master agreements.

As at 31 December 2023, the Group had pledged collateral of £4,016m (2022: £1,286m), of which £2,614m were gilts measured at amortised cost (2022: nil), £696m were corporate bonds (2022: £394m) and £706m held in deposits (2022: £892m), which continue to be recognised in financial investments in the statement of financial position as the Group retains the significant risks and rewards of ownership.

The Group has received cash collateral of £532m (2022: £623m).

31. OTHER PAYABLES

	31 December 2023 £m	31 December 2022 (restated) £m
Outstanding investment purchases	**–**	66
Other payables	**11**	21
Lease liability	**9**	9
Total	**20**	96

Other payables are restated for reclassifications as explained in note 1.2.2. As a result of adoption of IFRS 17, all balances within the boundary of IFRS 17 insurance and reinsurance contracts are reclassified within note 26. In addition, as explained in note 1.2.2, outstanding investment purchases at 31 December 2022 are restated by £148m.

32. COMMITMENTS

The Group had £2m of capital commitments at 31 December 2023 in respect of fit-out works to be undertaken during 2024 to the Group's replacement Belfast office (2022: nil).

At 31 December 2023, the Group had £210m unfunded commitments (2022 restated: £148m) primarily related to investments.

33. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2023 (2022: £nil).

34. FINANCIAL AND INSURANCE RISK MANAGEMENT

This note presents information about the major financial and insurance risks to which the Group is exposed, and its objectives, policies and processes for their measurement and management. Financial risk comprises exposure to market, credit and liquidity risk.

(a) Insurance risk

The Group's insurance risks include exposure to longevity, mortality and morbidity and exposure to factors such as levels of withdrawal from lifetime mortgages and management and administration expenses. The writing of long-term insurance contracts requires a range of assumptions to be made and risk arises from these assumptions being materially inaccurate. The Group's main insurance risk arises from adverse experience compared with the assumptions used in pricing products and valuing insurance liabilities.

Individually underwritten GIfL policies are priced using assumptions about future longevity that are based on historic experience information, lifestyle and medical factors relevant to individual customers, and judgements about the future development of longevity improvements. Our DB business uses our DB pricing platform and we perform regular insurer price monitoring utilising our bulk quotation service. In the event of an increase in longevity, the actuarial reserve required to make future payments to customers may increase.

Loans secured by mortgages are used as part of the portfolio to match the liabilities arising from writing long-term insurance policies. In the event that early repayments on LTMs in a given period are higher than anticipated, less interest will have accrued on the mortgages and the amount repayable will be less than assumed at the time of sale. In the event of an increase in longevity, although more interest will have accrued and the amount repayable will be greater than assumed at the time of the sale, the associated cash flows will be received later than had originally been anticipated. In addition, a general increase in longevity would have the effect of increasing the total amount repayable, which would increase the LTV ratio and could increase the risk of failing to be repaid in full as a consequence of the no-negative equity guarantee. There is also exposure to morbidity risk as the LTM is repayable when the customer moves into long-term care.

(i) Management of insurance risk

Underpinning the management of insurance risk are:

- the use of controls around the development of suitable products and their pricing;
- adherence to approved underwriting requirements;
- the development and use of medical information including PrognoSys™ for both pricing and reserving to assess longevity risk;
- the use of reinsurance to transfer longevity risk outside the Group. The Group retains oversight of the risks transferred, uses a range of reinsurers and monitors exposures to ensure the Group remains within the reinsurance counterparty risk appetite;
- review and approval of insurance assumptions used by the Board; and
- regular monitoring and analysis of actual experience and expense levels.

(ii) Concentrations of insurance risk

Improved longevity arises from enhanced medical treatment and improved life circumstances. Concentration risk to individual groups whose longevity may improve faster than the population is managed by writing business across a wide range of different medical and lifestyle conditions to avoid excessive exposure. Reinsurance is also an important mitigant to concentrations of insurance risk.

(b) Market risk

Market risk is the risk of loss or of adverse change in the financial situation from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments, together with the impact of changes in interest rates. Market risk is implicit in the insurance business model and arises from exposure to interest rates, residential property markets, credit

spreads, inflation and exchange rates. The Group is not exposed to any material levels of equity risk. Some very limited equity risk exposure arises from investment into credit funds which have a mandate that allows preferred equity to be held. Changes in the value of the Group's investment portfolio will also affect the Group's financial position. In addition falls in the financial markets can reduce the value of pension funds available to purchase Retirement Income products and changes in interest rates can affect the relative attractiveness of Retirement Income products.

In mitigation, Retirement Income product premiums are invested to match the asset and liability cash flows as closely as practicable. In practice, it is not possible to eliminate market risk fully as there are inherent uncertainties surrounding many of the assumptions underlying the projected asset and liability cash flows.

Just has several EUR denominated bonds that have coupons linked to EURIBOR, which are hedged into fixed GBP coupons. If EURIBOR were no longer produced, there is a risk that the bond coupons would not match the swap EUR leg payments. In mitigation, Just would restructure the related cross currency asset swap to match the new coupon rate.

For each of the material components of market risk, described in more detail below, the Group's Market Risk Policy sets out the Group's risk appetite and management processes governing how each risk should be measured, managed, monitored and reported.

(i) Interest rate risk

The Group is exposed to interest rate risk arising from the changes in the values of assets or liabilities as a result of changes in risk-free interest rates. The Group seeks to limit its exposure through appropriate asset and liability matching and hedging strategies. The Group actively hedges its interest rate exposure to protect balance sheet positions on both Solvency II and IFRS bases in accordance with its risk appetite framework and principles.

The Group's main exposure to changes in interest rates is concentrated in the investment portfolio, loans secured by mortgages and its insurance obligations. Changes in investment and loan values attributable to interest rate changes are mitigated by corresponding and partially offsetting changes in the value of insurance liabilities. The Group monitors this exposure through regular reviews of the asset and liability position, capital modelling, sensitivity testing and scenario analyses. Interest rate risk is also managed using derivative instruments e.g. swaps.

The following table indicates the earlier of contractual repricing or maturity dates for the Group's significant financial assets.

2023	Less than one year £m	One to five years £m	Five to ten years £m	Over ten years £m	No fixed term £m	Total £m
Units in liquidity funds	1,141	–	–	–	–	1,141
Investment funds	97	398	–	–	–	495
Debt securities and other fixed income securities	527	1,625	2,513	8,989	–	13,654
Deposits with credit institutions	706	–	–	–	–	706
Loans secured by residential mortgages	–	–	–	–	5,681	5,681
Loans secured by commercial mortgages	87	378	202	97	–	764
Long income real estate[1]	–	4	–	775	–	779
Infrastructure loans	–	72	246	795	–	1,113
Other loans	1	146	4	13	–	164
Derivative financial assets	48	177	573	1,579	–	2,377
Total investments measured at FVTPL	**2,607**	**2,800**	**3,538**	**12,248**	**5,681**	**26,874**
Gilts – subject to repurchase agreements	–	–	–	2,549	–	2,549
Total investments measured at amortised cost	**–**	**–**	**–**	**2,549**	**–**	**2,549**
Total financial investments	**2,607**	**2,800**	**3,538**	**14,797**	**5,681**	**29,423**

1. Includes residential ground rents of £176m.

2022 (restated)	Less than one year £m	One to five years £m	Five to ten years £m	Over ten years £m	No fixed term £m	Total £m
Units in liquidity funds	1,174	–	–	–	–	1,174
Investment funds	83	338	–	–	–	421
Debt securities and other fixed income securities[1]	675	1,425	2,389	6,864	–	11,353
Deposits with credit institutions	908	–	–	–	–	908
Loans secured by residential mortgages	–	–	–	–	5,306	5,306
Loans secured by commercial mortgages	67	339	125	53	–	584
Long income real estate	–	–	–	247	–	247
Infrastructure loans[1]	–	24	160	764	–	948
Other loans	2	118	6	8	–	134
Derivative financial assets	52	157	322	1,746	–	2,277
Total	2,961	2,401	3,002	9,682	5,306	23,352

1. Restated to correct the treatment of future funding commitments as explained in note 1.2.2. .

A sensitivity analysis of the impact of interest rate movements on profit before tax is included in note 26(h).

(ii) Property risk

The Group's exposure to property risk arises from the provision of lifetime mortgages which creates an exposure to the UK residential property market. A substantial decline or sustained underperformance in UK residential property prices, against which the Group's lifetime mortgages are secured, could result in the mortgage debt at the date of redemption exceeding the proceeds from the sale of the property.

Demand for lifetime mortgage products may also be impacted by a fall in property prices. It may diminish consumers' propensity to borrow and reduce the amount they are able to borrow due to reductions in property values.

The risk is managed by controlling the loan value as a proportion of the property's value at outset and obtaining independent third party valuations on each property before initial mortgages are advanced. Lifetime mortgage contracts are also monitored through dilapidation reviews. House prices are monitored and the impact of exposure to adverse house prices (both regionally and nationally) is regularly reviewed. Further mitigation is through management of the volume of Lifetime Mortgages, including disposals, in the portfolio in line with the Group's LTM backing ratio target, and the establishment of the NNEG hedges.

A sensitivity analysis of the impact of residential property price movements is included in note 20(d)(iii) and note 26(h).

The Group is also exposed to commercial property risk indirectly through the investment in loans secured by commercial mortgages. Mitigation of such risk is covered by the credit risk section below.

(iii) Inflation risk

Inflation risk is the risk of change in the value of assets or liabilities arising from changes in actual or expected inflation or in the volatility of inflation. Exposure to long-term inflation occurs in relation to the Group's own management expenses and its writing index-linked Retirement Income contracts. Its impact is managed through the application of disciplined cost control over management expenses and through matching inflation-linked assets including inflation swaps, and inflation-linked liabilities for the long-term inflation risk.

(iv) Currency risk

Currency risk arises from changes in foreign exchange rates which affect the value of assets denominated in foreign currencies.

Exposure to currency risk could arise from the Group's investment in non-sterling denominated assets. The Group invests in fixed income securities denominated in US dollars and other foreign currencies for its financial asset portfolio. All material Group liabilities are in sterling. As the Group does not wish to introduce foreign exchange risk into its investment portfolio, derivative or quasi-derivative contracts are entered into to mitigate the foreign exchange exposure as far as possible.

(c) Credit risk

Credit risk arises if another party fails to perform its financial obligations to the Group, including failing to perform them in a timely manner.

Credit risk exposures arise from:

- Holding fixed income investments. The risk of default (where the counterparty fails to pay back the capital and/or interest on a corporate bond) is mitigated by investing only in higher quality or investment grade assets. Concentration of credit risk exposures is managed by placing limits on exposures to individual counterparties, sectors and geographic areas. The Group holds a portion of its fixed income investments as loans secured against a variety of types of collateral including but not limited to commercial real estate and commercial ground rents as well as residential ground rents.
- Counterparties in derivative contracts – the Group uses financial instruments to mitigate interest rate and currency risk exposures. It therefore has credit exposure to various counterparties through which it transacts these instruments, although this is usually mitigated by collateral arrangements (see note 19).
- Reinsurance treaties. Reinsurance is used to manage longevity risk and to fund new business but, as a consequence, credit risk exposure arises should a reinsurer fail to meet its claim repayment obligations. Credit risk on reinsurance balances is mitigated by the reinsurer depositing back more than 100% of premiums ceded under the reinsurance agreement and/or through robust collateral arrangements.
- Reinsurance concentration risk: to reduce risk, the Group ensures it trades with a wide range of counterparties to diversify exposures.
- Cash balances – credit risk on cash assets is managed by imposing restrictions over the credit ratings of third parties with whom cash is deposited, as well as the balances permitted.
- Credit risk for lifetime mortgages secured on residential property has been considered within "property risk" above.

(i) Credit ratings of financial assets

The following table provides information regarding the credit risk exposure for financial assets of the Group, which are neither past due nor impaired at 31 December:

2023	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
Units in liquidity funds	1,135	6	–	–	–	–	1,141
Investment funds	–	–	–	–	–	495	495
Debt securities and other fixed income securities	927	2,283	4,521	5,763	160	–	13,654
Deposits with credit institutions	–	100	425	181	–	–	706
Loans secured by residential mortgages	–	–	–	–	–	5,681	5,681
Loans secured by commercial mortgages	–	–	–	–	–	764	764
Long income real estate[1]	164	20	185	410	–	–	779
Infrastructure loans	64	121	151	764	13	–	1,113
Other loans	–	–	–	–	41	123	164
Derivative financial assets	–	28	1,686	649	–	14	2,377
Gilts – subject to repurchase agreements	–	2,549	–	–	–	–	2,549
Reinsurance[2]	–	264	193	387	–	199	1,043
Other receivables	–	–	–	–	–	60	60
Total	2,290	5,371	7,161	8,154	214	7,336	30,526

1 Includes residential ground rents of £164m rated AAA and £12m rated AA.

2 This is the reinsurance asset position excluding CSM.

2022 (restated)	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
Units in liquidity funds	1,170	–	–	–	4	–	1,174
Investment funds	–	–	–	–	–	421	421
Debt securities and other fixed income securities[1]	698	1,889	3,260	5,105	401	–	11,353
Deposits with credit institutions	–	100	773	20	15	–	908
Loans secured by residential mortgages	–	–	–	–	–	5,306	5,306
Loans secured by commercial mortgages	–	–	–	–	–	584	584
Long income real estate	139	7	37	64	–	–	247
Infrastructure loans[1]	71	97	142	625	13	–	948
Other loans	–	–	–	–	22	112	134
Derivative financial assets	–	–	1,670	607	–	–	2,277
Reinsurance[2]	–	276	195	–	–	198	669
Other receivables	–	–	–	–	–	33	33
Total	2,078	2,369	6,077	6,421	455	6,654	24,054

1 Restated to correct the treatment of future funding commitments as explained in note 1.2.2.

2 This is the reinsurance asset position excluding CSM (2022 restated since initially disclosed).

There are no financial assets that are either past due or impaired. The new amortised cost portfolio of UK Sovereign gilts entered into during the year are investment grade and deemed low credit risk. Lifetime expected credit losses are therefore considered immaterial.

The credit rating for Cash available on demand at 31 December 2023 was between a range of AA- and A (31 December 2022: between a range of AA and BB).

The carrying amount of those assets subject to credit risk represents the maximum credit risk exposure.

(ii) Offsetting financial assets and liabilities

The Group has no financial assets and financial liabilities that have been offset in the Consolidated statement of financial position as at 31 December 2023 (2022: none).

In the tables below, the amounts of assets or liabilities presented in the Consolidated statement of financial position are offset first by financial instruments that have the right of offset under master netting arrangement or similar arrangements with any remaining amount reduced by cash and securities collateral.

2023	**As reported £m**	**Related financial Instruments[1] £m**	**Cash collateral[2] £m**	**Securities collateral pledged £m**	**Net amount £m**
Derivative assets	**2,362**	**(1,917)**	**(376)**	**(67)**	**2**
Derivative liabilities	**(2,471)**	**1,917**	**338**	**211**	**(5)**
Repurchase obligation	**(2,569)**	**–**	**–**	**2,569**	**–**

2022 (restated)	As reported £m	Related financial Instruments[1] £m	Cash collateral[2] £m	Securities collateral pledged £m	Net amount £m
Derivative assets	2,277	(1,766)	(491)	(5)	15
Derivative liabilities	(3,023)	1,766	783	444	(30)

1 Related financial instruments represent outstanding amounts with the same counterparty which, under agreements such as the ISDA Master Agreement, could be offset and settled net following certain predetermined events.

2 Cash and securities held may exceed target levels due to the complexities of operational collateral management, timing and agreements in place with individual counterparties. This may result in over/under-collateralisation of derivative positions. The amount of collateral reported in the table above is restricted to the value of the associated derivatives recognised in the Statement of financial position.

(iii) Significant reinsurance collateral arrangements

The quota share reinsurance treaties have deposit back or other collateral arrangements to remove the majority of the reinsurer credit risk, as described below. The majority of longevity swaps also have collateral arrangements, for the same purpose.

The Group has received deposits from reinsurers that are recognised as part of the cash flows from the reinsurance contract and are included in the measurement of reinsurance balances within note 26. Whereas certain reinsurance arrangements give rise to deposits from reinsurers that are not included in the Consolidated statement of financial position of the Group as described below:

- The Group has an agreement with two reinsurers whereby financial assets arising from the payment of reinsurance premiums, less the repayment of claims, in relation to specific treaties, are legally and physically deposited back with the Group. Although the funds are controlled by the Group, no future benefits accrue to the Group as any returns on the deposits are paid to reinsurers. Consequently, the deposits are not recognised as assets of the Group and the investment income they produce does not accrue to the Group.
- The Group has an agreement with one reinsurer whereby assets equal to the reinsurer's full obligation under the treaty are deposited into a ring-fenced collateral account. The Group has first claim over these assets should the reinsurer default, but as the Group has no control over these funds and does not accrue any future benefit, this fund is not recognised as an asset of the Group.
- The Group has an agreement with one reinsurer whereby assets equal to the reinsurer's full obligation under the treaty are either deposited into a ring-fenced collateral account of corporate bonds, or held under a funds withheld structure of Lifetime Mortgages. The latter are legally and physically held by the Group. Although the funds are managed by the Group (as the Group controls the investment of the asset), no future benefits accrue to the Group as returns on the assets are paid to reinsurers. Consequently, the lifetime mortgages are not recognised as assets of the Group and the investment income they produce does not accrue to the Group. The reinsurer also deposits cash into a bank account held legally by the Group to fund future lifetime mortgages but as this cash is ring-fenced for issued lifetime mortgage quotes agreed by the reinsurer, it is also not recognised as an asset by the Group.
- The Group has agreements with two reinsurers whereby assets equal to the reinsurers' full obligation under the treaties are deposited into ring-fenced collateral accounts of notes/shares issued through the dedicated Investment vehicles. The investments in these vehicles are restricted only for the purpose of these reinsurance agreements. Consequently, the collateralised assets are not recognised as assets of the Group and the investment income they produce does not accrue to the Group. The reinsurers also deposit cash into a bank account held legally by the Group to fund reinsurance claims but as this cash is ring-fenced for the reinsurers purpose, it is also not recognised as an asset by the Group.

	2023 £m	2022 £m
Deposits held in trust	**787**	569

The collateral that is not recognised in the Consolidated statement of financial position does not represent a cash flow within the IFRS 17 contract boundaries.

The Group is exposed to a minimal amount of reinsurance counterparty default risk in respect of reinsurance arrangements and calculates an allowance for counterparty default in the reinsurance future cash flows accordingly. At 31 December 2023, this liability totalled £8m (2022: £2m).

(d) Liquidity risk

Liquidity risk is the risk of loss because the Group does not have sufficient suitable assets available to meet its financial obligations as they fall due.

The Group is exposed to liquidity risk as part of its business model and its desire to manage its exposure to inflation, interest rates and currency risks.

Exposure to liquidity risk arises from:

- maintaining and servicing collateral requirements arising from the changes in market value of financial derivatives used by the Group;
- needing to realise assets to meet liabilities during stressed market conditions;
- increasing cash flow volatility in the short-term giving rise to mismatches between cash flows from assets and requirements from liabilities;
- needing to support liquidity requirements for day-to-day operations;
- higher than expected funding requirements on existing LTM contracts, or lower redemptions than expected; and
- ensuring financial support can be provided across the Group.

Liquidity risk is managed by holding assets of a suitable maturity, collateral eligibility and marketability to meet liabilities as they fall due. The Group's short-term liquidity requirements to meet annuity payments are predominantly funded by investment coupon receipts, and bond principal repayments. There are significant barriers for policyholders to withdraw funds that have already been paid to the Group in the form of premiums. Cash outflows associated with insurance liabilities including any pension commencement lump sum payments can be reasonably estimated and liquidity can be arranged to meet this expected outflow through asset-liability matching.

The cash flow characteristics of the Lifetime Mortgages are reversed when compared with Retirement Income products, with cash flows effectively representing an advance payment, which is eventually funded by repayment of principal plus accrued interest. Borrowers are able to redeem mortgages, albeit with payment of an early redemption charge. The mortgage assets themselves are considered illiquid, as they are not readily saleable due to the complexity of valuation and the lack of a market in which to trade them.

Cash flow forecasts over the short, medium and long term are regularly prepared to predict and monitor liquidity levels in line with limits set on the minimum amount of liquid assets required. Short-term stresses, periods from one day up to and including one month, take into account market volatility and focus on the worst observed movements over the last 40 years. Cash flow forecasts include an assessment of the impact to a range of scenarios including 1-in-200 shocks on the Group's long-term liquidity and the minimum cash and cash equivalent levels required to cover enhanced stresses.

During 2022 the Group replaced the existing revolving credit facility with a new and undrawn revolving credit facility of up to £300m for general corporate and working capital purposes available until 13 June 2025.

Interest is payable on any drawdown loans at a rate of SONIA plus a margin of between 1.00% and 2.75% per annum depending on the Group's ratio of net debt to net assets.

The table below summarises the maturity profile of the financial liabilities, including both principal and interest payments, of the Group based on remaining undiscounted contractual obligations:

2023	**Within one year or payable on demand £m**	**One to five years £m**	**Five to ten years £m**	**Over ten years £m**	**Total £m**
Investment contract liabilities	**7**	**38**	**–**	**–**	**45**
Subordinated debt	**47**	**598**	**285**	**–**	**930**
Derivative financial liabilities	**1,463**	**4,273**	**5,725**	**17,642**	**29,103**
Repurchase obligation	**2,178**	**478**	**–**	**–**	**2,656**
Obligations for repayment of cash collateral received	**532**	**–**	**–**	**–**	**532**
Other payables (excluding lease liability)	**11**	**–**	**–**	**–**	**11**

2022 (restated)[1]	Within one year or payable on demand £m	One to five years £m	Five to ten years £m	Over ten years £m	Total £m
Investment contract liabilities	8	31	–	1	40
Subordinated debt[1]	49	495	465	–	1,009
Derivative financial liabilities[1]	907	4,328	4,534	13,345	23,114
Obligations for repayment of cash collateral received	623	–	–	–	623
Other payables (excluding lease liability)[1]	87	–	–	–	87

1 2022 is restated on transition to IFRS 17. In addition subordinated debt is restated to exclude the Restricted Tier 1 equity instrument. Derivatives are restated to report the amounts on an undiscounted basis. Derivatives and other payables are restated to correct the treatment of future funding commitments as explained in note 1.2.2.

35. CAPITAL

Group capital position

The Group's estimated capital surplus position at 31 December 2023 was as follows:

	Solvency capital requirement		Minimum Group Solvency capital requirement	
	2023[1,2] £m	2022[1,2] £m	**2023 £m**	2022[2] £m
Eligible own funds	**3,104**	2,757	**2,572**	2,152
Capital requirement	**(1,577)[3]**	(1,387)	**(462)[3]**	(388)
Excess own funds	**1,527[3]**	1,370	**2,110[3]**	1,764
Solvency II Capital coverage ratio	**197%[3]**	199%	**557%[3]**	555%

1 Solvency II capital coverage ratios as at 31 December 2023 and 31 December 2022 include a formal recalculation of TMTP.

2 2023 regulatory position is estimated. 2022 regulatory position is reported as included in the Group's Solvency and Financial Condition Report as at 31 December 2022.

3 Unaudited.

Further information on the Group's Solvency II position, including a reconciliation between the regulatory capital position to the reported capital surplus, is included in the Business review. This information is estimated and therefore subject to change.

The Group and its regulated insurance subsidiaries are required to comply with the requirements established by the Solvency II Framework directive as adopted by the Prudential Regulation Authority ("PRA") in the UK, and to measure and monitor its capital resources on this basis. The overriding objective of the Solvency II capital framework is to ensure there is sufficient capital within the insurance company to protect policyholders and meet their payments when due. They are required to maintain eligible capital, or "Own Funds", in excess of the value of their Solvency Capital Requirements ("SCR"). The SCR represents the risk capital required to be set aside to absorb 1-in-200 year stress tests over the next one-year time horizon of each risk type that the Group is exposed to, including longevity risk, property risk, credit risk and interest rate risk. These risks are all aggregated with appropriate allowance for diversification benefits.

The capital requirement for Just Group plc is calculated using a partial internal model. Just Retirement Limited ("JRL") uses a full internal model and Partnership Life Assurance Company Limited ("PLACL") capital is calculated using the standard formula.

Group entities that are under supervisory regulation and are required to maintain a minimum level of regulatory capital are:

- JRL and PLACL – authorised by the PRA, and regulated by the PRA and FCA.
- HUB Financial Solutions Limited, Just Retirement Money Limited and Partnership Home Loans Limited – authorised and regulated by the FCA.

The Group and its regulated subsidiaries complied with their regulatory capital requirements throughout the year.

Capital management

The Group's objectives when managing capital for all subsidiaries are:

- to comply with the insurance capital requirements required by the regulators of the insurance markets where the Group operates. The Group's policy is to manage its capital in line with its risk appetite and in accordance with regulatory expectations;
- to safeguard the Group's ability to continue as a going concern, and to continue to write new business;
- to ensure that in all reasonably foreseeable circumstances, the Group is able to fulfil its commitment over the short term and long term to pay policyholders' benefits;
- to continue to provide returns for shareholders and benefits for other stakeholders;
- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk; and
- to generate capital from in-force business, excluding economic variances, management actions, and dividends, that is greater than new business strain.

The Group regularly assesses a wide range of actions to improve the capital position and resilience of the business. To improve resilience, the Group purchased long-term gilts during 2023 to reduce the Group's capital exposure to interest rate risk.

In managing its capital, the Group undertakes stress and scenario testing to consider the Group's capacity to respond to a series of relevant financial, insurance, or operational shocks or changes to financial regulations should future circumstances or events differ from current assumptions. The review also considers mitigating actions available to the Group should a severe stress scenario occur, such as raising capital, varying the volumes of new business written and a scenario where the Group does not write new business.

EVT Compliance

At 31 December 2023, Just passed the PRA EVT with a buffer of 1.1% (unaudited) over the current minimum deferment rate of 3.0% (allowing for volatility of 13%, in line with the requirement for the EVT). At 31 December 2022, the buffer was 1.5% (unaudited) compared to the minimum deferment rate of 2.0%.

Regulatory developments

The Group has applied to the PRA to include the PLACL lifetime mortgages in the matching adjustment portfolio (via a securitisation) and to calculate the PLACL SCR using the internal model. Subject to PRA approval, we expect to report PLACL on an internal model basis from 31 December 2024. The Group implemented changes related to Risk Margin reform at 31 December 2023, in line with legislation. The impact of this is included in the reported results.

On 9 November 2023, the Government published a consultation seeking views on capping the maximum ground rent that residential leaseholders can be required to pay. The consultation set out five options including capping ground rents at a peppercorn. The Group is closely monitoring the Government consultation and the impact of this on the Group's £176m portfolio of residential ground rents. As explained in the Business Review an adjustment has been included in the estimated Solvency II position to reflect the impact on the value of the asset portfolio, technical provisions and on the SCR.

As part of the further proposed UK Solvency II reforms, the Group responded to the PRA consultation relating to matching adjustment and investment flexibility in January 2024. In advance of the PRA publishing the final Policy Statement ahead of the anticipated implementation date of 30 June 2024, we are preparing for implementation and assessing the potential financial impact.

36. GROUP ENTITIES

In accordance with the requirements of the Companies Act 2006, information regarding the Group's related undertakings at 31 December 2023 are disclosed below. Related undertakings comprise subsidiaries, joint ventures, associates and other significant holdings.

	Principal activity	Registered office	Percentage of nominal share capital and voting rights held
Direct subsidiary			
Just Retirement Group Holdings Limited[5]	Holding company	Reigate	100%
Partnership Assurance Group Limited[5]	Holding company	Reigate	100%
Indirect subsidiary			
HUB Acquisitions Limited[1, 5]	Holding company	Reigate	100%
HUB Financial Solutions Limited	Distribution	Reigate	100%
Just Re 1 Limited[5]	Investment activity	Reigate	100%
Just Re 2 Limited[5]	Investment activity	Reigate	100%
Just Retirement (Holdings) Limited[5]	Holding company	Reigate	100%
Just Retirement (South Africa) Holdings (Pty) Limited	Holding company	South Africa	100%
Just Retirement Life (South Africa) Limited	Life assurance	South Africa	100%
Just Retirement Limited	Life assurance	Reigate	100%
Just Retirement Management Services Limited[5]	Management services	Reigate	100%
Just Retirement Money Limited	Provision of lifetime mortgage products	Reigate	100%
Partnership Group Holdings Limited[5]	Holding company	Reigate	100%
Partnership Holdings Limited[5]	Holding company	Reigate	100%
Partnership Home Loans Limited	Provision of lifetime mortgage products	Reigate	100%
Partnership Life Assurance Company Limited	Life assurance	Reigate	100%
Partnership Services Limited[5]	Management services	Reigate	100%
TOMAS Online Development Limited[5]	Software development	Belfast	100%
Enhanced Retirement Limited	Dormant	Reigate	100%
HUB Digital Solutions Limited	Dormant	Reigate	100%

Pension Buddy Limited (formerly HUB Online Development Limited)	Dormant	Belfast	100%
HUB Pension Solutions Limited	Dormant	Reigate	100%
HUB Transfer Solutions Limited	Dormant	Reigate	100%
JRP Group Limited	Dormant	Reigate	100%
JRP Nominees Limited	Dormant	Reigate	100%
Just Annuities Limited	Dormant	Reigate	100%
Just Equity Release Limited	Dormant	Reigate	100%
Just Incorporated Limited	Dormant	Reigate	100%
Just Management Services (Proprietary) Limited	Dormant	South Africa	100%
Just Protection Limited	Dormant	Reigate	100%
Just Retirement Finance plc[5]	Holding company	Reigate	100%
Just Retirement Nominees Limited	Dormant	Reigate	100%
Just Retirement Solutions Limited	Dormant	Reigate	100%
PAG Finance Limited	Dormant	Jersey	100%
PAG Holdings Limited	Dormant	Jersey	100%
PASPV Limited	Dormant	Reigate	100%
PayingForCare Limited	Dormant	Reigate	100%
PLACL RE 1 Limited	Dormant	Reigate	100%
PLACL RE 2 Limited	Dormant	Reigate	100%
TOMAS Acquisitions Limited	Dormant	Reigate	100%
The Open Market Annuity Service Limited	Dormant	Belfast	100%
HUB Pension Consulting (Holdings) Limited[5]	Holding company	Reigate	100%
HUB Pension Consulting Limited[5]	Pension consulting	Reigate	100%
Spire Platform Solutions Limited[2, 3]	Software development	Portsmouth	33%[4]
White Rock Insurance (Gibraltar) PCC Limited	Protected cell company	Gibraltar	100%
Pineyard Unit Trust	Unit trust	Jersey	100%
Associate			
TP2 Unit trust	Unit trust	Guernsey	60%
Comentis Ltd	Product development	Bristol	13%

1 Class "A" and Class "B" ordinary shares.

2 Class "B" ordinary shares.

3 30 June year end.

4 Control is based on Board representation rather than percentage holding.

5 The financial statements of these subsidiary undertakings are exempt from the requirements of the Companies Act 2006 relating to the audit of individual financial statements by virtue of Section 479A of the Companies Act 2006.

Registered offices

Reigate office:
Enterprise House
Bancroft Road
Reigate, Surrey RH2 7RP

Belfast office:
3rd Floor, Arena Building
Ormeau Road
Belfast BT7 1SH

South Africa office:
Office G01, Big Bay Office Park
16 Beach Estate Boulevard, Big Bay
Western Cape 7441

Jersey office (PAG):
44 Esplanade
St Helier
Jersey JE4 9WG

Portsmouth office:
Building 3000, Lakeside North Harbour
Portsmouth
Hampshire PO6 3EN

Consolidated structured entities

The Group holds an investment in a cell of a Protected Cell Company, White Rock Insurance (Gibraltar) PCC Limited, 913 Europort, Gibraltar, GX 11 1AA. Financial support provided by the Group is limited to amounts required to cover transactions between the cell and the Group. Just is the cell owner of the individual protected cell and owns the single insurance share associated with the cell. The Group has provided £10m financial support in the form of a letter of credit.

The Group holds a controlling interest in a Jersey Property Unit Trust (JPUT), Pineyard Unit Trust, Pineyard Trustee 1 Limited, 47 Esplanade, St Helier, Jersey JE1 0BD. The Group has determined that it controls the JPUT as a result of the Group's ability to remove the Trustees; other than the Group and the Trustees there are no other parties with decision making rights over the JPUT. The Group has taken the option within IFRS 3 "Business Combinations" to apply the concentration test to determine whether the JPUT represents a business within the scope of IFRS 3. The conclusion of the concentration test is that the assets of the JPUT are concentrated in the single identifiable asset of the investment property, which the Trust is not permitted to dispose except on termination, and as such the investment by the Group does not represent a business combination (see note 18). The Group has consolidated the results of the JPUT; any excess of investment purchase price over the fair value of the assets acquired is allocated against the identifiable assets and liabilities in proportion to their relative fair values; goodwill is not recognised.

Unconsolidated structured entities

The Group has interests in structured entities which are not consolidated as the definition of control has not been met.

Interests in unconsolidated structured entities include investment funds and liquidity funds and loans granted to special purpose vehicles ("SPVs") secured by assets held by the SPVs such as commercial mortgages and long income real estate.

As at 31 December 2023 the Group's interest in unconsolidated structured entities, which are classified as investments held at fair value through profit or loss, is shown below:

	2023 £m	2022 £m
Loans secured by commercial mortgages	**764**	584
Long income real estate	**779**	247
Asset backed securities	**7**	7
Investment funds	**495**	399
Liquidity funds	**1,141**	1,174
Total	**3,186**	2,411

The Group's exposure to financial loss from its interest in unconsolidated structured entities is limited to the amounts shown above. The Group is not required to provide financial support to the entities, nor does it sponsor the entities, or intend to do so.

Non-controlling interests

On 4 July 2018 the Group subscribed to 33% of the ordinary share capital of Spire Platform Solutions Limited. The Group has majority representation on the Board of the company, giving it effective control, and therefore consolidates the company in full in the results of the Group.

The Group has no material non-controlling interests; the loss attributable to non-controlling interests in the year was £0m (2022: £0m).

Associates

The Group holds a 60% equity stake in a Guernsey Property Unit Trust (GPUT) "TP2 Unit Trust", M&G (Guernsey), PO Box 156, Dorey Court, Admiral Park, St. Peter Port, Guernsey GY1 4EU.

The GPUT is a structured entity as voting rights are not the determining factor in assessing which party controls the entity. Although the Group has a majority equity stake, the decisions regarding the relevant activities of the GPUT are made by the Trustee. Each investor holds veto rights, however these are not proportionate to the equity holding and as such the veto rights do not give any investor more power than any other investor. The Group accounts for this investment as an Associate using the equity method.

All other associates are immaterial.

Summarised financial information for associates

Summarised balance sheet – GPUT	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Assets		
Financial investments	**244**	212
Trade and other receivables	**–**	52
Cash and cash equivalents	**3**	6
Total assets	**247**	270
Equity		
Partners capital	**327**	327
Retained earnings	**(80)**	(57)
Total equity	**247**	270

Reconciliation to carrying amount	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Net assets brought forward – GPUT	**270**	275
Loss for the period	**(23)**	(5)
Net assets at 31 December – GPUT	**247**	270
Group's share – GPUT	**148**	193[1]
Group's share – Other associates	**1**	1
Carrying amount of associates	**149**	194

Summarised statement of comprehensive income – GPUT	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Fair value loss on financial investments	**(15)**	(5)
Payments to unitholders	**(8)**	–
Loss for the period	**(23)**	(5)

1 The Group's share of the GPUT in the prior year included £30m related to recovery of Stamp Duty Land Tax by the GPUT on behalf of the Group, which was settled in 2023.

37. RELATED PARTIES

The Group has related party relationships with its key management personnel and subsidiary undertakings detailed in note 36.

Key management personnel comprise the Directors of the Company. There were no material transactions between the Group and its key management personnel other than those disclosed below.

Key management compensation is as follows:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Short-term employee benefits	**3**	3
Share-based payments	**2**	2
Total	**5**	5

In addition there are loans owed by Directors of £0.4m (2022: £0.4m) which accrue interest fixed at 4% per annum and are repayable in whole or in part at any time.

38. ULTIMATE PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

The Company is the ultimate Parent and Controlling Party of the Group.

39. POST BALANCE SHEET EVENTS

Subsequent to 31 December 2023, the Directors proposed a final dividend for 2023 of 1.50 pence per ordinary share (2022: 1.23 pence), amounting to £22m (2022: £18m) in total. Subject to approval by shareholders at the Company's 2024 AGM, the dividend will be paid on 15 May 2024 to shareholders on the register of members at the close of business on 12 April 2024, and will be accounted for as an appropriation of retained earnings in year ending 31 December 2024.

Additional information

The following additional financial information is unaudited.

SOLVENCY II SURPLUS GENERATION

The table below shows the expected future emergence of Solvency II surplus from the in-force book in excess of 100% of SCR over the next 35 years. The amounts are shown undiscounted and exclude Excess Own Funds at 31 December 2023 of £1,527m.

The core surplus generation assumes that future property growth is in line with the best estimate assumption of 3.3%. The cash flow amounts allow for return on surplus on assets that maintain the current capital coverage ratio. The cash flow amounts shown are before the interest and principal payments on all debt obligations. The projection does not allow for the impact of future new business.

Year	Core surplus generation £m	TMTP amortisation £m	Surplus generation £m
2024	221	(60)	161
2025	218	(60)	158
2026	215	(60)	155
2027	212	(60)	152
2028	210	(60)	150
2029	208	(60)	148
2030	205	(60)	145
2031	203	(60)	143
2032	199	–	199
2033	192	–	192
2034	186	–	186
2035	181	–	181
2036	173	–	173
2037	166	–	166
2038	159	–	159
2039	151	–	151
2040	143	–	143
2041	134	–	134
2042	125	–	125
2043	116	–	116
2044 – 2048	457	–	457
2049 – 2053	293	–	293
2054 – 2058	187	–	187

New business contribution

The table below shows the expected future emergence of Solvency II surplus arising from 2023 new business at 100% of SCR over 50 years from the point of sale. It shows the initial Solvency II capital strain in 2023. The amounts are shown undiscounted.

Year	Surplus generation £m
Point of sale	(35)
Year 1	15
Year 2	15
Year 3	17
Year 4	19
Year 5	20
Year 6	21
Year 7	23
Year 8	23
Year 9	23
Year 10	23
Year 11	23
Year 12	22
Year 13	21
Year 14	22
Year 15	21
Year 16	21
Year 17	20
Year 18	21
Year 19	20
Year 20	20
Years 21 - 30	194
Years 31 - 40	91
Years 41 - 50	35

Financial investments credit ratings

The sector analysis of the Group's financial investments portfolio by credit rating at 31 December 2023 is shown below:

	Total £m	%	AAA £m	AA £m	A £m	BBB £m	% BBB £m	BB or below £m
Basic materials	149	0.6%	–	5	39	101	1%	4
Communications and technology	1,334	5.6%	125	244	260	700	10%	5
Auto manufacturers	130	0.5%	–	–	115	15	0%	–
Consumer staples (including healthcare)	1,405	5.9%	125	228	660	371	5%	21
Consumer cyclical	197	0.8%	–	8	54	135	2%	–
Energy	378	1.6%	–	114	30	167	2%	67
Banks	1,606	6.7%	84	119	814	589	8%	–
Insurance	735	3.1%	–	208	50	477	7%	–
Financial – other	583	2.4%	95	133	266	89	1%	–
Real estate including REITs	660	2.8%	31	46	279	272	4%	32
Government	1,767	7.4%	317	971	220	259	4%	–
Industrial	543	2.3%	–	65	79	380	5%	19
Utilities	2,637	11.0%	–	106	833	1,686	23%	12
Commercial mortgages	764	3.2%	111	205	212	233	3%	3
Long income real estate[1]	916	3.8%	164	20	185	547	8%	–
Infrastructure	2,473	10.3%	65	173	991	1,231	17%	13
Other	42	0.2%	–	–	42	–	–	–
Corporate/government bond total	16,319	68.1%	1,117	2,645	5,129	7,252	100%	176
Other assets	822	3.4%						
Lifetime mortgages	5,681	23.7%						
Liquidity funds	1,141	4.8%						
Investments portfolio	23,963	100.0%						
Derivatives and collateral	3,083							
Gilts (interest rate hedging)	2,549							
Total	29,595							

1 Includes residential ground rents of £164m rated AAA and £12m rated AA.

NEW BUSINESS PROFIT RECONCILIATION

New business profit is deferred on the balance sheet under IFRS 17. It is the equivalent of the previous new business profit KPI under IFRS 4 and is determined in a similar manner, but uses risk parameters updated for IFRS 17. The effect of these changes is detailed in the reconciliation in the Deferral of profit in CSM section of the Business Review.

In addition IFRS 17 introduces clarification regarding the economic assumptions to be used at the point of recognition of contracts for accounts purposes. Just recognises contracts based on their completion dates for IFRS 17, but bases its assessment of new business profitability for management purposes based on the economic parameters prevailing at the quote date of the business. IFRS 17 also introduces a requirement to include the reinsurance CSM in respect of business to be written after the reporting date up until the end of reinsurance treaty notice periods.

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m (restated)
New business CSM on gross business written	**380**	320
Reinsurance CSM	**(37)**	(50)
Net new business CSM	**343**	270
Impact of using quote date for profitability measurement	**12**	(4)
New business profit	**355**	266

Glossary

Acquisition costs comprise the direct costs (such as commissions and new business processing team costs) of obtaining new business, together with associated indirect costs.

Adjusted operating profit before tax this is the sum of the new business profit and in-force operating profit, operating experience and assumption changes, other Group companies' operating results, development expenditure and financing costs. The Board believes the combination of both future profit generated from new business written in the year and additional profit from the in-force book of business, provides a better view of the development of the business. The net underlying CSM increase is added back as the Board considers the value of new business is significant in assessing business performance. Adjusted operating profit before tax excludes the following items that are included in profit before tax: strategic expenditure, investment and economic profits and amortisation and impairment costs of acquired intangible assets. In addition, it includes Tier 1 interest (as part of financing costs) which is not included in profit before tax (because the Tier 1 notes are treated as equity rather than debt in the IFRS financial statements). Adjusted operating profit is reconciled to IFRS profit before tax in the Business Review.

Adjusted profit/(loss) before tax an APM, this is the profit/(loss) before tax before deferral of profit in CSM and includes non operating items (investment and economic movement, strategic expenditure, and interest adjustment to reflect IFRS accounting for Tier 1 notes as equity).

Alternative performance measure ("APM") in addition to statutory IFRS performance measures, the Group has presented a number of non-statutory alternative performance measures within the Annual Report and Accounts. The Board believes that the APMs used give a more representative view of the underlying performance of the Group. APMs are identified in this glossary together with a reference to where the APM has been reconciled to its nearest statutory equivalent. APMs which are also KPIs are indicated as such.

Buy-in an exercise enabling a pension scheme to obtain an insurance contract that pays a guaranteed stream of income sufficient to cover the liabilities of a group of the scheme's members.

Buy-out an exercise that wholly transfers the liability for paying member benefits from the pension scheme to an insurer which then becomes responsible for paying the members directly.

Capped Drawdown a non-marketed product from Just Group previously described as Fixed Term Annuity. Capped Drawdown products ceased to be available to new customers when the tax legislation changed for pensions in April 2015.

Care Plan ("CP") a specialist insurance contract contributing to the costs of long-term care by paying a guaranteed income to a registered care provider for the remainder of a person's life.

Cash Generation underlying organic capital generation before the impact of new business strain.

Confidence interval the degree of confidence that the provision for future cash flows plus the risk adjustment reserve will be adequate to meet the cost of future payments to annuitants.

Contractual Service Margin ("CSM") represents deferred profit earned on insurance products. CSM is recognised in profit or loss over the life of the contracts.

CSM amortisation represents the net release from the CSM reserve into profit as services are provided. The figures are net of accretion (unwind of discount), and the release is computed based on the closing CSM reserve balance for the period.

Deferral of profit in CSM the total movement on CSM reserve in the year. The figure represents CSM recognised on new business, accretion of CSM (unwind of discount), transfers to CSM related to changes to future cash flows at locked-in economic assumptions, less CSM release in respect of services provided.

Defined benefit deferred ("DB deferred") business the part of DB de-risking transactions that relates to deferred members of a pension scheme. These members have accrued benefits in the pension scheme but have not retired yet.

Defined benefit de-risking partnering ("DB partnering") a DB de-risking transaction in which a reinsurer has provided reinsurance in respect of the asset and liability side risks associated with one of our DB Buy-in transactions.

Defined benefit ("DB") pension scheme a pension scheme, usually backed or sponsored by an employer, that pays members a guaranteed level of retirement income based on length of membership and earnings.

Defined contribution ("DC") pension scheme a work-based or personal pension scheme in which contributions are invested to build up a fund that can be used by the individual member to provide retirement benefits.

De-risk/de-risking an action carried out by the trustees of a pension scheme with the aim of transferring investment, inflation and longevity risk from the sponsoring employer and scheme to a third party such as an insurer.

Development expenditure relates to development of existing products, markets, technology, and transformational projects.

Drawdown (in reference to Just Group sales or products) collective term for investment products including Capped Drawdown.

Employee benefits consultant an adviser offering specialist knowledge to employers on the legal, regulatory and practical issues of rewarding staff, including non-wage compensation such as pensions, health and life insurance and profit sharing.

Equity release products and services enabling homeowners to generate income or lump sums by accessing some of the value of the home while continuing to live in it – see Lifetime mortgage.

Finance costs represent interest payable on the Group's Tier 2 and Tier 3 debt.

Gross premiums written total premiums received by the Group in relation to its Retirement Income and Protection sales in the period, gross of commission paid.

Guaranteed Income for Life ("GIfL") retirement income products which transfer the investment and longevity risk to the company and provide the retiree a guarantee to pay an agreed level of income for as long as a retiree lives. On a "joint-life" basis, continues to pay a guaranteed income to a surviving spouse/partner. Just provides modern individually underwritten GIfL solutions.

IFRS profit before tax one of the Group's KPIs, representing the profit before tax attributable to equity holders.

In-force operating profit represents profits from the in-force portfolio before investment and insurance experience variances, and assumption changes. It mainly represents release of risk adjustment for non-financial risk and of allowance for credit default in the period, investment returns earned on shareholder assets, together with the value of the (net) CSM amortisation.

Investment and economic movements reflect the difference in the period between expected investment returns, based on investment and economic assumptions at the start of the period, and the actual returns earned. Investment and economic profits also reflect the impact of assumption changes in future expected risk-free rates, corporate bond defaults and house price inflation and volatility.

Key performance indicators ("KPIs") KPIs are metrics adopted by the Board which are considered to give an understanding of the Group's underlying performance drivers. The Group's KPIs are Return on equity, Retirement income sales, Underlying organic capital generation, New business profit, Underlying operating profit, IFRS profit before tax, New business strain, Solvency II capital coverage ratio and Tangible net asset value per share.

Lifetime mortgage ("LTM") an equity release product that allows homeowners to take out a loan secured on the value of their home, typically with the loan plus interest repaid when the homeowner has passed away or moved into long-term care.

LTM notes structured assets issued by a wholly owned special purpose entity, Just Re1 Ltd. Just Re1 Ltd holds two pools of lifetime mortgages, each of which provides the collateral for issuance of senior and mezzanine notes to Just Retirement Ltd, eligible for inclusion in its matching portfolio.

Medical underwriting the process of evaluating an individual's current health, medical history and lifestyle factors, such as smoking, when pricing an insurance contract.

Net asset value ("NAV") IFRS total equity, net of tax, and excluding equity attributable to Tier 1 noteholders.

Net claims paid represents the total payments due to policyholders during the accounting period, less the reinsurers' share of such claims which are payable back to the Group under the terms of the reinsurance treaties.

Net investment income comprises interest received on financial assets and the net gains and losses on financial assets designated at fair value through profit or loss upon initial recognition and on financial derivatives and interest accrued on financial assets which are measured at amortised cost.

New business margin the new business profit divided by Retirement Income sales (shareholder funded). It provides a measure of the profitability of Retirement Income sales.

New business profit an APM and one of the Group's KPIs, representing the profit generated from new business written in the year after allowing for the establishment of reserves and for future expected cash flows and risk adjustment and allowance for acquisition expenses and other incremental costs on a marginal basis. New business profit is reconciled to adjusted profit before tax, and adjusted profit before tax is reconciled to IFRS profit before tax in the Business Review.

New business strain one of the Group's APMs, representing the capital strain on new business written in the year after allowing for acquisition expense allowances and the establishment of Solvency II technical provisions and Solvency Capital Requirements.

No-negative equity guarantee ("NNEG") hedge a derivative instrument designed to mitigate the impact of changes in property growth rates on both the regulatory and IFRS balance sheets arising from the guarantees on lifetime mortgages provided by the Group which restrict the repayment amounts to the net sales proceeds of the property on which the loan is secured.

Operating experience and assumption changes represents changes to cash flows in the current and future periods valued based on end of period economic assumptions.

Organic capital generation/(consumption) calculated in the same way as Underlying organic capital generation/(consumption), but includes impact of management actions and other operating items.

Other Group companies' operating results the results of Group companies including our HUB group of companies, which provides regulated advice and intermediary services, and professional services to corporates, and corporate costs incurred by Group holding companies and the overseas start-ups.

Pension Freedoms/Pension Freedom and Choice/Pension Reforms the UK government's pension reforms, implemented in April 2015.

Peppercorn rent a very low or nominal rent.

PrognoSys™ a next-generation underwriting system, which is based on individual mortality curves derived from Just Group's own data collected since its launch in 2004.

Regulated financial advice personalised financial advice for retail customers by qualified advisers who are regulated by the Financial Conduct Authority.

Retail sales (in reference to Just Group sales or products) collective term for GIfL and Care Plan.

Retirement Income sales (shareholder funded) an APM and one of the Group's KPIs and a collective term for GIfL, DB and Care Plan new business sales and excludes DB partner premium. Retirement Income sales (shareholder funded) are reconciled in note 9 to premiums included in the analysis of movement in insurance liabilities in note 26.

Return on equity an APM and one of the Group's KPIs. Return on equity is underlying operating profit after attributed tax for the period divided by the average tangible net asset value for the period and expressed as an annualised percentage. Tangible net asset value is reconciled to IFRS total equity in the Business Review.

Risk adjustment for non-financial risk ("RA") allowance for longevity, expense, and insurance specific operational risks representing the compensation required by the business when managing existing and pricing new business.

Secure Lifetime Income ("SLI") a tax efficient solution for individuals who want the security of knowing they will receive a guaranteed income for life and the flexibility to make changes in the early years of the plan.

Solvency II an EU Directive that codifies and harmonises the EU insurance regulation. Primarily this concerns the amount of capital that EU insurance companies must hold to reduce the risk of insolvency.

Solvency II capital coverage ratio one of the Group's KPIs. Solvency II capital is the regulatory capital measure and is focused on by the Board in capital planning and business planning alongside the economic capital measure. It expresses the regulatory view of the available capital as a percentage of the required capital.

Strategic expenditure Costs incurred for major strategic investment, new products and business lines, and major regulatory projects.

Tangible net asset value ("TNAV") IFRS total equity attributable to ordinary shareholders, excluding goodwill and other intangible assets, and after adding back contractual service margin, net of tax.

Tangible net asset value per share an APM and one of the Group's KPIs, representing tangible net asset value divided by the closing number of issued ordinary shares excluding shares held in trust.

Trustees individuals with the legal powers to hold, control and administer the property of a trust such as a pension scheme for the purposes specified in the trust deed. Pension scheme trustees are obliged to act in the best interests of the scheme's members.

Underlying earnings per share this measure is calculated by dividing underlying operating profit after attributed tax by the weighted average number of shares in issue by the Group for the period.

Underlying operating profit an APM and one of the Group's KPIs. Underlying operating profit is calculated in the same way as adjusted operating profit before tax but excludes operating experience and assumption changes. Underlying operating profit is reconciled to adjusted operating profit before tax, and adjusted operating profit before tax is reconciled to IFRS profit before tax in the Business Review.

Underlying organic capital generation/(consumption) an APM and one of the Group's KPIs. Underlying organic capital generation/(consumption) is the net increase/(decrease) in Solvency II excess own funds over the year, generated from ongoing business activities, and includes surplus from in-force, net of new business strain, cost overruns and other expenses and debt interest. It excludes strategic expenditure, economic variances, regulatory adjustments, capital raising or repayment and impact of management actions and other operating items The Board believes that this measure provides good insight into the ongoing capital sustainability of the business. Underlying organic capital generation/(consumption) is reconciled to Solvency II excess own funds, and Solvency II excess own funds is reconciled to shareholders' net equity on an IFRS basis in the Business Review.

Value at Risk a quantification of the extent of possible insurance losses within a portfolio over a specific time frame.

Abbreviations

ABI – Association of British Insurers

AGM – Annual General Meeting

APM – alternative performance measure

Articles – Articles of Association

CMI – Continuous Mortality Investigation

Code – UK Corporate Governance Code

CP – Care Plans

CPI – consumer prices index

DB – Defined Benefit De-risking Solutions

DC – defined contribution

DSBP – deferred share bonus plan

EBT – employee benefit trust

EPS – earnings per share

ERM – equity release mortgage

ESG – environment, social and governance

EVT – effective value test

FCA – Financial Conduct Authority

FRC – Financial Reporting Council

GDPR – General Data Protection Regulation

GHG – greenhouse gas

GIfL – Guaranteed Income for Life

GIPA – Guaranteed Income Producing Asset

Hannover – Hannover Life Reassurance Bermuda Ltd

IFRS – International Financial Reporting Standards

IP – intellectual property

ISA – International Standards on Auditing

JRL – Just Retirement Limited

KPI – key performance indicator

LCP – Lane Clark & Peacock LLP

LPI – limited price index

LTIP – Long Term Incentive Plan

LTM – lifetime mortgage

MA – matching adjustment

MAR – Market Abuse Regulation

NAV – net asset value

NNEG – no-negative equity guarantee

ORSA – Own Risk and Solvency Assessment

PAG – Partnership Assurance Group

PLACL – Partnership Life Assurance Company Limited

PPF – Pension Protection Fund

PRA – Prudential Regulation Authority

PRI – United Nations Principles for Responsible Investment

PVIF – purchased value of in-force

PwC – PricewaterhouseCoopers LLP

REIT – Real Estate Investment Trust

RPI – retail price inflation

SAPS – Self-Administered Pension Scheme

SAYE – Save As You Earn

SCR – Solvency Capital Requirement

SFCR – Solvency and Financial Condition Report

SID – Senior Independent Director

SIP – Share Incentive Plan

SLI – Secure Lifetime Income

SME – small and medium-sized enterprise

STIP – Short Term Incentive Plan

tCO2e – tonnes of carbon dioxide equivalent

TMTP – transitional measures on technical provisions

TSR – total shareholder return