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NEWS RELEASE

7 March 2023

JUST GROUP PLC
RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022
STRONG GROWTH, POSITIVE OUTLOOK

Just Group plc (the "Group", "Just") announces its results for the year ended 31 December 2022.

Profitable and sustainable growth

- **Underlying operating profits[1] up 19% to £249m** (FY 21: £210m), driven by higher in-force operating profit and increased new business profits.
- **Retirement Income sales[1] up 17% to £3.1bn** (FY 21: £2.7bn), driven by Defined Benefit De-risking ("DB") sales, which grew by 33%.
- **Strong momentum in Q1 2023,** including our largest DB transaction to date (£513m)**.** A very favourable DB market backdrop and a £6bn pipeline means we expect substantial DB sales growth in 2023. Our retail business has also had a strong start to the year.

Solvency II and IFRS

- **Significantly higher capital coverage ratio of 199%[2]** (31 December 2021: 164%[2])**.** Organic capital generation contributed 5 percentage points ("pp") to the ratio, interest rate increases added 30pp.
- **New business strain of 1.9% (FY 21 1.5%),** well within our target of 2.5%. The volumes written in 2022 and a lower in-force cash release due to higher interest rates led to underlying organic capital generation[1] ("UOCG") falling to £29m (FY 21: £51m). Management actions and longevity releases boosted organic capital generation to £134m (FY 21: £93m).
- **IFRS loss after tax was £232m** (FY 21: loss £16m), driven by losses on interest rate hedges to protect the Solvency II balance sheet of £510m (FY 21: £226m). These hedges were removed as the solvency position strengthened over the course of the year.
- **Return on equity of 10.7% with tangible net assets of 170p per share[3]** (31 December 2021: 8.3% and 194p respectively). Solvency II Shareholder Own Funds of 175p per share (31 December 2021: 183p).

Rewarding shareholders

- **Full year dividend of 1.73p per share, up 15%,** in line with our medium term operating profit target.
- **Reiterating confidence in achieving 15% target growth in underlying operating profits,** per annum on average over the medium term[1]**.**

David Richardson, Group Chief Executive Officer, said:
"This is a very strong set of results which continues to demonstrate our ability to generate profitable growth within a sustainable capital model. Over the last four years, our performance has consistently exceeded the commitments we have made.

We have had a record start to the year with strong DB volumes and a return to GIfL sales growth. We have significant long term opportunity in both of the DB and retail markets, driven by near and long term structural growth drivers.

Our positioning in the exciting DB and improving retail markets underpin our confidence to deliver 15% growth in underlying operating profit per annum, on average over the medium term. We 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."

Notes

[1] 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 Financial Review.

[2] These figures include the estimated impact of a formal TMTP recalculation. For 31 December 2021, the TMTP was recalculated excluding the contribution from the LTMs that was sold on 22 February 2022.

[3] Following a review of APM calculations, comparative results for the year ended 31 December 2021 have been restated.

Enquiries

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For those 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	13 April 2023
Record date for final dividend	14 April 2023
Annual General Meeting	9 May 2023
Payment of final dividend	17 May 2023
Interim results for the six months ended 30 June 2023	15 August 2023

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

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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. Statements containing the words: "believes", "intends", "expects", "plans", "seeks", "targets", "continues" 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 impact from the COVID-19 outbreak or other infectious diseases 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 of, 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

ACCELERATING GROWTH

We exceeded the promises made over the last four years and we are very optimistic about the future.

I’m pleased to present my Chief Executive Officer’s Statement for 2022. We’ve delivered a strong performance and have increased confidence in meeting our pledge to grow underlying operating profits over the medium term by an average of 15% per annum.

RETIREMENT SALES GROWTH

Sales in 2022 were up 17% at £3.1bn. This was driven by growth in DB sales, which were up 33% to £2.6bn (2021: £1.9bn). Operationally, we were exceptionally busy as we completed 56 DB transactions, almost double the number in 2021 (2021: 29 transactions). The rise in interest rates has improved pension scheme funding levels materially. As a result, DB de-risking market volumes were boosted in the second half of 2022, with that momentum carrying into 2023. Our pipeline of DB business is over £6bn and in March 2023 we announced our largest transaction to date at £513m. We expect that our DB sales in 2023 will continue to show substantial growth over the record levels achieved in 2022.

In our retail market, sales of GIfL and Care products at £564m were 24% lower than in 2021. In a year of falling investment markets and a competitive environment, we maintained a disciplined approach to pricing and returns. However rising interest rates has stimulated increased customer appetite for guaranteed income solutions, boosting quotation volumes. This augers well for a return to growth in 2023.

GROWING OUR DEFINED BENEFIT DE-RISKING BUSINESS AND EXPANDING OUR INVESTMENTS IN TANDEM

During the year we were delighted to host two seminars for investors and analysts to develop their understanding of our growth potential.

We showcased our investment capability and explained how the investment strategy delivers competitive customer pricing and shareholder returns. During 2022 our investments in other illiquids, including infrastructure, private placements, social housing, commercial mortgages, ground rents and income strips, amounted to over £1bn (2021: £615m). Growth will continue in 2023 as we access the fast developing investment opportunities in private debt markets through our partnerships with 15 external asset managers. We were pleased with the government’s consultation response to the proposed reforms of the Solvency II regime, published in November 2022. When implemented these reforms could unlock billions of pounds of investment from insurers into the UK economy.

In our second seminar we highlighted the enormous growth potential in our DB business.

The development of the DB risk transfer market is relatively immature. To date, only 11% of total DB liabilities have been transferred from sponsors to insurers. This is expected to accelerate in the coming years. Slowing longevity increases and significant employer contributions have led to a steady improvement in DB pension scheme funding levels, and in 2022, this was boosted by rising interest rates. This is translating into more schemes bringing forward their de-risking plans which will further increase our addressable market.

We will drive growth by securing more larger transactions and by expanding our leadership position in the smaller transaction size segment of the DB market.

We are receiving increased enquiries from smaller schemes and to service this demand efficiently we have developed a streamlined quotation service. This service delivers updated quotes each month to over 120 small and mid-sized schemes. In 2022 we completed 28 transactions that originated from our streamlined service.

We have written almost 300 DB transactions since entering the market in 2013 and through these, have gained significant pricing and deal experience to now regularly quote on larger transactions. This is supported by our stronger capital position and expanded panel of reinsurance partners. Combined with the strong outlook for the market in 2023, we expect our participation in the larger deal segment to increase further.

CUSTOMERS AND OUR PURPOSE

The challenging economic events in the UK and the volatility in investment markets witnessed by our customers in 2022 has created uncertainty and worry for many who have investments in equities and fixed interest bonds. We provide a guaranteed income for life to customers. This secure income is often purchased to cover the essential expenditure of the household and in these uncertain times, our solutions provide reassurance to customers.

As the retirement specialist we are doing what we can to help people. We help them to discover whether they are entitled to State Benefits and often uncover many missed benefits, that when secured, can make a profound impact on their lives. We provide a range of professional advice and guidance to help our customers. We can't resolve all the challenges faced by our customers, but we are helping where we are able to do so and remain focused on living up to the purpose we set out many years ago: we help people achieve a better later life.

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 three years we have reduced our operational carbon intensity per employee by 81%, but the most material impact we can make to reduce carbon emissions will be achieved through the decisions we take with our £20bn investments portfolio (excluding derivatives and collateral).

During 2022, we invested in £279m of eligible green and social assets in accordance with our Sustainability Bond Framework and we have now completed our total £575m green and sustainability bond investment commitments well ahead of schedule.

OUR PEOPLE

Our Just culture is underpinned by our people who are passionate and are committed to making a difference to the lives of those around them. A key business priority is that all of our colleagues feel proud to work at Just. The combination of our strong purpose and having highly engaged teams working the 'Just way', is a competitive advantage which will help drive high performance and our growth strategy.

I would like to thank my colleagues who once again rose to the challenge in 2022, providing support and certainty to our customers when they needed it most. Our people have been energised and inspired by our commitment to be a strong and sustainable purpose-led business for our customers, our colleagues and our planet.

We have continued to maintain excellent levels of employee engagement, with a key priority to build a diverse and inclusive workforce. Further details on all our initiatives in this area can be found in the Colleagues and Culture section of the Annual Report and Accounts.

FINANCIAL PERFORMANCE

Underlying operating profit increased by 19% to £249m in 2022, helped by improved in-force returns and lower financing costs.

Our interest rate hedging programme has successfully protected our solvency capital position during the years of falling interest rates. The continued rise in interest rates in 2022 has resulted in an economic loss, which means we have an overall IFRS loss after tax of £232m for 2022 (2021: £16m).

The strength and resilience of our capital position and our disciplined pricing and risk selection ensures we are capital self-sufficient. This means we can fund our growth ambitions, reward shareholders with a growing dividend and maintain a high buffer of capital in what are uncertain times.

We will pay a final dividend of 1.23 pence per share, giving a total of 1.73 pence for the year – which represents 15% growth over last year's pro forma full year dividend.

IN CONCLUSION

We have never been stronger. We 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.

Business review

STRONG AND SUSTAINABLE GROWTH

Our strong capital base and compelling proposition in the market provide us with a solid foundation to deliver ongoing sustainable growth.

The Group operates in attractive markets, with solid structural growth drivers. By leveraging our strong capabilities, brand and reputation we are well placed to take advantage of the expected boost in demand for our products following the rise in long term interest rates during 2022. We will continue to 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 2022, including IFRS and unaudited Solvency II information.

The business continues to benefit from the strong positive progress achieved in previous years, in particular, a transformed, low capital intensity new business model, combined with a strengthened and increasingly resilient capital base. After right sizing the cost base, we continue to maintain strong cost discipline across the business and are investing to enable the business to scale efficiently. We are also diversifying the asset portfolio backing our customer commitments by originating an increasing proportion of illiquid assets to back the new business in line with our investment strategy.

The DB business goes from strength to strength as the £5bn pipeline at the half year stage translated into the strongest six months of DB sales on record for Just. The drivers behind this momentum remain and we expect a very busy 2023, as we execute on small, medium and larger transactions, while maintaining pricing discipline and capital flexibility. The steep rise in interest rates during 2022 has had a positive impact as it further reduces DB scheme funding deficits, thereby making de-risking transactions more affordable. Many schemes are already or approaching fully funded sooner than they had expected, and hence able to accelerate their de-risking plans. Post year end, in February 2023, we completed our largest transaction to date at £513m, and have signed or are exclusive on a number of other medium sized deals.

In July, utilising our DB partnering model, we reinsured the investment as well as longevity risks on just over half of a £484m transaction, our largest deal of the year. After allowing for the upfront origination fee received from our external reinsurance partner, this transaction created £24m of new business profit and was in aggregate marginally capital generative for Just. This capital light transaction is an example of our innovation – it increases our participation in the above £100m transaction size segment, where we have significant opportunity to grow, and generates upfront fee income to offset new business capital strain. This type of transaction is repeatable, scalable and provides optionality going forward, with employee benefit consultants ("EBCs") supportive as the external capital increases overall market capacity.

During 2022, underlying operating profit was £249m (2021: £210m), a rise of 19%, ahead of our medium term annualised profit growth target. Rising interest rates during 2022 boosted the return on surplus assets, thereby increasing in-force operating profit, up 29% to £116m, while proactive management of our debt profile in September 2021 and November 2022 has materially reduced finance costs. Shareholder funded Retirement Income sales[2] of £3,131m were 17% higher than 2021, as a 33% increase in DB business was offset by a 24% decline in GIfL/Care volumes. New business profit, which includes the DB partner origination fee, was up 4% at £233m (2021: £225m), translating to a new business margin of 7.4% (2021: 8.4%) on shareholder funded premiums. The higher interest rates that benefited the in-force operating profit during the year, also reduces the size of each individual DB transaction as well as reducing the new business margin.

The significant rise, of c.275bps in long term interest rates during 2022 also led to IFRS losses of £510m from hedges used to protect the Solvency II balance sheet. These hedges had produced profits as interest rates fell in previous years. During the year, we actively reduced the level of interest rate hedging as the capital position strengthened, with the sensitivity at year end 2022 now close to zero (c.£7m of IFRS profit for a 100 basis point increase in long term rates compared to £526m loss at year end 2021). Cumulatively since 2018, we have incurred a net loss of £226m (pre-tax) on interest rate hedging as profits when rates fell in 2019/2020 were more than offset by losses incurred as rates rose more significantly over the past two years. Other economic variances included negatives from widening credit spreads (£112m) and property growth experience (£22m), which at 2% for the year was a little below our long term 3.3% annual growth assumption (2021: 3.3%). We also incurred a £95m loss on asset timing variance, which is expected to reverse as we acquire the desired asset mix during the first half of 2023 and a £49m loss from the third and final LTM portfolio sale in February 2022. Taken together, these investment and economic losses of £639m, when combined with other items led to an overall loss after tax for the year of £232m (2021: loss of £16m).

The Group's Solvency II capital position strengthened significantly during the year, increasing by 35 percentage points to 199% (31 December 2021: 164%[1]). Rising rates drove most of the increase, by reducing the solvency capital requirement ("SCR") and risk margin, although this in turn leads to a smaller unwind subsequently through in-force surplus. Despite

reduced unwind of capital following the rise in rates, underlying organic capital generation ("UOCG") during 2022 was robust at £29m (2021: £51m), marking three years of positive underlying organic capital generation. Within this capital strain from writing new business increased to £60m, reflecting the significantly higher volumes of business written during the year. New business strain at 1.9% of premium (2021: 1.5% of premium) is based on target asset mix, with any timing differences taken as an investment variance. This low level of new business strain is due to our continued focus on strong pricing discipline, risk selection and business mix. Sustainable growth through a capital self-sufficiency business model continues to be a central pillar of how we run the business. Furthermore, management actions were £15m (2021: £16m) and other, driven by a longevity assumption change, was £90m. When added to the UOCG this leads to a total of £134m of organic capital generation (2021: £93m), which boosted the capital coverage ratio by 5 percentage points. The solvency sensitivity to property was further reduced following completion of our third and final planned LTM portfolio sale in February 2022, and remains within risk appetite. No further portfolio sales are anticipated.

Recognising the resilience and strengthened financial position of the Group, we recommenced dividends at FY 2021 and paid a £16m distribution to shareholders during the year.

In 2023, as legislation is finalised within the Financial Services and Markets bill, we expect further clarification from the PRA following HMT Treasury's announcement to reform Solvency II and introduce a new Regulatory Framework for financial services following the UK's exit from the European Union. The Chancellor's Autumn Statement in November very positively outlined a 65% reduction in the risk margin (which will help to reduce the size and volatility of the solvency balance sheet), measures to widen eligibility criteria for matching adjustment assets, such as callable bonds or assets with a construction phase where the commencement of cashflows is not exactly certain, and no changes to the fundamental spread of the matching adjustment, which remains a critical component of the Solvency UK regulatory regime. We are very supportive of and keen to see swift progress on the proposed reforms, which will better enable insurers to support the economy and the government's various agendas including "levelling up", decarbonisation and increased investment in science and technology. We await further detail on timing and implementation.

At this time, the outlook for the economy continues to evolve reflecting geopolitical and other macro-economic concerns including the trajectory of interest rates to reduce and control inflation, and associated slowing of the UK and global economies. The key sensitivities of the Group's capital and financial position to future economic and demographic factors are set out below and in notes 17 and 23 of the financial statements. We expect these macro forces to have a negligible effect on the Group's business model with demand for our products boosted by higher interest rates. We have a low strain new business model that is generating sufficient underlying capital to fund our ambitious growth plans, whilst also paying a shareholder dividend that is expected to grow over time.

1 Solvency II capital coverage ratios as at 31 December 2021 and 31 December 2022 include a recalculation of TMTP as at the respective dates.

2 The retirement income sales included in this new business margin has been calculated based on the July DB partnering premium after deducting the DB partner share.

ALTERNATIVE PERFORMANCE MEASURES AND KEY PERFORMANCE INDICATORS

Within the Business Review, the Group has presented a number of alternative performance measures ("APMs"), which are used in addition to 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 APMs used by the Group are: return on equity, Retirement Income sales, underlying organic capital generation, new business operating profit, adjusted operating profit before tax, underlying operating profit, management expenses, organic capital generation, in-force operating profit, adjusted earnings and adjusted earnings per share. 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.

The Board has also adopted a number of key performance indicators ("KPIs"), which include certain APMs, and are considered to give an understanding of the Group's underlying performance drivers. KPIs are regularly reviewed against the Group's strategic objectives to ensure that we continue to have the appropriate set of measures in place to assess and report on our progress. In addition, the return on equity (target 10%) and adjusted earnings per share calculations have been updated to be consistent with the 15% medium term growth metric, based on underlying operating profit. This reflects the Group's focus on profitable and sustainable growth, and provide a balance of KPIs across profit, sales, expenses, capital and net assets. The Group's KPIs are discussed in more detail on the following pages.

The Group's KPIs are shown below:

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m	Change
Return on equity[1]	**10.7%**	8.3%	2.4pp
Retirement Income sales[1]	**3,131**	2,674	17%
Underlying organic capital generation[1]	**29**	51	(43)%
New business operating profit[1]	**233**	225	4%
Adjusted operating profit before tax[1]	**336**	238	41%
Underlying operating profit[1]	**249**	210	19%
IFRS loss before tax	**(317)**	(21)	15x
Management expenses[1]	**153**	147	4%

	31 December 2022 £m	31 December 2021 £m	Change
Solvency II capital coverage ratio[2]	**199%**	164%	35pp
IFRS net assets	**2,178**	2,440	(11)%

1 Alternative performance measure, see glossary. The return on equity (target 10%) calculation has been updated to be consistent with the 15% medium term growth metric.

2 Solvency II capital coverage ratios as at 31 December 2021 and 31 December 2022 include a recalculation of TMTP as at the respective dates.

RETURN ON EQUITY

The return on equity in the year to 31 December 2022 was 10.7% (2021: 8.3%), based on underlying operating profit after attributed tax of £202m (2021: £170m) arising on average tangible net assets of £1,891m (2021: £2,048m).

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

	31 December 2022 £m	31 December 2021 £m
IFRS total equity	**2,178**	2,440
Less intangible assets	**(104)**	(120)
Less tax on amortised intangible assets	**15**	17
Less equity attributable to Tier 1 noteholders	**(322)**	(322)
Tangible net assets	**1,767**	2,015
Return on equity	**10.7%**	8.3%

UNDERLYING OPERATING PROFIT AND ADJUSTED OPERATING PROFIT BEFORE TAX

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. 2022 underlying operating profit grew by 19% to £249m (2021: £210m), which is a very solid start towards our medium term target, albeit year to year, the trajectory may be influenced by timing differences in relation to larger DB transactions.

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m	Change %
New business operating profit	**233**	225	4
In-force operating profit	**116**	90	29
Other Group companies' operating results	**(15)**	(15)	–
Development expenditure	**(12)**	(7)	71
Reinsurance and finance costs	**(73)**	(83)	(12)
Underlying operating profit	**249**	210	19
Operating experience and assumption changes	**87**	28	211
Adjusted operating profit before tax[1]	**336**	238	41

1 New business operating profit is reconciled to IFRS loss/profit (via adjusting operating profit before tax) further in this Business Review.

NEW BUSINESS OPERATING PROFIT

New business operating profit was up 4% at £233m for the year ended 31 December 2022 (2021: £225m), as shareholder funded Retirement Income sales rose 17% to £3,131m (2021: £2,674m). The new business margin achieved on Retirement Income sales during the period was lower at 7.4% (2021: 8.4%). We are achieving similar spreads compared to the prior year, however, due to higher interest rates, the new business profit we recognise is now being discounted at a higher rate than the prior year, and hence the margin is lower.

MANAGEMENT EXPENSES

Management expenses have increased by 4% to £153m for the year ended 31 December 2022 (2021: £147m). Following the end of a formal three year cost reduction programme in 2021, management expenses continue to be contained. We have maintained a sharp focus on cost control, with selective investment in the business, such as the Investments and DB functions as we continue to build in-house capability to write larger DB transactions on a more frequent basis, and investing in the HUB Destination Retirement business. Going forward, premium and business growth is expected to outpace costs, thus further improving operational leverage.

IN-FORCE OPERATING PROFIT

In-force operating profit increased by 29% to £116m for the year ended 31 December 2022 (2021: £90m). Aside from the positive impact of credit spread widening, the Group's in-force operating profit also benefited from the impact of rising rates, which has boosted the return on surplus assets.

OTHER GROUP COMPANIES' OPERATING RESULTS

The operating result for other Group companies was a loss of £15m (2021: loss of £15m). These costs arise from the holding company, Just Group plc, and the HUB group of businesses.

DEVELOPMENT EXPENDITURE

Development expenditure of £12m for the year ended 31 December 2022 (2021: £7m), mainly relates to product development, proposition enhancement and new initiatives. It also includes preparations for the new insurance accounting standard IFRS 17 and distribution improvements such as online capability and digital access.

REINSURANCE AND FINANCE COSTS

Finance costs have decreased by 12% to £73m (2021: £83m). 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. The decrease for the period is due to the opportunistic refinancing in September 2021 of the 2019 issued Restricted Tier 1 bond, with a new £325m Sustainability Restricted Tier 1 bond. This discrete bond refinancing reduced the interest costs on the RT1 component of the capital structure by £12m pre-tax per annum, while also lengthening the bond maturity to 2031. In November 2022, the Group tendered for and cancelled £76m of 9% tier 2 debt due in 2026, which will lead to additional interest savings in 2023 as the Group further optimises its capital structure and debt profile.

During the first half of 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.

OPERATING EXPERIENCE AND ASSUMPTION CHANGES

Over the past two years, the Group has actively continued to assess the potential impact of COVID-19 on longer term mortality and has increasingly incorporated COVID-19 experience data and medical understanding into our pricing and reserving assumptions, as it became available. As usual, the Group carried out a full basis review in December 2022, and has updated its longevity reserving using the CMI 2021 mortality tables (2021: CMI 2019) and reviewing mortality rates experienced over the past three years. The Group continues to allow for future improvements in long-term mortality, but with nearer term mortality also reflecting the heightened mortality being experienced post pandemic. Our assessment of the long-term impact of the pandemic on the population, including the health of those who have recovered from the disease, the future efficacy of the various vaccines and secondary impacts such as delayed diagnosis for other illnesses or behavioural changes continues to evolve. However, these factors, combined with the winter flu season, longer NHS waiting lists and inflation pressures on incomes are undoubtedly contributing to continued elevated deaths across the population, which we have sought to reflect in our year end assumption. There were a number of very minor changes to the Group's other assumptions in 2022. Sensitivity analysis is shown in notes 17 and 23, 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 £87m (2021: £28m). The Group reported negative operating experience of £5m in 2022 (2021: positive £33m), as positive annuitant mortality experience and modelling adjustments were more than offset by increased early redemptions within our LTM book, above our redemption assumption, as customers took advantage of the competitive rates on offer to refinance before rates rose and thus reducing interest roll-up. Assumption

changes resulted in a £92m release (2021: £5m strengthening), and were almost entirely driven by the mortality assumption change, as per above.

ADJUSTED OPERATING PROFIT BEFORE TAX

Adjusted operating profit before tax, was £336m (2021: £238m). Adjusted operating profit before tax is the sum of underlying operating profit and operating experience and assumption changes.

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 adjusted operating profit basis.

RETIREMENT INCOME SALES

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m	Change %
Defined Benefit De-risking Solutions ("DB")	**2,567**	1,935	33
Guaranteed Income for Life Solutions ("GIfL") and Care Plans ("CP")	**564**	739	(24)
Retirement Income sales	**3,131**	2,674	17

The structural growth drivers that underpin our markets are unchanged. Shareholder funded Retirement Income sales for the year ended 31 December 2022 rose 17% to £3,131m (2021: £2,674m).

In early 2021, we expanded our proposition in the DB de-risking market to meet fully the needs of schemes and trustees by adding DB deferred capability, which enabled us to increase our access to the c.£1.5tn DB market opportunity. Prior to 2022, scheme funding levels across the industry had been steadily improving primarily due to increased contributions from sponsors, and therefore more schemes were able to afford full scheme de-risking and buyout (with deferreds) as opposed to pensioner only de-risking. During 2022, rising interest rates accelerated the funding gap closure, which means that more schemes will commence the process to be "transaction ready" and hence bring business forward into the 2023 and medium term pipeline from ordinarily expecting to transact in the second half of the decade. Our efforts in 2021 were recognised by being named "Risk Management Provider of the Year" at the Pensions Age awards in February 2022.

Shareholder funded DB sales were £2,567m, an increase of 33%. Activity levels were significantly ahead of the comparable period as we closed 56 transactions (2021: 29 transactions) aided by our proprietary bulk quotation service and repeat business. This level of transaction activity is estimated to reflect over a quarter of all transactions in the market - a very strong endorsement of our DB new business franchise. In July, we completed a £484m deal utilising our DB partnering model. Adding the £259m DB partner premium to Just's shareholder funded DB sales led to total DB market volumes of £2,826m, up 46% on prior year.

We expect industry volumes for 2022 to be c.£30bn (2021: £27.7bn), and therefore our market volume share to be close to 10%. Our confidence in substantial market growth in 2023 is underpinned by Lane Clark Peacock ("LCP") who anticipate that DB market volumes could exceed the record £44bn achieved in 2019, while Willis Towers Watson expect in excess of £40bn of Buy-in/Buy-out DB transactions. Our near term actively quoting pipeline is over £6bn, and we expect a busy year with a greater number of medium and large transaction opportunities coming to market. However, the long-term growth opportunity is very substantial with LCP forecasting up to £600bn of DB Buy-in and Buy-out transactions over the decade to 2032, as funding deficits in the largest schemes are closed. Indeed, over the next three years, more than £200bn could transact, similar to the amount that transacted during the last decade. 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, and utilising various forms of reinsurance through DB partnering. 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.

GIfL sales fell by 24% to £520m (2021: £688m), due to a competitive market and a decrease in the value of pension pots, which resulted in smaller case sizes. Falling equity and bond markets, and economic uncertainty demonstrate to customers the importance and security of a guaranteed income. We maintained pricing discipline and used our insight to select the most profitable risks in a competitive market, while deploying the available capital budget towards the heightened activity in the DB market. The rise in long term interest rates has translated into increased customer rates which has stimulated interest in guaranteed income relative to other forms of retirement income. Year to date, quotation volumes are substantially higher than 2022, which provides us with further optionality to deploy available capital. We continue to invest in our distribution capability, with online applications now available, which contributed towards our 18th consecutive Five Stars at November's Financial Advisor Service Awards. Care sales were down 14% at £44m (2021: £51m) and remain subdued due to customer behaviour changes post pandemic, with a further delay to October 2025 in relation to proposed government initiatives on health and social care funding.

OTHER NEW BUSINESS SALES

2022 internally funded lifetime mortgage advances were £519m (2021: £488m), an increase of 6%, with these in part used to replace an increased level of back book LTM early redemptions. Going forward, our target LTM backing ratio for new business has been revised downwards to 10-15%. Relative to the spreads available on other illiquid assets, LTMs remain an attractive asset class, however, in a higher interest rate environment, the capital charge attaching to the NNEG risk becomes onerous.

We continue to be selective in the mortgages we originate, as we use our market insight and distribution to target certain sub-segments of the market. During 2021, we introduced medical underwriting across the entire lifetime mortgage range and also signed an exclusive distribution agreement with Saga, both of which are contributing to increasing volumes within the mix. Increased investment in LTM digital capabilities and proposition has been well received by financial advisers.

ADJUSTED EARNINGS PER SHARE

Adjusted EPS (based on underlying operating profit after attributed tax) has increased to 19.6 pence (2021: 16.4 pence).

	Year ended 31 December 2022	Year ended 31 December 2021
Adjusted earnings (£m)	**202**	170
Weighted average number of shares (million)	**1,032**	1,034
Adjusted EPS[1] (pence)	**19.6**	16.4

1 Alternative performance measure, see glossary for definition. The adjusted earning calculation has been updated to be consistent with the 15% medium term growth metric, based on underlying operating profit.

EARNINGS PER SHARE

	Year ended 31 December 2022	Year ended 31 December 2021[1]
Earnings (£m)	**(245)**	(82)
Weighted average number of shares (million)	**1,032**	1,034
EPS (pence)	**(23.7)**	(8.0)

1 Restated as explained in note 1.

RECONCILIATION OF OPERATING PROFIT TO STATUTORY IFRS RESULTS

The tables on the following pages present the Group's results on a statutory IFRS basis.

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Adjusted operating profit before tax	**336**	238
Non-recurring and project expenditure	**(12)**	(15)
Investment and economic losses	**(639)**	(251)
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	**16**	25
Amortisation costs	**(18)**	(18)
IFRS loss before tax	**(317)**	(21)

NON-RECURRING AND PROJECT EXPENDITURE

Non-recurring and project expenditure was £12m for the year ended 31 December 2022 (2021: £15m). This included the business process transformation and increasing efficiency by investing in automation and new systems, across DB, retail and finance, which will lead to improved customer service and long-term cost and control benefits. This also includes the support for Group internal model updates and other items.

INVESTMENT AND ECONOMIC LOSSES

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Change in interest rates	**(510)**	(226)
(Wider)/narrower credit spreads	**(112)**	57
Property growth experience	**(22)**	56
Sale of LTM portfolio	**(49)**	(161)
Asset timing variance	**(95)**	51
Other	**149**	(28)
Investment and economic losses	**(639)**	(251)

Investment and economic losses for the year ended 31 December 2022 were £639m (2021: £251m loss). Losses from the increase in risk-free rates during the period contributed £510m. The Group takes an active approach to hedging its interest rate exposure. In the second half of 2021 and across 2022, as rates rose and our solvency position strengthened, we gradually reduced the interest rate hedging to a broadly economically neutral position. Our modified approach will allow the solvency position to fluctuate as interest rates move, but minimise the economic cost should rates rise further. As noted above, the cumulative net interest rate loss from hedging the Solvency II balance sheet since 2018 has been a net loss (pre-tax) of £226m. Rising rates over the second half of 2022 helped the Solvency II capital coverage ratio strengthen by a further 15 percentage points to 199%.

We also incurred a £95m loss on asset timing variance, largely on investments backing new business completed in December, which is expected to reverse as we lengthen the duration of our assets to achieve the targeted asset mix during the first few months of 2023 and a £49m loss from the third and final LTM portfolio sale in February 2022. Other notable economic variances include a refinement of LPI curve[1] methodology (£49m) and the lack of corporate bond defaults offset by wider credit spreads (loss of £112m) and negative property growth experience (loss of £22m).

1 Insurance liabilities for inflation-linked products and inflation-linked assets require an assumption for future expectations of inflation. These assumptions are derived using a mark to model basis. This represents a change in approach since 31 December 2021 which utilised market prices that are not actively traded.

Further details and sensitivities to changes in property assumptions are given in notes 17 and 23 of the financial statements.

AMORTISATION OF ACQUIRED INTANGIBLES

Amortisation of acquired intangibles for the year ended 31 December 2022 were £18m (2021: £18m), these mainly relate to the acquired in-force business asset relating to Partnership Assurance Group plc, which is being amortised over ten years in line with the expected run-off of the in-force business.

CAPITAL MANAGEMENT

JUST GROUP PLC ESTIMATED SOLVENCY II CAPITAL POSITION

The Group's coverage ratio was estimated at 199% at 31 December 2022 after a formal recalculation of transitional measures on technical provisions ("TMTP"), an increase of 35 percentage points, driven by the substantial rise in interest rates in 2022 (31 December 2021: 164% after a formal biennial 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 2022 £m	31 December 2021 £m
Own funds	**2,757**	3,004
Solvency Capital Requirement	**(1,387)**	(1,836)
Excess own funds	**1,370**	1,168
Solvency coverage ratio[1]	**199%**	164%

1 Solvency II capital coverage ratios as at 31 December 2021 and 31 December 2022 include a recalculation of TMTP as at the respective dates.

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 table below analyses the movement in excess own funds, in the year ended 31 December 2022.

Unaudited	2022 £m	2021 £m
Excess own funds at 1 January	**1,168**	1,076
Operating		
In-force surplus net of TMTP amortisation	**174**	191
New business strain[2]	**(60)**	(40)
Finance cost	**(57)**	(71)
Group and other costs	**(28)**	(29)
Underlying organic capital generation	**29**	51
Management actions and other items	**105**	42
Total organic capital generation[3]	**134**	93
Non-operating		
Dividend	**(16)**	–
Regulatory changes	**–**	(38)
Economic movements	**117**	56
Effect of Tier 2 debt buyback (2022) and RT1 refinancing (2021), net of costs	**(33)**	(19)
Excess own funds at 31 December	**1,370**	1,168

1 All figures are net of tax, and include a recalculation of TMTP as at the respective dates.

2 New business strain calculated based on pricing assumptions.

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

UNDERLYING ORGANIC CAPITAL GENERATION

During 2022, we delivered £29m of underlying organic capital generation (2021: £51m, 2020: £18m). The decrease was primarily due to the effect of rising interest rates on the solvency balance sheet, which leads to a smaller SCR and risk margin and hence unwind into the In-force surplus net of TMTP amortisation, an increase in new business strain reflecting higher volumes of new business, both offset by lower financing costs. The business continues to deliver sufficient ongoing capital generation to support decisions on capital deployment between profitable growth, providing returns to our capital providers and further investment in the strategic growth of the business.

Underlying organic capital generation continues to benefit from the ongoing focus across the business on minimising new business capital strain. During 2022, new business strain increased by £20m to £60m, which represents 1.9% of new business premium (2021: 1.5%), well within our target of below 2.5% of premium. This outperformance was driven by continued pricing discipline and risk selection, including DB deferred business and a greater weighting towards small and medium transactions within the sales mix. Due to careful management of the capital budget in the first half of the year, we deployed capital in the seasonally busier second half of the year. We expect seasonality to be less pronounced in 2023, given that the DB market could potentially be a record year as a result of scheme funding deficits closing or being eliminated due to the rise in interest rates over the past 12 months.

In-force surplus after TMTP amortisation was down 9% to £174m, primarily due to higher interest rates which reduces the amount of capital available (via lower SCR and risk margin) to release and the cumulative effect of the three LTM portfolio sales, which were more capital intensive than the assets that replaced them. Group and other costs including development, non-recurring and non-life costs were £28m (2021: £29m), reflecting strong cost control. Finance costs at £57m (2021: £71m) were 20% lower reflecting a reduced coupon on the RT1 debt, after the opportunistic early re-financing of that debt in September 2021. Interest costs will fall further in 2023 following the £76m tier 2 debt tender completion in November 2022. Management actions at £15m (2021: £16m) further augment underlying organic capital generation and are combined with assumption changes including mortality into management actions and other items, which contributed a total of £105m to the capital surplus. Adding underlying organic capital generation and management actions and other items led to a total of £134m from organic capital generation, which added 5% to the capital coverage ratio.

NON-OPERATING ITEMS

Within the surplus, property value movements led to a £18m negative due to actual property price growth of c.2% (compared to our annual 3.3% long term growth assumption) on our individually updated portfolio. Other economic movements included a positive £137m to the surplus as both the SCR (£436m) and the Own Funds (£299m) fell due to higher interest rates. This interest rate movement led to a strengthening of the capital coverage ratio by 30 percentage points, with asset trading and various positive other economic variances having minimal impact on the coverage ratio. This includes a lower than anticipated impact from the third LTM portfolio sale as we reinvested the proceeds in other illiquid assets and the positive impact from high inflation indexation and no corporate bond defaults during the year. The Tier 2 debt buyback in November 2022 led to a £33m reduction in capital surplus as the £76m nominal that was bought back was partially offset by the release of capital tiering restrictions. In 2022, the Group recommenced a shareholder dividend, which cost a total of £16m during the year.

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

ESTIMATED GROUP SOLVENCY II SENSITIVITIES[1,5]

Unaudited	%	£m
Solvency coverage ratio/excess own funds at 31 December 2022[2]	**199**	1,370
-50 bps fall in interest rates (with TMTP recalculation)	**(13)**	(88)
+50 bps increase in interest rates (with TMTP recalculation)	**13**	79
+100 bps credit spreads (with TMTP recalculation)	**8**	31
Credit quality step downgrade[3]	**(8)**	(107)
+10% LTM early redemption	**1**	13
-10% property values (with TMTP recalculation)[4]	**(12)**	(135)
-5% mortality	**(10)**	(136)

1 In all sensitivities the Effective Value Test ("EVT") deferment rate is allowed to change subject to the minimum deferment rate floor of 2.0% as at 31 December 2022 (0.50% as at 31 December 2021) 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 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, ground rents/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.

4 After application of NNEG hedges.

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

RECONCILIATION OF IFRS TOTAL EQUITY TO SOLVENCY II OWN FUNDS

Unaudited	**31 December 2022 £m**	31 December 2021 £m
Shareholders' net equity on IFRS basis	**2,178**	2,440
Goodwill	**(34)**	(34)
Intangibles	**(70)**	(86)
Solvency II risk margin	**(456)**	(759)
Solvency II TMTP[1]	**874**	1,657
Other valuation differences and impact on deferred tax	**(304)**	(987)
Ineligible items	**(50)**	(3)
Subordinated debt	**619**	781
Group adjustments	**–**	(5)
Solvency II own funds[1]	**2,757**	3,004
Solvency II SCR[1]	**(1,387)**	(1,836)
Solvency II excess own funds[1]	**1,370**	1,168

1 Solvency II capital coverage ratios as at 31 December 2021 and 31 December 2022 include a recalculation of transitional measures on technical provisions ("TMTP") as at the respective dates.

RECONCILIATION FROM REGULATORY CAPITAL SURPLUS TO REPORTED CAPITAL SURPLUS

	31 December 2022 £m	**31 December 2022 %**	31 December 2021 £m	31 December 2021 %
Regulatory capital surplus	**1,370**	**199**	1,168	164
Notional recalculation of TMTP	**–**	**–**	–	–
Reported capital surplus	**1,370**	**199**	1,168	164

HIGHLIGHTS FROM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The table below presents the Condensed consolidated statement of comprehensive income for the Group, with key line item explanations.

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Gross premiums written	**3,391**	2,676
Reinsurance premiums ceded	**(271)**	(23)
Net premium revenue	**3,120**	2,653
Net investment expense	**(4,778)**	(130)
Fee and commission income	**14**	16
Share of results of associates	**(3)**	–
Total (expense)/revenue	**(1,647)**	2,539
Net claims paid	**(1,210)**	(1,141)
Change in insurance liabilities	**2,935**	(1,039)
Change in investment contract liabilities	**3**	(1)
Acquisition costs	**(56)**	(49)
Other operating expenses	**(209)**	(193)
Finance costs	**(133)**	(137)
Total claims and expenses	**1,330**	(2,560)
Loss before tax	**(317)**	(21)
Income tax	**85**	5
Loss after tax	**(232)**	(16)

GROSS PREMIUMS WRITTEN

Gross premiums written for the year ended 31 December 2022 were £3,391m, an increase of 27% (2021: £2,676m). As discussed above, this reflects overall higher new business premiums, as shareholder backed DB and DB partner business combined led to a 46% increase in DB business offset by a 24% reduction in GIfL/Care business.

REINSURANCE PREMIUMS CEDED

Reinsurance premiums ceded (expense of £271m) has increased in 2022 as a result of reinsurance in relation to the Group's DB partner transaction mentioned above.

NET INVESTMENT EXPENSE

Net investment expense increased to £4,778m (2021: £130m). The main components of net investment expense are interest earned and changes in fair value of the Group's corporate bond, mortgage and other fixed income assets. There has been an increase in risk-free rates during the period, which has resulted in unrealised losses in relation to assets held at fair value. We closely match our assets and liabilities, hence fluctuations in interest rates will cause similar movements on both sides of the IFRS balance sheet. We also actively monitor and had hedged interest rate exposure to reduce the effect of interest rate movements on the Solvency II capital position, but with this creating IFRS losses as interest rates rose. We have progressively reduced our hedging of the Solvency II interest rate exposure over the year and by the end of 2022 were broadly economically neutral to interest rates up and down.

NET CLAIMS PAID

Net claims paid increased to £1,210m, (2021: £1,141m) reflecting the continuing growth of the in-force book.

CHANGE IN INSURANCE LIABILITIES

Change in insurance liabilities was £2,935m (2021: £(1,039)m). The increase is principally due to an increase in the valuation interest rate due to the rise in risk-free rates noted above.

ACQUISITION COSTS

Acquisition costs have increased to £56m (2021: £49m), driven by the 6% increase in internally funded LTM origination.

OTHER OPERATING EXPENSES

Other operating expenses have increased to £209m (2021: £193m) driven by higher investment management fees due to our significantly increased origination of illiquid assets, which have higher fees, but also diversify our investments portfolio, support new business pricing and optimise back book returns.

FINANCE COSTS

The Group's overall finance costs decreased to £133m (2021: £137m). Note that the coupon on the Group's Restricted Tier 1 notes is recognised as a capital distribution directly within equity and not within finance costs.

INCOME TAX

Income tax for the year ended 31 December 2022 was a credit of £85m (2021: credit of £5m). The effective tax rate of 27.0% (2021: 26.4%) is 8% higher than the standard 19% corporation tax rate. This is due to the current year's losses being carried forward at 25% as opposed to the current tax rate of 19%.

HIGHLIGHTS FROM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The table below presents selected items from the Condensed consolidated statement of financial position, with key line item explanations below. The information below is extracted from the statutory consolidated statement of financial position.

	31 December 2022 £m	31 December 2021 £m
Assets		
Financial investments	**23,477**	24,682
Reinsurance assets	**2,287**	2,808
Other assets	**1,350**	858
Total assets	**27,114**	28,348
Share capital and share premium	**199**	199
Other reserves	**948**	948
Accumulated profit and other adjustments	**711**	973
Total equity attributable to ordinary shareholders of Just Group plc	**1,858**	2,120
Tier 1 notes	**322**	322
Non-controlling interest	**(2)**	(2)
Total equity	**2,178**	2,440
Liabilities		
Insurance liabilities	**18,333**	21,813
Reinsurance liabilities	**306**	275
Other financial liabilities	**5,250**	2,866
Insurance and other payables	**263**	93
Other liabilities	**784**	861
Total liabilities	**24,936**	25,908
Total equity and liabilities	**27,114**	28,348

FINANCIAL INVESTMENTS

During the year, financial investments decreased by £1.2bn to £23.5bn (2021: £24.7bn). Accommodative central bank and fiscal stimulus during 2021 led to credit spread narrowing, however, in 2022, various government asset purchase programmes in response to the pandemic started to be gradually unwound. At the same time, central banks raised base rates from their historical low levels to counteract the effect of inflation. The interest rate increases are predicted to cause a shallow recession in 2023 followed by a gradual recovery, and this backdrop led to wider spreads during the year. The effect of credit spread widening and increases in risk-free rates, both of which reduce the value of the assets was partially offset by investment of the Group's new business premiums. The credit quality of the corporate bond portfolio remains resilient, with 50% of the Group's corporate bond and gilts portfolio rated A or above (31 December 2021: 54%), with the reduction due to lower Government investments (see below). Year to date, credit spreads have narrowed as the UK and global economic outlook relative to forecasts continues to improve. Our diversified portfolio continues to increase by issuer and is well balanced across a range of industry sectors and geographies.

Similar to 2021, credit rating agencies continue to maintain a cautious approach. We continue to position the portfolio with a defensive bias, and in 2022 have experienced ratings stability as 9% of the Group's bond portfolio 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), basic materials, energy and real estate (including REITs). The BBB-rated bonds are weighted towards the most defensive sectors including utilities, communications & technology, and infrastructure. Reflecting this bias, the Group has further increased its infrastructure allocation and selectively added to utilities and commercial ground rent & income strips investments, with some rotational

changes as in particular we reduced BBB exposure to communications & technology, industrials, auto manufacturers and energy. Following a reclassification, "Financial – other" now includes short and medium term illiquid assets including SME lending, commodity trade finance and others.

During 2022, we originated £1,031m of long term other illiquid assets (2021: £615m), via our roster of specialist asset managers, in addition to funding £519m of lifetime mortgages (2021: £488m). Our investments model demonstrated its flexibility and capabilities as we achieved our target illiquid new business backing ratio of c.50%. We have the flexibility to adjust the asset class allocations, and in 2022, increased our origination of private placements as credit spreads widened, mirroring the public markets. This flexibility enables us to support new business pricing and optimise back book return whilst maintaining strict credit underwriting. Entering 2022, Government investments were elevated as the Group temporarily invested excess cash, which was further added to by the third LTM portfolio sale in February 2022. Excess cash and gilts were recycled into other corporate bonds and illiquid assets during 2022 as opportunities arose.

At year end, the Group had ample liquidity. We continue to prudently manage the balance sheet by hedging all foreign exchange and inflation exposure, while managing interest rate, credit and NNEG risk. As previously mentioned, and reflecting the strengthened capital position of the Group, the interest rate hedging was neutralised during the second half of the year. The effect of the hedging was to protect the solvency ratio, but caused economic losses when rates rose and profits when rates fell. Without hedging, interest rate movements will impact the solvency balance sheet, but not IFRS and therefore, we expect that, in future, the IFRS result will be more closely aligned to the operating performance of the business.

The loan-to-value ratio of the mortgage portfolio was 37.3% (31 December 2021: 36.1%), reflecting continued strength and resilience across our geographically diversified portfolio, which offsets the interest roll-up. Lifetime mortgages at £5.3bn represent 26% of the investments portfolio and reflects completion of the third and final LTM portfolio sale in February 2022. In total, the Group has disposed of £1.6bn of lifetime mortgages as part of our objective to reduce the sensitivity of the capital position to house price movements, which at a 12% capital coverage ratio impact for an immediate 10% fall in UK house prices is at a level we are comfortable with. Further portfolio sales are not envisaged as the property sensitivity is expected to be contained within risk appetite through maintaining NNEG hedges on c.20% of the portfolio and a new business backing ratio of 10-15%.

OTHER ILLIQUID ASSETS AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE INVESTING

To achieve its optimal mix of assets backing new business, 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 such as ground rents and income strips are typically much longer duration and hence the cash flow profile is very beneficial, especially to match DB deferred liabilities.

To date, Just has invested £3.3bn in other illiquid assets, representing 16% of the investments portfolio (excluding derivatives and collateral, 31 December 2021: 13%), as we make continued progress towards our 25% medium term target, driven by new business backing. We have invested in our in-house credit team as we have broadened our illiquid asset origination, and we 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 upcoming Solvency II reforms, when implemented, will increase the investment opportunities available to us to provide long term capital that helps to underpin UK economic growth and productivity. In particular, widening the eligibility criteria for matching adjustment assets to include assets with a construction phase where the commencement of cashflows is not exactly certain is a very welcome development. We are pleased that these reforms can provide support to insurance firms to fund the government's various agendas including increased investment in infrastructure, science and research and decarbonising the economy.

Many of the other illiquids are invested in a range of ESG assets including renewable energy, social housing and local authority loans. During 2022, we invested a further £279m in eligible green and social assets (2021: £146m), and have now completed our total £575m green and social asset allocation commitment arising from the green and sustainability bonds issued in October 2020 and September 2021 respectively. The allocations were spread across 23 green and social investments comprising renewable energy, social housing and green buildings. The Green/Sustainability bond full allocation report is available on https://www.justgroupplc.co.uk/investors/esg.

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

	31 December 2022 £m	**31 December 2022 %**	31 December 2021 £m	31 December 2021 %
AAA[1]	**1,939**	**8**	2,448	10
AA[1] and gilts	**1,986**	**8**	3,194	13
A[2]	**5,968**	**25**	4,384	18
BBB	**6,500**	**28**	6,500	26
BB or below	**455**	**2**	388	1
Unrated/Other	**1,363**	**6**	414	2
Lifetime mortgages	**5,306**	**23**	7,423	30
Total[2]	**23,517**	**100**	24,751	100

1 Includes units held in liquidity funds.

2 Includes investment in trust which holds ground rent generating assets which are included in investment properties in the IFRS consolidated statement of financial position.

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 2022 £m	**31 December 2022 %**	31 December 2021 £m	31 December 2021 %
Basic materials	**270**	**1.3**	264	1.1
Communications and technology	**1,327**	**6.5**	1,430	6.0
Auto manufacturers	**250**	**1.2**	319	1.3
Consumer (staples including healthcare)	**1,012**	**5.1**	1,174	4.8
Consumer (cyclical)	**142**	**0.7**	187	0.8
Energy	**535**	**2.6**	633	2.6
Banks	**1,120**	**5.5**	1,192	11.3
Insurance	**607**	**3.0**	845	3.5
Financial – other	**956**	**4.7**	481	2.0
Real estate including REITs	**437**	**2.1**	661	2.8
Government	**1,596**	**7.8**	2,415	10.1
Industrial	**622**	**3.1**	920	1.2
Utilities	**2,266**	**11.0**	2,302	9.6
Commercial mortgages	**584**	**2.9**	678	2.8
Ground rents[1]	**291**	**1.4**	263	1.1
Infrastructure	**1,811**	**9.0**	1,474	6.1
Other	**42**	**0.2**	38	0.2
Corporate/government bond total	**13,868**	**68.1**	15,276	63.6
Lifetime mortgages	**5,306**	**26.1**	7,423	30.9
Liquidity funds	**1,174**	**5.8**	1,311	5.5
Investments portfolio	**20,348**	**100.0**	24,010	100.0
Derivatives and collateral[2]	**3,169**		741	
Total[1]	**23,517**		24,751	

1 Includes direct ground rents and also an investment in a property unit trust which holds ground rent generating assets which are included in investment properties in the IFRS consolidated statement of financial position.

2 More than 99% of the derivative assets are comprised of interest rate swaps, foreign exchange swaps to hedge the currency risk on non-GBP investments, and inflation swaps. In addition, collateral in the form of corporate bonds and cash has been posted in relation to the Group's hedging activity. Further details are available in note 16 and note 28 of the financial statements. Derivatives are used to manage risks on the balance sheet, and we seek to be economically neutral on interest rate, currency and inflation risks. The derivatives and collateral total has increased primarily due to an increased number of positions as part of our dynamic interest rate hedging strategy. Interest rate swap assets have accounted for the vast majority of the increase, as they rose by £1,238m to £1,408m, while foreign exchange swaps rose by £170m to £413m, and inflation swaps rose by £176m to £438m. In relation to the interest rate, foreign exchange and inflation derivative assets, compensating increases in the swap liability positions means that the overall swap exposure in relation to these categories is limited to a net liability of £722m (2021: net asset £291m). Increased collateral requirements from the hedging activity drove the increase in deposits with credit institutions (2022: £908m, 2021: £53m), and is almost all in relation to interest rate swaps. Combining the 2022 net derivative liability and deposits held at credit institutions (predominantly collateral) is a net asset of £186m (2021: net asset of £343m). Other swap assets and liabilities are negligible. In accordance with accounting standards these derivatives are not offset. Given that the net asset/liability is not represented in the financial investments total on the balance sheet, to aid comparability, the percentage of financial investments does not include derivatives and collateral.

REINSURANCE ASSETS AND LIABILITIES

Reinsurance assets decreased to £2.3bn at 31 December 2022 (2021: £2.8bn) due to the increase in the valuation rate of interest over the period. Since the introduction of Solvency II in 2016, the Group has increased its use of reinsurance longevity swaps rather than quota share treaties for shareholder funded business, albeit the DB partnering business is written via quota share. Reinsurance liabilities relate to liability balances in respect of the Group's longevity swap arrangements.

OTHER ASSETS

Other assets increased to £1.4bn at 31 December 2022 (2021: £0.9bn). These assets include cash, investment in associate, deferred tax assets, insurance receivables and intangible assets.

INSURANCE LIABILITIES

Insurance liabilities decreased to £18.3bn at 31 December 2022 (2021: £21.8bn). The decrease in liabilities arose from the new business premiums written during the year, which was more than offset by an increase to the valuation rate of interest over the period.

OTHER FINANCIAL LIABILITIES

Other financial liabilities increased to £5.3bn at 31 December 2022 (2021: £2.9bn). These liabilities mainly relate to collateral deposits received from reinsurers, together with derivative liabilities and other cash collateral received. The increase from the prior year relates to higher amounts of derivatives and collateral, given the market volatility.

OTHER LIABILITIES

Other liability balances decreased to £784m at 31 December 2022 (2021: £861m) due to the £76m repayment of the Tier 2 debt.

IFRS NET ASSETS

The Group's total equity at 31 December 2022 was £2.2bn (2021: £2.4bn). Total equity includes the Restricted Tier 1 notes of £322m (after issue costs) issued by the Group in September 2021. Including negative effects of Solvency II interest rate hedging on the IFRS results, total equity attributable to ordinary shareholders decreased from £2,120m to £1,823m resulting in net asset value per ordinary share of 179 pence (2021: 204 pence).

DIVIDENDS

In line with our stated policy to grow the dividend over time, the Board is recommending a final dividend of 1.23 pence per share bringing the total dividend for the year ended 31 December 2022 to 1.73 pence per share, representing a 15% increase on the annualised dividend (2021: 1.0 pence, recommenced dividend and represents a final dividend only).

ANDY PARSONS

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.

The framework has now been enhanced to facilitate the identification, assessment and reporting of risks arising from climate change ("climate risk"), with risk category definitions updated to integrate climate risk aspects. A qualitative climate risk appetite has been added to the Group's existing high-level appetites, which include reputation and capital, recognising the potential impacts of climate risk.

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 evaluation and mitigation. 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. Our policies have been updated to draw out any climate specific considerations for risk management.

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. Risks arising from the transition to a lower carbon economy 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 more data and methodologies emerge.

The aggregate exposure to climate risk is assessed against existing risk appetites, with climate risk a factor to be considered in the management of these risks. Risk appetite tolerances will be reviewed as further stress-testing results become available.

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 a key 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 as well as conduct, and 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 evolve as the quantification of risk exposures develops and key risk indicators ("KRIs") are identified.

Principal risks and uncertainties

STRATEGIC PRIORITIES

1. Grow sustainably

2. Transform how we work

3. Grow through innovation

4. Get closer to our customers and partners

5. Be proud to work at Just

A material change was made to how the risks and uncertainties are presented in this report. The first section summarises the Group's ongoing core risks and how they are managed in business as usual. The risk outlook section calls out the risk subjects that are evolving and are of material importance from a Group perspective.

ONGOING PRINCIPAL RISKS

Risk	How we manage or mitigate the risk
A **Market risk** 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 which allows preferred equity to be held. **Strategic priorities** 1, 3	• Premiums invested to match asset and liability cash flows as closely as practicable; • Market risk exposures managed within pre-defined limits aligned to risk appetite for individual risks; • Exposure managed using regulatory and economic metrics to achieve desired financial outcomes; • Balance sheet 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** arises if another party fails to perform its financial obligations to the Group, including failing to perform them in a timely manner. **Strategic priorities** 1, 3, 4	• Investments are restricted to permitted asset classes and concentration limits; • Credit risk exposures 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 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** arises through exposure to longevity, mortality, morbidity risks and related factors such as levels of withdrawal from lifetime mortgages and management and administration expenses. **Strategic priorities** 1, 3, 4	• Controls maintained over insurance risks related to product development and pricing; • Adherence to approved underwriting requirements; • Medical information 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 approval of assumptions used; and • Regular monitoring, control and analysis of actual experience and expense levels.
D **Liquidity risk** is the risk of insufficient suitable assets available to meet the	• Stress and scenario testing and analysis: including collateral margin stresses, asset eligibility and haircuts under stress;

Group's financial obligations as they fall due. **Strategic priorities** 1, 3, 4	• Corporate collateral capacity to reduce liquidity demands and improve our liquidity stress resilience; • Risk assessment reporting and risk event logs inform governance and enable effective oversight; and • Contingency funding plan maintained with funding options and process for determining actions.
E **Conduct and operational risks** 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. **Strategic priorities** 1, 2, 3, 4, 5	• Implementation of policies, controls, and mitigating activities to keep risks within appetite; • GRCC oversight of risk status reports and any actions needed to bring risks back within appetite; • Scenario-based assessment to establish the level of capital needed for conduct and operational risks; • Monitoring conduct risk indicators and their underlying drivers prompting action to protect customers; • Risk management training and other actions to embed regulatory changes; and • Ensuring 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** 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. **Strategic priorities** 1, 2, 3, 4, 5	• 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 affects Just	Just's exposure to the 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. **Strategic priorities** 1, 3, 4, 5 **Trend** Uncertain	Just monitors and assesses regulatory developments 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.	HM Treasury continues to review the future regulatory framework for financial services, which includes the Solvency II review. Both reviews could impact the amount of capital our businesses are required to hold. Matching Adjustment and Risk Margin reform is of key importance to Just's business model. The HM Treasury response in November 2022 set out the Government's final reform package for Solvency UK, including: • a reduction in the Risk Margin; • an enhancement in the Fundamental Spread risk sensitivity although its underlying design will be unchanged; and • a broadening of eligibility requirements for the Matching Adjustment, the inclusion of assets with 'highly predictable' cash flows, and other changes including increased flexibility in the associated processes. The potential impact of the changes will not be fully understood until the details of their implementation are known. The FCA's rules for a new Consumer Duty (PS22/9 published July 2022) will set higher and clearer standards for consumer protection across financial services and require firms to put customers' needs first.

		Firms need to apply the Duty to new and existing products and services that are open to sale (or renewal) from 31 July 2023, and from 31 July 2024 to apply the Duty to products and services in closed books. Work is now progressing to implement within the timeframes the plans approved by the Just Boards in October 2022. New PRA and FCA regulations on operational resilience took effect in March 2022. The Regulators expect firms to be operationally resilient to ensure customers are not at a financial disadvantage or be placed at risk of financial harm. Firms must identify its most important business services and set impact tolerances for each, with regular scenario testing and an annual Self-Assessment for Board approval. The change in insurance accounting standard to IFRS 17 due to be implemented in 2023 will produce a different profit recognition profile to which market participants will take time to adjust. We published an investor presentation in February 2023 to brief investors on the changes resulting from IFRS 17 ahead of full implementation.
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. **Strategic priorities** 1, 2, 3, 4, 5 **Trend** Increasing	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 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 lifetime mortgage lending policy will be kept under review in light of climate risk and adjustments made as required. For corporate bond and illiquid investment portfolios, the impact of climate risk on assets or business models may affect the ability of corporate bond issuers and commercial borrowers to service their liabilities. Yields available from corporate bonds may also be affected by any litigation or reputational risks associated with	Just is proactive in pursuing its sustainability responsibilities and recognises the importance of its social purpose. We have set sustainability targets for our operations to be carbon net zero by 2025 and for emissions from our investment portfolio, properties on which lifetime mortgages are secured and supply chain to be net zero by 2050, with a 50% reduction in these emissions by 2030. Performance against these targets is being monitored and reported. We will continue to develop stress 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. Under Just's Responsible Investment Framework, the environmental credentials of bonds and illiquid investments are considered when new premium income is invested. 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; it may also create new opportunities to invest in assets that are perceived to be more sustainable.

	the issuers' environmental policies or adherence to emissions targets.	
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, as well as reputational damage. **Strategic priorities** 1, 2, 3, 4, 5 **Trend** Stable	Our IT systems are central to conducting our business from delivering outstanding customer service 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 to strengthen data security and overall resilience. In 2022 we have made enhancements to network architecture and implemented data centre upgrades. Our email system has been made more resilient to malicious attacks, including emerging types of ransomware. 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 is tightly controlled by technical teams following established standards and practices.	The cyber threat to firms is expected to continue at a high level in the coming years with evolving sophistication. We will continue to closely monitor evolving external cyber threats to ensure our information security measures remain fit for purpose. 2023 will see further investments in cyber-attack countermeasures, to enable consistent delivery of required security standards. This will include the replacement of the Security Incident Event Management tool to increase security. Other new technologies will be evaluated during the year. Just's new Chief Information Security Officer will implement a revised information security team structure and approach.
4 **Insurance risk** In the long-term, the rates of mortality suffered by our customers may differ from the assumptions made when we priced the contract. **Strategic priorities** 1, 3, 4 **Trend** Stable	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 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 27 and 29 of the Annual Report and Accounts. Mortality experience continues to be volatile and significantly 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 current assumption about these changes has been incorporated into Just's pricing across our Retirement Income and Lifetime Mortgage products and will be updated as more information becomes available.
5 **Market and credit risk**	Financial market volatility leads to changes in the level of market prices of assets and liabilities. Our business	Tightening fiscal and monetary policy are expected to weaken global growth significantly in 2023, with a

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. Global factors have led to high inflation, increased interest rates and significant volatility in financial markets in 2022. **Strategic priorities** 1, 3, 4 **Trend** Increasing	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 involves default, credit rating downgrade and concentration risks. Other credit risk exposures arise due to the potential default by counterparties we use to: • provide reinsurance to manage longevity risk and to fund new business. • provide financial instruments to mitigate interest rate and currency risk exposures. • holding our cash balances. 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. Credit risk on cash assets is managed by imposing restrictions over the credit ratings of third parties with whom cash is deposited.	sustained recession possible in the UK. Financial markets are likely to remain volatile during this period. Our investment assets may experience increased movements in downgrade and/or default experience in 2023. Residential property price falls may increase 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 commercial mortgage portfolio. Our balance sheet sensitivities to these risks can be found in note 17.
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 in extremely volatile conditions such as those triggered by the September 2022 "mini-budget." **Strategic priorities** 1, 3, 4 **Trend** Increasing	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 have experienced significant volatility recently. Just was not directly affected by the Liability Driven Investment ("LDI") crisis following September's "mini-budget," which impacted defined benefit pension schemes unprepared for the effect on many collateralised derivative positions of a sudden increase in interest rates. However, the market turmoil, including the fall in the value of sterling, did create a sharp increase in collateral calls for the Group, which were managed through its liquidity risk framework.	Financial markets are expected to remain volatile into the foreseeable future with an increased level of liquidity risk. At the same time (partly as a result of the LDI crisis) 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. **Strategic priorities** 1, 2, 3, 4, 5 **Trend** Stable	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 own 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.

Consolidated statement of comprehensive income

for the year ended 31 December 2022

	Note	**Year ended 31 December 2022 £m**	Year ended 31 December 2021 £m
Gross premiums written	6	**3,391.3**	2,676.1
Reinsurance premiums ceded		**(271.5)**	(23.3)
Net premium revenue		**3,119.8**	2,652.8
Net investment expense	2	**(4,778.5)**	(130.3)
Fee and commission income		**14.0**	15.6
Share of results of associates accounted for using the equity method	35	**(2.9)**	–
Total revenue net of investment expense		**(1,647.6)**	2,538.1
Gross claims paid		**(1,446.5)**	(1,381.3)
Reinsurers' share of claims paid		**236.5**	239.9
Net claims paid		**(1,210.0)**	(1,141.4)
Change in insurance liabilities:			
Gross amount		**3,487.4**	(706.7)
Reinsurers' share		**(552.4)**	(332.0)
Net change in insurance liabilities		**2,935.0**	(1,038.7)
Change in investment contract liabilities	24	**2.6**	(0.8)
Acquisition costs	3	**(55.5)**	(48.6)
Other operating expenses	4	**(209.2)**	(193.2)
Finance costs	5	**(132.7)**	(136.8)
Total claims and expenses		**1,330.2**	(2,559.5)
Loss before tax	6	**(317.4)**	(21.4)
Income tax	7	**85.7**	5.6
Loss for the year		**(231.7)**	(15.8)
Other comprehensive income/(loss):			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of land and buildings	7, 14	**0.2**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**0.5**	(0.6)
Other comprehensive income/(loss) for the year, net of income tax		**0.7**	(0.6)
Total comprehensive loss for the year		**(231.0)**	(16.4)
Loss attributable to:			
Equity holders of Just Group plc		**(231.1)**	(15.0)
Non-controlling interest	35	**(0.6)**	(0.8)
Loss for the year		**(231.7)**	(15.8)
Total comprehensive loss attributable to:			
Equity holders of Just Group plc		**(230.4)**	(15.6)
Non-controlling interest	35	**(0.6)**	(0.8)
Total comprehensive loss for the year		**(231.0)**	(16.4)
Basic earnings per share (pence)[1]	11	**(23.70)**	(7.97)
Diluted earnings per share (pence)[1]	11	**(23.70)**	(7.97)

The notes are an integral part of these financial statements.

1 Restated see note 1

Consolidated statement of changes in equity

for the year ended 31 December 2022

Year ended 31 December 2022	Note	Share capital £m	Share premium £m	Reorganisation reserve £m	Merger reserve £m	Revaluation reserve £m	Shares held by trusts £m	Accumulated profit[1] £m	Total shareholders' equity £m	Tier 1 notes £m	Total owners Equity £m	Non-controlling interest £m	Total £m
At 1 January 2022		103.9	94.6	348.4	597.1	2.8	(4.3)	977.0	2,119.5	322.4	2,441.9	(1.9)	2,440.0
Loss for the year		–	–	–	–	–	–	(231.1)	(231.1)	–	(231.1)	(0.6)	(231.7)
Other comprehensive income for the year, net of income tax		–	–	–	–	0.2	–	0.5	0.7	–	0.7	–	0.7
Total comprehensive income/(loss) for the year		–	–	–	–	0.2	–	(230.6)	(230.4)	–	(230.4)	(0.6)	(231.0)
Contributions and distributions													
Shares issued	21	–	0.1	–	–	–	–	–	0.1	–	0.1	–	0.1
Dividends	12	–	–	–	–	–	–	(15.6)	(15.6)	–	(15.6)	–	(15.6)
Interest paid on Tier 1 notes (net of tax)	22	–	–	–	–	–	–	(13.6)	(13.6)	–	(13.6)	–	(13.6)
Share-based payments		–	–	–	–	–	(5.9)	3.8	(2.1)	–	(2.1)	–	(2.1)
Total contributions and distributions		–	0.1	–	–	–	(5.9)	(25.4)	(31.2)	–	(31.2)	–	(31.2)
Total changes in ownership interests		–	–	–	–	–	–	–	–	–	–	–	–
At 31 December 2022		103.9	94.7	348.4	597.1	3.0	(10.2)	721.0	1,857.9	322.4	2,180.3	(2.5)	2,177.8

1 Includes currency translation reserve of £1.1m, 31 December 2021 £1.6m.

Year ended 31 December 2021	Note	Share capital £m	Share premium £m	Reorganisation reserve £m	Merger reserve £m	Revaluation reserve £m	Shares held by trusts £m	Accumulated profit[1] £m	Total shareholders' equity £m	Tier 1 notes £m	Total owners Equity £m	Non-controlling interest £m	Total £m
At 1 January 2021		103.8	94.5	348.4	597.1	3.3	(5.4)	1,056.6	2,198.3	294.0	2,492.3	(1.9)	2,490.4
(Loss)/income for the year		–	–	–	–	–	–	(15.0)	(15.0)	–	(15.0)	(0.8)	(15.8)
Other comprehensive (loss)/income for the year, net of income tax		–	–	–	–	(0.5)	–	(0.1)	(0.6)	–	(0.6)	–	(0.6)
Total comprehensive (loss)/income for the year		–	–	–	–	(0.5)	–	(15.1)	(15.6)	–	(15.6)	(0.8)	(16.4)
Contributions and distributions													
Shares issued	21	0.1	0.1	–	–	–	–	–	0.2	–	0.2	–	0.2
Tier 1 notes issued (net of costs)	22	–	–	–	–	–	–	–	–	322.4	322.4	–	322.4
Tier 1 notes redeemed	22	–	–	–	–	–	–	(47.0)	(47.0)	(294.0)	(341.0)	–	(341.0)
Dividends	12	–	–	–	–	–	–	–	–	–	–	–	–
Interest paid on Tier 1 notes (net of tax)	22	–	–	–	–	–	–	(20.4)	(20.4)	–	(20.4)	–	(20.4)
Share-based payments		–	–	–	–	–	1.1	3.7	4.8	–	4.8	–	4.8
Total contributions and distributions		0.1	0.1	–	–	–	1.1	(63.7)	(62.4)	28.4	(34.0)	–	(34.0)
Changes in ownership interest													
Acquisition of non-controlling interest	35	–	–	–	–	–	–	(0.8)	(0.8)	–	(0.8)	0.8	–
Total changes in ownership interests		–	–	–	–	–	–	(0.8)	(0.8)	–	(0.8)	0.8	–
At 31 December 2021		103.9	94.6	348.4	597.1	2.8	(4.3)	977.0	2,119.5	322.4	2,441.9	(1.9)	2,440.0

The notes are an integral part of these financial statements.

Consolidated statement of financial position

as at 31 December 2022

	Note	**31 December 2022 £m**	31 December 2021 £m
Assets			
Intangible assets	13	**103.8**	119.7
Property, plant and equipment	14	**22.4**	14.2
Investment property	15	**40.3**	69.6
Financial investments	16	**23,477.2**	24,681.7
Investments accounted for using the equity method	35	**194.3**	–
Reinsurance assets	23	**2,286.9**	2,808.2
Deferred tax assets	18	**93.2**	–
Current tax assets		**5.7**	30.2
Prepayments and accrued income		**85.0**	75.6
Insurance and other receivables	19	**322.8**	35.4
Cash available on demand	20	**482.0**	510.2
Assets classified as held for sale	14	**–**	3.1
Total assets		**27,113.6**	28,347.9
Equity			
Share capital	21	**103.9**	103.9
Share premium	21	**94.7**	94.6
Reorganisation reserve		**348.4**	348.4
Merger reserve	21	**597.1**	597.1
Revaluation reserve	14	**3.0**	2.8
Shares held by trusts		**(10.2)**	(4.3)
Accumulated profit		**721.0**	977.0
Total equity attributable to shareholders of Just Group plc		**1,857.9**	2,119.5
Tier 1 notes	22	**322.4**	322.4
Total equity attributable to owners of Just Group plc[1]		**2,180.3**	2,441.9
Non-controlling interest	35	**(2.5)**	(1.9)
Total equity		**2,177.8**	2,440.0
Liabilities			
Insurance liabilities	23	**18,332.9**	21,812.9
Reinsurance liabilities	23	**305.8**	274.7
Investment contract liabilities	24	**32.5**	33.6
Loans and borrowings	25	**699.3**	774.3
Lease liabilities	26	**8.6**	3.9
Other financial liabilities	27	**5,250.2**	2,865.6
Deferred tax liabilities	18	**–**	5.3
Other provisions		**1.1**	1.2
Accruals and deferred income		**42.9**	43.1
Insurance and other payables	30	**262.5**	93.3
Total liabilities		**24,935.8**	25,907.9
Total equity and liabilities		**27,113.6**	28,347.9

1 Total equity attributable to owners of Just Group plc has been restated to include Tier 1 notes, which were previously presented separately within total equity.

The notes are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 6 March 2023 and were signed on its behalf by:

ANDY PARSONS
Director

Consolidated statement of cash flows

for the year ended 31 December 2022

	Note	**Year ended 31 December 2022 £m**	Year ended 31 December 2021 £m
Cash flows from operating activities			
Loss before tax		**(317.4)**	(21.4)
Depreciation of property, plant and equipment	14	**3.3**	4.2
Share of results from associates		**2.9**	–
Impairment of property, plant and equipment	14	**–**	0.3
Amortisation of intangible assets	13	**20.5**	20.4
Property revaluation loss		**0.5**	–
Share-based payments		**(3.4)**	4.8
Interest income	2	**(637.9)**	(572.1)
Interest expense	5	**132.7**	136.8
Realised and unrealised gains on financial investments		**2,914.4**	(1,103.8)
Decrease in reinsurance assets		**552.4**	332.0
Increase in prepayments and accrued income		**(9.4)**	(1.3)
Increase in insurance and other receivables		**(287.8)**	(3.8)
(Decrease)/increase in insurance liabilities		**(3,480.0)**	694.5
Decrease in investment contract liabilities		**(1.1)**	(9.2)
Decrease in deposits received from reinsurers		**(540.8)**	(270.3)
Increase/(decrease) in accruals and deferred income		**1.4**	(10.8)
Increase in insurance and other payables		**169.2**	1.7
Increase/(decrease) in other creditors		**1,339.6**	(60.4)
Interest received		**401.9**	337.8
Interest paid		**(74.7)**	(78.7)
Taxation received/(paid)		**16.0**	(12.7)
Net cash inflow/(outflow) from operating activities		**202.3**	(612.0)
Cash flows from investing activities			
Additions to internally generated intangible assets	13	**(4.6)**	(6.6)
Acquisition of property and equipment	14	**(3.5)**	(0.7)
Disposal of assets		**3.1**	–
Acquisition of associates/subsidiaries	35	**(197.3)**	(70.6)
Net cash outflow from investing activities		**(202.3)**	(77.9)
Cash flows from financing activities			
Issue of ordinary share capital (net of costs)	21	**0.1**	0.2
Proceeds from issue of Tier 1 notes (net of costs)	22	**–**	321.8
Redemption of Tier 1 notes (including costs)	22	**–**	(350.6)
Decrease in borrowings (net of costs)	25	**(76.5)**	–
Dividends paid	12	**(15.6)**	–
Coupon paid on Tier 1 notes	12	**(16.9)**	(25.2)
Interest paid on borrowings		**(57.1)**	(56.7)
Payment of lease liabilities – principal	26	**(2.9)**	(3.6)
Payment of lease liabilities – interest	26	**(0.1)**	(0.1)
Net cash outflow from financing activities		**(169.0)**	(114.2)
Net decrease in cash and cash equivalents		**(169.0)**	(804.1)
Foreign exchange differences on cash balances		**4.7**	–
Cash and cash equivalents at 1 January		**1,820.7**	2,624.8
Cash and cash equivalents at 31 December		**1,656.4**	1,820.7
Cash available on demand		**482.0**	510.2
Units in liquidity funds		**1,174.4**	1,310.5
Cash and cash equivalents at 31 December	20	**1,656.4**	1,820.7

The notes are an integral part of these financial statements.

Notes to the consolidated financial statements

1 SIGNIFICANT 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.

Restatement

A limited scope review of the Company's Annual Report and Accounts to 31 December 2021 was performed by the FRC in accordance with Part 2 of the FRC Corporate Reporting Review Operating Procedures. The review covered only those aspects of the Annual Report and Accounts that relate to the application of IAS 33, 'Earnings per Share', and compliance with its requirements.

As a result of the review of the 2021 Annual Report by the FRC, the Directors reconsidered the accounting for the loss on redemption of the Restricted Tier 1 (RT1) notes redeemed in 2021. The requirements in IAS 33 regarding redemption of preference shares should have been applied to the redemption of the RT1 notes and as such the loss on redemption should have been deducted from earnings for the purposes of calculating Earnings per share and Diluted earnings per share. The impact of correcting this error is shown below.

	As originally disclosed pence	Adjusted pence	As restated pence
Earnings per share	**(3.42)**	(4.55)	(7.97)
Diluted earnings per share	**(3.42)**	(4.55)	(7.97)

The above restatement has no effect on the 2021 Adjusted earnings per share.

The FRC's enquiry, which was limited to only those aspects of the 2021 Annual Report and Accounts that relate to the application of IAS 33, 'Earnings per Share', and compliance with its requirements is now complete. The FRC review does not benefit from detailed knowledge of our business or an understanding of the underlying transaction entered into in redemption of the Restricted Tier 1 notes, and accordingly the review provides no assurance that the Annual Report and Accounts are correct in all material respects.

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. Values are expressed to the nearest £0.1m.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2022 and 2021 but is derived from those accounts. Statutory accounts for 2021 have been delivered to the registrar of companies, and those for 2022 will be delivered in due course. The auditor has reported on those statutory accounts. Their report for the years ended 31 December 2022 and 31 December 2021 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.

i) 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 the financial statements.

This assessment includes the consideration of the Group's business plan approved by the Board; the projected liquidity position 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 1-in-200 year stress events. The Group liquid resources includes an 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 in 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 2022 was

14.6% (2021: 15.8%). 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 year's 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, mortality, and risk-free rates, together with a reduction in new business levels. In addition, the results of extreme property stress tests were considered, including a property price fall of over 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' assessment concluded 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. The Directors also 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.

ii) New accounting standards and new significant accounting policies

The following amendments to existing accounting standards are effective from 1 January 2022 but do not have a significant impact on the Group's financial statements. The amendments include clarifications that are not inconsistent with the Group's existing accounting treatment and other insignificant changes.

- IFRS 3, Business combinations – Amendments to references to the conceptual framework for financial reporting in order to avoid the unintentional recognition of day-two gains following revisions to the conceptual framework in 2018;
- IAS 16, Property, plant and equipment – Amendments in respect of proceeds before intended use that prohibits deducting proceeds from selling items from the cost of an item of property, plant and equipment;
- IAS 37, Provisions, contingent liabilities and contingent assets – Amendments in respect of costs of fulfilling a contract to clarify that such costs include both direct costs and an allocation of costs that relate directly to fulfilling the contract.

The following new accounting standards and amendments to existing accounting standards have not yet been adopted and are expected to have a significant impact on the Group.

- IFRS 9, Financial instruments (effective 1 January 2018).

Amendments to IFRS 4, Insurance Contracts, published in September 2016 and adopted by the Group with effect from 1 January 2018, permits the deferral of the application of IFRS 9 until accounting periods commencing on 1 January 2023 for eligible insurers. Just continues to defer IFRS 9.

If the Group had adopted IFRS 9 it would continue to classify financial assets at fair value through profit or loss. Therefore, under IFRS 9 all financial assets would continue to be recognised at fair value through profit or loss and the fair value at 31 December 2022 would be unchanged at £23,474.1m. As well as financial assets, the Group also holds Insurance and other receivables and Cash and cash equivalent assets, with contractual terms that give rise to cash flows on specified dates; the fair value of these investments is considered to be materially consistent with their carrying value.

- IFRS 17, Insurance contracts (effective 1 January 2023).

i) IFRS 17

Background

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. The amendments issued in June 2020 aimed to assist entities implementing the standard. During 2022, the IASB Interpretation Committee ("IFRIC") signalled its conclusion regarding the approach to assessing coverage units for annuity contracts in payment and this has been adopted in Just's approach. IFRS 17 was approved for adoption by the UK Endorsement Board in May 2022. Results in the 2023 financial year

will comply with IFRS 17, with the first Annual Report published in accordance with IFRS 17 being that for the year ending 31 December 2023. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4, Insurance Contracts. IFRS 17 represents a significant conceptual change from IFRS 4, with recognition of profits over lives of contracts instead of mainly at point of sale for annuity business. Furthermore, recognition of demographic and expense assumption changes will also be deferred under IFRS 17, with recognition over the remaining lives of contracts, which will result in reduced volatility in reported profits in future. There is no change to the interpretation of significant insurance risk and its application to Just's products, and hence the scope of contracts within IFRS 17 is consistent with IFRS 4.

IFRS 17 Project

The Group has deployed a cross-functional project team dedicated to the implementation of IFRS 17. This team has been engaged in determining accounting policies under the new standard, quantifying the transitional adjustments and developing and implementing a new system for calculating the contractual service margin together with a new accounting system which will support the extensive financial statements disclosures required by IFRS 17. The team is currently focussed on validating transition results, producing the 2022 year end results on an IFRS 17 basis, and the embedding of new IFRS 17 processes and controls across reporting, planning and relevant operational functions.

Transition

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

- Identify, recognise, and measure each group of gross insurance contracts and associated reinsurance contracts, as if IFRS 17 had always applied unless impracticable;
- Derecognise 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;
- Classify reinsurance balances separately depending whether they are in an asset or liability position at a portfolio level, where previously they were classified at a treaty level;
- Reclassify reinsurance deposits previously classified as financial instruments, to be included within the value of reinsurance contracts; and
- Recognise any resulting net difference in accumulated profit net of any related tax adjustments.

Firms are required to apply IFRS 17 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, management have 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 the IAS 8 accounting standard '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. 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 non-financial risk differs to any of the risk-based allowances adopted by the Group for either existing regulatory or statutory reporting purposes. The Group's 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, management 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 those 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.

Management have assessed whether other information used in previous reporting cycles, including for pricing new business, could be used to determine the risk adjustment, but have concluded that none of these alternatives would be appropriate. 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. The reinsurance risk adjustment in IFRS 17 reflects the "amount of risk being transferred" to the reinsurer, so where the risk adjustment for insurance contracts is impracticable then, by definition, the reinsurance risk adjustment is also impracticable. For contracts for which the Fully Retrospective Approach is impracticable, the Group will apply the Fair Value Approach. A reconciliation of our primary financial statements under IFRS 17 to those in accordance with IFRS 4 will be provided in the 2023 interim financial statements.

Fair value calculations

Under the fair value approach, the Contractual Service Margin ("CSM") will be determined as the difference between the fair value of a group of contracts and the fulfilment cash flows at the transition date. Fair values have been calculated in accordance with IFRS 13 which requires that entities should consider market observable data. There is no active observable market for the transfer of insurance liabilities and associated reinsurance between market participants and therefore there is limited market observable data. The fair value methodology adopted by the Group calculates the premium that would be required by a market participant to accept the insurance liabilities together with associated reinsurance. The fair value models have been based on Just's internal pricing models as used for pricing new business. By basing the fair values on results from pricing models used in the active insurance markets, management believes that the results are representative of

market fair values. Key assumptions used as inputs within the models are the Solvency Capital Requirement coverage ratio, the Return on Capital ("RoC") assumption and the backing asset mix. 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 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 sometimes used in industry for the valuation of insurance business.

Contractual Service Margin

The recognition of the Contractual Service Margin ("CSM") liability represents a major change from existing accounting treatment under which profits in excess of prudence margins are immediately recognised in the income statement. The CSM is held on the balance sheet as part of insurance contract liabilities, and represents the unearned profit of insurance contracts. The CSM in respect of contracts gross of reinsurance cannot be negative; in this event, a loss will be reported in the statement of comprehensive income (the "income statement") to the extent that fulfilment cash flows represent a net outflow over the coverage period.

Under the general model, the CSM is adjusted at each subsequent reporting period, using discount rate determined at inception, for changes in expected future cash flows. Changes in fulfilment cash flows are recognised as follows:

- Changes relating to future services adjusted against the CSM (or recognised in the insurance service result in the income statement if the group is onerous).
- Changes relating to current or past services are recognised in the insurance service result in the income statement.
- Effects of the time value of money, financial risk and changes therein on estimated future cash flows are recognised as insurance finance income or expenses in the income statement.

Interest is accreted on the CSM at rates locked in at initial recognition of a contract (i.e. discount rate used at inception to determine the present value of the estimated cash flows). The CSM will be released into the income statement based on coverage units which reflect the quantity of the benefits provided and the expected coverage duration of the remaining contracts in the group.

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 will 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 will use 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, investment return service coverage units are represented by the return on the funds backing the future cash flows in this accumulation phase and the insurance service is considered insignificant;
- In the guaranteed phase when payments outwards are being made, investment return service is represented by the payments to annuitants; and
- In the life contingent phase, insurance service is represented by payments to annuitants.

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.

IFRS 17 fulfilment cash flows

The IFRS 17 fulfilment cash flows comprise a best estimate component, the 'estimate of present value of future cash flows', and a risk adjustment for non-financial risks. The best estimate cash flows are expected to be consistent with the current IFRS 4 cash flows after removing the prudence margins.

Risk adjustment for non-financial risks

A further change introduced by IFRS 17 is the inclusion of the risk adjustment for non-financial risk (risk adjustment) as an explicit reserve within insurance liabilities to reflect the compensation required by the Group for bearing the uncertainty in respect of the amount and timing of the future cash flows. This component replaces an implicit allowance for prudence within the IFRS 4 reserves. The determination of the risk adjustment within Just follows a value-at-risk type approach, representing the maximum loss within a retained confidence level. Applying a confidence level technique, the Group will estimate the probability distribution of the expected present value of the future cash flows from the contracts at each reporting date and calculate the risk adjustment for non-financial risk as the excess of the value at risk at the target confidence level over the expected present value of the future cash flows allowing for the associated risks over all future years. The Group is targeting a confidence level of 70% on an ultimate run off basis. This target level has been chosen in light of it being commensurate to a 1 in 10 year risk confidence level on a one-year basis. No diversification of risk adjustment for non-financial risk between legal entities is assumed.

Discount rates

The Group will continue to use the 'top-down' approach for determining the discount rates as it currently does for IFRS 4. Following this approach, the effect of factors within the yield that are not characteristic of the insurance cash flows, notably credit risk, both expected and unexpected, must be removed. This marks a change from IFRS 4, which simply requires that a prudent allowance is made for credit risk. The quantification of the allowance for credit risk within asset yields is not observable in the market or readily available data sources and hence involves subjective judgement. The Group will make an allowance for unexpected default risk and remove the IFRS 4 prudence for different investment types, with the overall change not expected to be significant in the context of the insurance contracts balance. No adjustment for liquidity differences between the reference portfolio and the liabilities is made.

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"). This is consistent with the approach taken for the current new business operating profit metric. For the purposes of the CSM relating to each group of contracts, a weighted average of these discount rate curves is determined to lock-in each annual cohort.

At each valuation date, the estimate of the present value of future cash flows and the risk adjustment for non-financial risk are discounted based on the yields within a reference portfolio of assets consisting of the actual asset portfolio backing the net of reinsurance liabilities. The reference portfolio is adjusted in respect of new contracts incepting in the period to allow for a period of transition from the target portfolio to the actual asset portfolio.

Level of aggregation

The Group's life companies will aggregate all insurance contracts into single portfolios as their products bear similar risks and are managed together. The CSM is computed for separate contract groupings based on annual cohorts split between DB, GIfL and Care products. These groupings are further subdivided at the date of initial recognition into three groupings: onerous (if any); contracts which have no significant possibility of becoming onerous subsequently (if any); and the remaining contracts.

Reinsurance

The Group will measure reinsurance contracts separately to the underlying contracts using consistent assumptions in cases where the reinsurance is transacted or in place in the same accounting period, in accordance with the standard. The level of aggregation for CSM calculation purposes will be at treaty (contract) level. The existing treaties for which the deposit back arrangements are currently reported separately as financial liabilities will be included within the value of the associated reinsurance contracts under IFRS 17.

Impact

We have estimated that the post-tax impact on accumulated profit of the Group at transition will be a decrease of between £0.9bn and £1.1bn. The corresponding impact will primarily be recorded as CSM within the insurance contract balance. The results from the models used to calculate the post-tax impact on accumulated profit have been through validation processes by the company which have enabled us to present the range above. Further checks and system refinements are being undertaken as part of the production of the transition balance sheet which will be reported as part of our interim results for the six month period ending 30 June 2023. The implementation of the comprehensive end state control environment will continue as Just introduces business as usual controls throughout the first half of 2023, and in the meantime we have only presented the impact on accumulated profits of the Group at transition.

The impact of the transition to IFRS 17 will be to de-recognise profits that were previously taxed under IFRS 4, thereby creating a tax loss. Transition relief for tax purposes was enacted in December 2022 which spreads relief for the tax loss over a ten year period. The Group anticipates full recovery of this tax loss against profits to be earned in future years.

Under IFRS 17, new business profits and changes in non-economic assumptions will be recognised in the income statement over the lifetime of the contracts. The timing of the recognition of the CSM in the income statement will be determined based on services that are provided, and the risk adjustment for non-financial risk as the related risk expires. The Group expects that, even though the total profit recognised over the lifetime of the contracts will not change, it will emerge more slowly under IFRS 17. Under IFRS 4, profits are currently recognised in the income statement account on initial recognition of the contracts. The different timing of profit recognition will result in an increase in liabilities on adoption of IFRS 17 because a portion of profits previously recognised and accumulated in equity under IFRS 4 will be included in the measurement of the liabilities under IFRS 17.

Disclosures

IFRS 17 requires extensive new financial statement disclosures. The format of the Statement of Comprehensive Income will be fundamentally altered to report a net profit or loss from insurance services separately from the investment result. New detailed disclosures will include a roll-forward from the prior period of the insurance balances split by component, including risk adjustment and CSM. Information on the expected CSM emergence pattern will be provided, as well as disclosures about significant judgements made when applying IFRS 17.

ii) IFRS 9 'Financial instruments'

Background

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 has met the relevant criteria and has 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 will apply IFRS 9 commencing 1 January 2023, with comparative periods restated. The IFRS 9

standard is applicable to financial assets and financial liabilities and covers the classification, measurement, impairment and de-recognition of financial assets and liabilities together with a new hedge accounting model.

Financial assets

The Group's business model is to manage financial instruments 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. This remains appropriate as it is consistent with the Group's business model and the management of the underlying instruments. The Group is investigating the opportunity to create a separate amortised cost portfolio of newly acquired surplus assets which would back the CSM reserve which is not interest rate sensitive.

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 our existing financial assets, measured at amortised cost, is not expected to have a material impact on Group shareholders' funds.

Financial liabilities

As explained above in the section on IFRS 17, the existing reinsurance deposit-back IAS 39 financial liabilities will move to within the scope of IFRS 17. Other than this, IFRS 9 retains the requirements in IAS 39 for the classification and measurement of financial liabilities, and hence there are no further changes required in this area.

Hedge accounting

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

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, Presentation of financial statements – Amendments in respect of disclosures of accounting policies (effective 1 January 2023, not yet endorsed);
- IAS 1, Presentation of financial statements – Amendments in respect of the classification of liabilities as current or non-current (effective 1 January 2024, not yet endorsed);
- IAS 8, Accounting policies – Amendments in respect of the definition of accounting estimates (effective 1 January 2023, not yet endorsed);
- IAS 12, Income taxes – Amendments in respect of deferred tax related to assets and liabilities arising from a single transaction (effective 1 January 2023, not yet endorsed).

1.2 Significant 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 regarding items reported in the Consolidated statement of comprehensive income, Consolidated statement of financial position, other primary statements and Notes to the consolidated financial statements.

The major areas of judgement in applying accounting policies are as follows.

Accounting policy	Item involving judgement	Critical accounting judgement
1.6	Classification of insurance and investment contracts	**Assessment of significance of insurance risk transferred.** A contract is classified as an insurance contract if it transfers significant insurance risk from the policyholder to the insurer, or from the cedent to the reinsurer in the case of a reinsurance contract. 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. Any contracts that do not include the transfer of significant insurance risk are classified as investment contracts.
1.17	Classification of financial investments	**Classification of financial investments and determining whether an active market exists for a financial investment.** Financial investments classified at fair value through profit or loss include those that are designated as such by management on initial recognition as they are managed on a fair value basis. Management's assessment of the market activity of a financial investment determines the fair value hierarchy of the valuation method used to determine the fair value of the financial investment.
1.17	Measurement of fair value of loans secured by residential mortgages, including measurement of the no-negative equity guarantees	**The use of a variant of the Black-Scholes option pricing formula with real world assumptions.** The measurement of the no-negative equity guarantee underlying the fair value of loans secured by mortgages uses a variant of the Black-Scholes option pricing formula, which has been adapted to use real world assumptions instead of risk

Accounting policy	Item involving judgement	Critical accounting judgement
		neutral assumptions due to the lack of relevant observable market inputs to support a risk neutral valuation approach.

The table below sets out those items the Group considers most susceptible to changes in critical estimates and assumptions. Management applies judgement in making estimates and assumptions that are applied to the balances described in the table below.

Accounting policy and notes	Item involving estimates and assumptions	Critical estimates and assumptions
1.17, 17(a) and (d)	Measurement of fair value of loans secured by residential mortgages, including measurement of the no-negative equity guarantees	The critical estimates used in valuing loans secured by residential mortgages include the projected future receipts of interest and loan repayments and the future costs of administering the loan portfolio. 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 risk-free curve and used to discount the mortgage cash flows.
1.17, 17(a) and (d)	Measurement of fair value of Financial investments - illiquids	The critical estimates used in valuing investments in illiquid financial assets include the projected future cashflows from settlement of the investment. The key assumption used as part of the valuation calculation is the discount rate which includes a credit spread allowance associated with the asset. The redemption and default assumptions are derived from the assumptions for the Group's bond portfolio.
1.18, 17(a) and (d), 23, 27	Measurement of reinsurance assets and deposits received from reinsurers arising from reinsurance arrangements	The critical estimates used in measuring the value of reinsurance assets include the projected future cash flows arising from reinsurers' share of the Group's insurance liabilities. The key assumptions used in the valuation include discount rates, as described below, and assumptions around the reinsurers' ability to meet its claim obligations. Deposits received from reinsurers are measured in accordance with the reinsurance contract and taking account of an appropriate discount rate for the timing of the expected cash flows of the liabilities. For deposits received from reinsurers measured at fair value through profit or loss, the key assumption used in the valuation is the discount rate.
1.21, 23(b)	Measurement of insurance liabilities arising from writing Retirement Income insurance	The critical estimates used in measuring insurance liabilities include the projected future Retirement Income payments and the cost of administering payments to policyholders. The key assumptions are the discount rates and mortality experience used in the valuation of future Retirement Income payments, and level and inflation of costs of administration. The valuation discount rates are derived from yields on supporting assets after deducting allowances for default. Mortality assumptions are derived from the appropriate standard mortality tables and 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.

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. Where relevant the impact of COVID-19 has been considered and detail included in the relevant note disclosures.

1.3 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: (1) it has power over the investee; (2) it is exposed, or has rights, to variable returns from its involvement with the investee; and (3) 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.

1.4 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.

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.

1.5 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 accounted for through other comprehensive income.

1.6 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 is classified as investment contracts as there is no transfer of longevity risk due to the premium protection option within these fixed term contracts. Capped Drawdown contracts are no longer marketed by the Group. Loans secured by residential mortgages ("LTM's") are accounted for as financial instruments in accordance with IAS 39.

1.7 Premium revenue

Premium revenue in respect of individual GIfL contracts is accounted for when the liability to pay the GIfL contract is established.

Premium revenue in respect of Defined Benefit De-risking contracts is accounted for when the Company becomes "on risk", which is the date from which the policy is effective. If a timing difference occurs between the date from which the policy is effective and the receipt of payment, the amount due for payment but not yet received is recognised as a receivable in the Consolidated statement of financial position.

Premium revenue in respect of Care Plans and Protection policies is accounted for when the insurance contract commences.

Deposits collected under investment contracts are not accounted for through the Consolidated statement of comprehensive income, except for fee income and attributable investment income, but are accounted for directly through the Consolidated statement of financial position as an adjustment to the investment contract liability.

Reinsurance premiums payable in respect of reinsurance treaties are accounted for when the reinsurance premiums are due for payment under the terms of the contract.

1.8 Net investment income

Investment income consists of interest receivable for the year and realised and unrealised gains and losses on financial assets and liabilities at fair value through profit or loss.

Interest income is recognised as it accrues.

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 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.

1.9 Revenue from contracts with customers

Revenue from contracts with customers is recognised at the amount that reflects the consideration to which the Group expects to be entitled in exchange for the services provided. Revenue from contracts with customers comprises commission on GIfL contracts, commission on LTM advances and other income which includes investment management fees, administration fees and software licensing fees.

Fee income excludes facilitated adviser charges collected on behalf of advisers.

1.10 Claims paid

Claims paid includes policyholder benefits and claims handling expenses. Policyholder benefits are accounted for when due for payment. Death claims are accounted for when notified.

Reinsurance claim recoveries are accounted for in the same period as the related claim.

1.11 Acquisition costs

Acquisition costs comprise direct costs, such as commission, and indirect costs of obtaining and processing new business. Acquisition costs are not deferred as they relate to single premium business.

1.12 Finance costs

Finance costs on deposits received from reinsurers are recognised as an expense in the period in which they are incurred.

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.

1.13 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 change 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.

1.14 Intangible assets

Intangible assets consist of goodwill, which is deemed to have an indefinite useful life, Present Value of In-Force business ("PVIF"), acquired and internally generated intellectual property (including PrognoSys™), and purchased and internally developed software, which are deemed to have finite useful lives.

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.

PVIF, representing the present value of future profits from the purchased in-force business, is recognised upon acquisition and is amortised over its expected remaining economic life up to 16 years on a straight-line basis. PVIF is within the scope of IFRS 4.

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 16 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 lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	Estimated useful economic life	Valuation method
PVIF	Up to 16 years	Estimated value in-force using European embedded value model
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

1.15 Property, plant 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 Statement of comprehensive income.

All other property, plant 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, plant and equipment are as follows:

Property, plant 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

1.16 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.

1.17 Financial investments

Classification and measurement

The Group continues to apply IAS 39, prior to adoption of IFRS 9 concurrently with IFRS 17 in 2023. Investments are classified at fair value through profit and loss; including those assets designated by management as such on inception, as they are managed on a fair value basis, and also derivatives that are classified as held for trading. Financial investments include loans secured by residential mortgages ("LTM's") which are classified as financial assets. Investments are measured at fair value with any gains and losses recognised in Net investment income in the Consolidated statement of comprehensive income. Transaction costs are recognised in Other operating expenses when incurred.

The Group does not apply hedge accounting.

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. 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 IAS 39 derecognition criteria for transferred financial assets are met. The criteria include assessment of rights and obligations to the cash flows and assessment of the transfer of substantially all the risks and rewards of ownership.

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.

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 IAS 39 recognition/derecognition criteria. An assessment is made of the contractual terms, including consideration of the Group's exposure to the economic benefits. See accounting policy 1.18 and note 29 for further details.

Determination of fair value

The financial investments measured at fair value are classified into the three-level hierarchy described in note 17 on the basis of the observability of the inputs that are significant to the fair value measurement of the financial investment concerned.

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.

The Group holds certain financial investments which are not quoted in active markets. These include loans secured by residential mortgages, derivatives and other financial 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. For all listed fixed maturity securities, 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.

Deferral of IFRS 9

IFRS 4, Insurance contracts, permits the deferral of the application of IFRS 9 until accounting periods commencing on 1 January 2023 to align with the effective date of IFRS 17, the replacement insurance contracts standard. The option to defer the application of IFRS 9, which the Group has continued to adopt for 2022, is subject to meeting criteria relating to the predominance of insurance activity.

Eligibility for the deferral approach was based on an assessment of the Group's liabilities as at 31 December 2016, the end of the annual period during which the acquisition of Partnership Assurance Group plc took place and the most recent period of significant change in the magnitude of the Group's activities. At this date, the Group's liabilities connected with insurance exceeded the 90% threshold required for the carrying amount of the Group's total liabilities. In the Statement of financial position at this date, the Group's total liabilities were £22,283.9m and liabilities connected with insurance were £21,497.7m, consisting of insurance contracts within the scope of IFRS 4 of £15,748.0m, investment contract liabilities of £222.3m, and amounts within other financial liabilities and insurance payables which arise in the course of writing insurance business of £5,527.4m, giving a predominance ratio of 96%.

1.18 Reinsurance

Reinsurance assets and liabilities

Amounts recoverable from reinsurers are measured in a consistent manner with insurance liabilities and are classified as reinsurance assets. If a reinsurance asset is impaired, the carrying value is reduced accordingly and that impairment loss is recognised in the Consolidated statement of comprehensive income. Reinsurance longevity swap arrangements are classified as either reinsurance assets or reinsurance liabilities based on the net position on the swap at the reporting date.

Amounts receivable/payable

Where reinsurance contracts entered into by the Group include longevity swap arrangements, such contracts are settled on a net basis and amounts receivable from or payable to the reinsurers are included in the appropriate heading under either Insurance and other receivables or Insurance and other payables. Amounts due on quota share reinsurance contracts are included within Insurance and other payables.

Financial liabilities

The Group has reinsurance collateral arrangements whereby the reinsurer deposits back the reinsurance premium. An assessment against the IAS 39 recognition/derecognition criteria is made based on the collateral terms within the reinsurance contracts in order to conclude whether such deposit assets are recognised on the Group's balance sheet. Where the assets are recognised the Group also recognises an obligation for the repayment of the collateral. This obligation is not exposed to longevity risk and is only exposed to financial risk. As such it is unbundled from the IFRS 4 Reinsurance contract balance and is classified in accordance with IAS 39 within Other financial liabilities. The obligation for the return of deposits received from reinsurers is designated at fair value through profit or loss in order to avoid an accounting mismatch with the valuation of the associated IFRS 4 reinsurance balance.

The obligation is subsequently valued using an appropriate discount rate for the timing of expected cash flows. The resulting gain or loss is recognised in Net investment income. Interest is charged on the liability in accordance with the terms of the reinsurance contracts and is recognised in Finance costs.

1.19 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 16).

1.20 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.

1.21 Insurance liabilities

Measurement

Long-term insurance liabilities arise from writing Retirement Income contracts, including Defined Benefit De-risking solutions, Guaranteed Income for Life products, long-term care insurance, and protection insurance. Their measurement uses estimates of projected future cash flows arising from payments to policyholders plus the costs of administering them. This is in accordance with the SORP on Accounting for Insurance Business issued by the ABI in December 2005 (amended in December 2006) and withdrawn with effect for accounting periods beginning on or after 1 January 2015, but which continues to apply to the Group as the grandfathered existing accounting policy under IFRS 4. Valuation of insurance liabilities is derived using mortality assumptions taken from the appropriate mortality tables and adjusted to reflect actual and expected experience, expense level and inflation assumptions, discounted using discount rates, adjusted for default allowance. The assumptions in the valuation are set on a prudent basis.

Liability adequacy test

Insurance liabilities are subject to adequacy testing to ensure the carrying amount is sufficient to cover the current estimate of future cash flows. Any deficit is immediately charged to the Consolidated statement of comprehensive income.

1.22 Investment contract liabilities

Investment contracts are measured at fair value through profit or loss in accordance with IAS 39. 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.

1.23 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.

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

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.

2 NET INVESTMENT EXPENSE

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Interest income:		
Assets at fair value through profit or loss	**637.9**	572.1
Movement in fair value:		
Financial assets and liabilities designated on initial recognition at fair value through profit or loss	**(4,311.0)**	(832.1)
Derivative financial instruments (note 28)	**(1,105.4)**	129.7
Total net investment expense	**(4,778.5)**	(130.3)

3 ACQUISITION COSTS

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Commission	**15.9**	17.2
Other acquisition expenses	**39.6**	31.4
Total acquisition costs	**55.5**	48.6

4 OTHER OPERATING EXPENSES

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Personnel costs (note 9)	**106.3**	101.5
Investment expenses and charges	**30.1**	16.8
Depreciation of property, plant and equipment (note 14)	**3.3**	4.2
Amortisation of intangible assets (note 13)	**20.5**	20.4
Impairment of property, plant and equipment (note 14)	**–**	0.3
Other costs	**49.0**	50.0
Total other operating expenses	**209.2**	193.2

Other costs include reassurance management fees, professional fees, and IT and marketing costs.

Reconciliation of Other operating expenses to Management expenses

Management expenses are costs that are incurred in the routine running of the business and is included as an APM.

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Total other operating expenses	**209.2**	193.2
Investment expenses and charges	**(30.1)**	(16.8)
Reassurance management fees	**(7.1)**	(8.4)
Amortisation of acquired intangible assets	**(18.0)**	(18.0)
Other costs	**(0.8)**	(2.6)
Total management expenses	**153.2**	147.4

Fees payable for services provided by the Group's auditor during the year, net of VAT and expenses, are as follows:

	Year ended 31 December 2022 £000	Year ended 31 December 2021 £000
Fees payable for the audit of the Parent Company and consolidated accounts	**616**	550
Fees payable for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**3,042**	1,876
Audit-related assurance services	**705**	656
Other assurance services	**48**	65
Other non-audit services not covered above	**1**	–
Auditor remuneration	**4,412**	3,147
Total	**4,412**	3,147

Fees payable for the audit of the Company's subsidiaries pursuant to legislation includes fees of £1.7m (2021: £0.45m) 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.

5 FINANCE COSTS

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Interest payable on deposits received from reinsurers	**74.7**	78.7
Interest payable on subordinated debt	**54.5**	55.6
Other interest payable	**3.5**	2.5
Total finance costs	**132.7**	136.8

The interest payable on deposits received from reinsurers is as defined by the respective reinsurance treaties and calculated with reference to the risk-adjusted yield on the relevant backing asset portfolio.

6 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 and Lifetime Mortgage advances.

The two revenue streams of the professional services business, HUB represents the other two operating segments. The HUB operating segments are not currently sufficiently significant to separate to disclose 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.

Adjusted operating profit

The Group reports adjusted operating profit as an alternative measure of profit which is used for decision making and performance measurement. Adjusted operating profit is the sum of the new business operating profit and in-force operating profit, operating experience and assumption changes, other Group companies' operating results, development expenditure and reinsurance and financing costs. The Board believes it provides a better view of the longer-term performance of the business than profit before tax because it excludes the impact of short-term economic variances and other one-off items. It excludes the following items that are included in profit before tax: non-recurring and project expenditure, implementation costs for cost saving initiatives, 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.

New business profits represent expected investment returns on financial instruments assumed to be newly purchased to back that business after allowances for expected movements in liabilities and deduction of acquisition costs. Profits arising from the in-force book of business represent the expected return on surplus assets, the expected unwind of prudent reserves above best estimates for mortality, expenses, and corporate bond defaults.

Segmental reporting and reconciliation to financial information

	Year ended 31 December 2022			Year ended 31 December 2021		
	Insurance £m	**Other £m**	**Total £m**	Insurance £m	Other £m	Total £m
New business operating profit	**233.2**	**–**	**233.2**	224.7	–	224.7
In-force operating profit	**113.1**	**2.9**	**116.0**	87.3	2.7	90.0
Other Group companies' operating results	**–**	**(15.2)**	**(15.2)**	–	(15.1)	(15.1)
Development expenditure	**(9.4)**	**(2.3)**	**(11.7)**	(4.2)	(2.6)	(6.8)
Reinsurance and financing costs	**(87.5)**	**14.2**	**(73.3)**	(89.1)	6.0	(83.1)
Underlying operating profit	**249.4**	**(0.4)**	**249.0**	218.7	(9.0)	209.7
Operating experience and assumption changes	**86.9**	**–**	**86.9**	28.0	–	28.0
Adjusted operating profit/(loss) before tax	**336.3**	**(0.4)**	**335.9**	246.7	(9.0)	237.7
Non-recurring and project expenditure	**(11.7)**	**(0.4)**	**(12.1)**	(14.8)	(0.2)	(15.0)
Investment and economic (losses)/profits	**(658.5)**	**19.3**	**(639.2)**	(248.6)	(2.6)	(251.2)
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	**27.3**	**(11.3)**	**16.0**	28.1	(3.0)	25.1
Profit/(loss) before amortisation costs and tax	**(306.6)**	**7.2**	**(299.4)**	11.4	(14.8)	(3.4)
Amortisation of acquired intangibles	**–**	**(18.0)**	**(18.0)**	–	(18.0)	(18.0)
Loss before tax	**(306.6)**	**(10.8)**	**(317.4)**	11.4	(32.8)	(21.4)

Investment and economic losses of £639.2m in 2022 (2021: £251.2m), were principally driven by rising interest rates.

Product information analysis

Premium information relating to the Group's products is presented below:

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Defined Benefit De-risking Solutions ("DB")	**2,566.9**	1,934.6
Guaranteed Income for Life contracts ("GIfL")	**519.7**	688.2
Defined benefit de-risking partnering ("DB partnering")	**258.6**	–
Care Plans ("CP")	**44.1**	51.1
Protection	**2.0**	2.2
Gross premiums written	**3,391.3**	2,676.1

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

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
LTM advances	**538.3**	528.2
Drawdown deposits and other investment products	**14.0**	1.1

Reconciliation of gross premiums written to Retirement Income sales

Retirement Income sales is a collective term for GIfL, DB and Care Plan and can be seen in the Business Review.

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Gross premiums written	**3,391.3**	2,676.1
Protection sales excluded from Retirement Income sales	**(2.0)**	(2.2)
DB Partnering funded	**(258.6)**	–
Retirement Income sales	**3,130.7**	2,673.9

7 INCOME TAX

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Current taxation		
Current year	–	0.8
Adjustments in respect of prior periods	**8.5**	(0.4)
Total current tax	**8.5**	0.4
Deferred taxation		
Deferred tax recognised for losses in period	**(84.4)**	–
Origination and reversal of temporary differences	**(2.6)**	(5.7)
Adjustment in respect of prior period	**(8.4)**	–
Remeasurement of deferred tax - change in UK tax rate	**1.2**	(0.3)
Total deferred tax	**(94.2)**	(6.0)
Total income tax recognised in profit or loss	**(85.7)**	(5.6)

Deferred tax assets are recognised at the rate at which they are expected to be utilised. 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.

Reconciliation of total income tax to the applicable tax rate

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Loss on ordinary activities before tax	**(317.4)**	(21.4)
Income tax at 19%, (2021: 19%)	**(60.3)**	(4.1)
Effects of:		
Expenses not deductible for tax purposes	**1.4**	1.0
Remeasurement of deferred tax - change in UK tax rate	**1.2**	(0.3)
Unrecognised deferred tax asset	–	0.1
Impact of future tax rate on tax losses	**(23.3)**	–
Adjustments in respect of prior periods	**0.1**	(0.4)
Other	**(4.8)**	(1.9)
Total income tax recognised in profit or loss	**(85.7)**	(5.6)

Income tax recognised in other comprehensive income

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Revaluation of land and buildings	**0.2**	–
Total deferred tax	**0.2**	–
Total income tax recognised in other comprehensive income	**0.2**	–

Income tax recognised directly in equity

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Current taxation		
Relief on Tier 1 interest	–	(4.8)
Relief on cost of redeeming Tier 1 notes	–	(9.6)
Other	–	(0.6)
Total current tax	–	(15.0)
Deferred taxation		
Relief on Tier 1 interest	**(3.2)**	–
Relief in respect of share-based payments	**(1.3)**	–
Total deferred tax	**(4.5)**	–
Total income tax recognised directly in equity	**(4.5)**	(15.0)

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 2022 includes profits chargeable to corporation tax arising from amortisation of transitional balances of £2.5m (2021: £2.5m).

8 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 £5.2m (2021: £3.9m). Employer contributions to pensions for Executive Directors for qualifying periods were £nil (2021: £nil). The aggregate net value of share awards granted to the Directors in the year was £2.4m (2021: £2.0m). The net value has been calculated by reference to the closing middle-market price of an ordinary share at the date of grant. Two Directors exercised share options during the year with an aggregate gain of £0.9m (2021: two Directors exercised options with an aggregate gain of £0.6m).

9 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 2022 Number	Year ended 31 December 2021 Number
Directors	**10**	9
Senior management	**124**	123
Staff	**990**	944
Average number of staff	**1,124**	1,076

The aggregate personnel costs were as follows:

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Wages and salaries	**85.6**	82.3
Social security costs	**10.2**	9.9
Other pension costs	**4.6**	4.3
Share-based payment expense	**5.9**	5.0
Total personnel costs	**106.3**	101.5

10 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 £4.6m (2021: £4.3m).

Employee share plans

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

Just Retirement Group plc 2013 Long Term Incentive Plan ("LTIP")

The Group has made awards under the LTIP to Executive Directors and other senior managers. 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. Options granted are 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 2022 Number of options	Year ended 31 December 2021 Number of options
Outstanding at 1 January	**22,403,125**	19,264,506
Granted	**8,563,671**	6,795,784
Forfeited	**(1,149,299)**	(868,418)
Exercised	**(2,679,669)**	(1,351,472)
Expired	**(1,202,105)**	(1,437,275)
Outstanding at 31 December	**25,935,723**	22,403,125
Exercisable at 31 December	**4,740,542**	3,853,927
Weighted-average share price at exercise (£)	**0.81**	1.02
Weighted-average remaining contractual life (years)	**1.09**	1.19

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

During the year to 31 December 2022, awards of LTIPs were made on 24 March 2022 and 12 April 2022. 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	**£0.80**
Option pricing models used	**Black–Scholes, Stochastic, Finnerty**
Share price at grant date	**£0.89**
Exercise price	**Nil**
Expected volatility – TSR performance	**March awards – 53.13%, April awards – 52.96%**
Expected volatility – holding period	**March awards – 47.14%, April awards – 44.09%**
Option life	**3 years + 2 year holding period**
Dividends	**HUB LTIP awards – 1.69%, Other – Nil**
Risk-free interest rate – TSR performance	**March awards – 1.46%, April awards – 1.62%**
Risk-free interest rate – holding period	**March awards – 1.45%, April awards – 1.61%**

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 TSR performance condition, expected volatility has been calculated using historic volatility of the Company and each company in the TSR comparator group, where available, over the period of time commensurate with the remainder of the performance period immediately prior to the date of 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 2022 Number of options	Year ended 31 December 2021 Number of options
Outstanding at 1 January	**5,788,003**	5,094,921
Granted	**1,313,916**	1,432,610
Forfeited	**–**	–
Exercised	**(1,103,280)**	(739,528)
Outstanding at 31 December	**5,998,639**	5,788,003
Exercisable at 31 December	**1,652,826**	1,683,566
Weighted-average share price at exercise (£)	**0.83**	0.93
Weighted-average remaining contractual life (years)	**0.84**	0.93

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

During the year to 31 December 2022, awards of DSBPs were made on 24 March 2022. 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	**£0.89**
Option pricing model used	**Black–Scholes**
Share price at grant date	**£0.89**
Exercise price	**Nil**
Expected volatility	**Nil**
Option life	**3 years**
Dividends	**Nil**
Risk-free interest rate	**Nil**

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 2022		Year ended 31 December 2021	
	Number of options	**Weighted-average exercise price £**	Number of options	Weighted-average exercise price £
Outstanding at 1 January	**14,779,553**	**0.44**	15,516,003	0.41
Granted	**1,924,649**	**0.71**	1,149,350	0.74
Forfeited	**(791,758)**	**0.46**	(1,081,602)	0.42
Cancelled	**(526,561)**	**0.59**	(363,145)	0.45
Exercised	**(2,337,700)**	**0.50**	(408,488)	0.45
Expired	**(130,043)**	**0.79**	(32,565)	0.84
Outstanding at 31 December	**12,918,140**	**0.45**	14,779,553	0.44
Exercisable at 31 December	**233,954**	**0.59**	278,130	0.60
Weighted-average share price at exercise		**0.72**		0.93
Weighted-average remaining contractual life (years)		**1.22**		1.66

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

	2022 Number of options outstanding	2021 Number of options outstanding
£0.38	**9,949,082**	11,119,351
£0.52	**395,051**	2,443,437
£0.71	**1,718,536**	–
£0.74	**787,780**	1,079,922
£1.07	**66,166**	66,166
£1.18	**1,525**	70,677
Total	**12,918,140**	14,779,553

During the year to 31 December 2022, awards of SAYEs were made on 20 April 2022. 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	**£0.41**
Option pricing model used	**Black–Scholes**
Share price at grant date	**£0.93**
Exercise price	**£0.71**
Expected volatility – 3 year scheme	**54.24%**
Expected volatility – 5 year scheme	**48.39%**
Option life	**3.37 or 5.37 years**
Dividends	**1.62%**
Risk-free interest rate – 3 year scheme	**1.70%**
Risk-free interest rate – 5 year scheme	**1.72%**

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.

11 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.

	Year ended 31 December 2022			Year ended 31 December 2021		
	Earnings £m	**Weighted-average number of shares million**	**Earnings per share pence**	Earnings (restated) £m	Weighted-average number of shares million	Earnings per share (restated) pence
(Loss)/profit attributable to equity holders of Just Group plc	**(231.1)**	**–**	**–**	(15.0)	–	–
Coupon payments in respect of Tier 1 notes (net of tax)	**(13.6)**	**–**	**–**	(20.4)	–	–
Loss on redemption of Tier 1 notes (net of tax)	**–**	**–**	**–**	(47.0)	–	–
Basic (loss)/profit attributable to ordinary equity holders of Just Group plc	**(244.7)**	**1,032.4**	**(23.70)**	(82.4)	1,033.7	(7.97)
Effect of potentially dilutive share options[1]	**–**	**–**	**–**	–	–	–
Diluted (loss)/profit attributable to ordinary equity holders of Just Group plc	**(244.7)**	**1,032.4**	**(23.70)**	(82.4)	1,033.7	(7.97)

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

During the current year, the FRC conducted a limited scope review of the Company's 2021 Annual Report and Accounts in accordance with Part 2 of the FRC Corporate Reporting Review Operating Procedures. The review covered only those aspects of the Annual Report and Accounts that relate to the application of IAS 33, 'Earnings per Share', and compliance with its requirements.

As a result of this review, the Directors reconsidered the accounting for the loss on redemption of the Restricted Tier 1 ("RT1") notes redeemed in 2021. Judgement is required in determining the treatment the RT1 notes in application of IAS 33 'Earnings Per Share'. The rights associated with the RT1 notes are such that the notes are deemed similar to preference shares. Therefore the requirements in IAS 33 to adjust Earnings for redemption gains and losses apply to the RT1 notes in addition to the Company's existing treatment of the coupon payments which were deducted from earnings in the 2021 Annual Report. This note has therefore been restated to correct the treatment of the loss on redemption of the 2019 Restricted Tier 1 notes identified during their review.

The table showing the calculation of the numerator has been amended to include this; losses for the purposes of calculating EPS were previously reported as £(35.4)m and have been restated to £(82.4)m. Following on from this, EPS and diluted EPS have both been restated to use the restated Earnings figure. Previously, Losses Per Share was disclosed as (3.42) pence and diluted Losses Per Share was disclosed as (3.42) pence. Losses Per Share is now disclosed as (7.97) pence and Diluted Losses Per Share as (7.97) pence. There is no impact on Adjusted Earnings per share.

12 DIVIDENDS AND APPROPRIATIONS

Dividends and appropriations paid in the year were as follows:

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Final dividend		
Final dividend in respect of prior year end (1.0 pence per ordinary share, paid on 17 May 2022)	**10.4**	–
Interim dividend		
Interim dividend in respect of current year end (0.5 pence per ordinary share, paid on 2 September 2022)	**5.2**	–
Dividends paid on the vesting of employee share schemes	**–**	–
Total dividends paid	**15.6**	–
Coupon payments in respect of Tier 1 notes[1]	**16.9**	25.2
Total distributions to equity holders in the period	**32.5**	25.2

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 2022, the Directors proposed a final dividend for 2022 of 1.23 pence per ordinary share (2021: 1.0 pence) and together with the interim dividend of 0.5 pence per ordinary share paid in 2 September 2022 amounting to £17.9m (2021: £10.4m) in total. Subject to approval by shareholders at the Company's 2023 AGM, the dividend will be paid on 17 May 2023 to shareholders on the register of members at the close of business on 14 April 2023, and will be accounted for as an appropriation of retained earnings in year ending 31 December 2023.

13 INTANGIBLE ASSETS

	Acquired intangible assets									
Year ended 31 December 2022	Goodwill £m	Present value of in-force business £m	Distribution network £m	Brand £m	Intellectual property £m	Software £m	Leases £m	PrognoSys™ £m	Software £m	Total £m
Cost										
At 1 January 2022	**34.9**	**200.0**	**–**	**–**	**2.0**	**–**	**–**	**5.9**	**25.0**	**267.8**
Additions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4.6**	**4.6**
Disposals	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**0.4**	**(0.4)**	**–**
At 31 December 2022	**34.9**	**200.0**	**–**	**–**	**2.0**	**–**	**–**	**6.3**	**29.2**	**272.4**
Amortisation and impairment										
At 1 January 2022	**(0.8)**	**(125.4)**	**–**	**–**	**(0.7)**	**–**	**–**	**(3.1)**	**(18.1)**	**(148.1)**
Disposals	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Charge for the year	**–**	**(17.9)**	**–**	**–**	**(0.1)**	**–**	**–**	**(0.5)**	**(2.0)**	**(20.5)**
At 31 December 2022	**(0.8)**	**(143.3)**	**–**	**–**	**(0.8)**	**–**	**–**	**(3.6)**	**(20.1)**	**(168.6)**
Net book value at 31 December 2022	**34.1**	**56.7**	**–**	**–**	**1.2**	**–**	**–**	**2.7**	**9.1**	**103.8**
Net book value at 31 December 2021	34.1	74.6	–	–	1.3	–	–	2.8	6.9	119.7

Year ended 31 December 2021	Goodwill £m	Acquired intangible assets: Present value of in-force business £m	Distribution network £m	Brand £m	Intellectual property £m	Software £m	Leases £m	PrognoSys™ £m	Software £m	Total £m
Cost										
At 1 January 2021	34.9	200.0	26.6	5.6	2.0	11.1	2.0	5.9	18.4	306.5
Additions	–	–	–	–	–	–	–	–	6.6	6.6
Disposals	–	–	(26.6)	(5.6)	–	(11.1)	(2.0)	–	–	(45.3)
At 31 December 2021	34.9	200.0	–	–	2.0	–	–	5.9	25.0	267.8
Amortisation and impairment										
At 1 January 2021	(0.8)	(107.6)	(26.6)	(5.6)	(0.6)	(11.1)	(2.0)	(2.6)	(16.1)	(173.0)
Disposals	–	–	26.6	5.6	–	11.1	2.0	–	–	45.3
Charge for the year	–	(17.8)	–	–	(0.1)	–	–	(0.5)	(2.0)	(20.4)
At 31 December 2021	(0.8)	(125.4)	–	–	(0.7)	–	–	(3.1)	(18.1)	(148.1)
Net book value at 31 December 2021	34.1	74.6	–	–	1.3	–	–	2.8	6.9	119.7
Net book value at 31 December 2020	34.1	92.4	–	–	1.4	–	–	3.3	2.3	133.5

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

Impairment testing

Goodwill is tested for impairment in accordance with IAS 36, Impairment of Assets, at least annually.

The Group's goodwill of £34.1m at 31 December 2022 represents £1.0m recognised on the 2018 acquisition of HUB Pension Consulting (Holdings) Limited, £0.3m recognised on the 2016 acquisition of the Partnership Assurance Group and £32.8m on the 2009 acquisition by Just Retirement Group Holdings Limited of Just Retirement (Holdings) Limited, the holding company of Just Retirement Limited ("JRL").

The existing goodwill has been allocated to the insurance segment as the cash-generating unit. The recoverable amounts of goodwill have been determined from value-in-use. The key assumptions of this calculation are noted below:

	2022	2021
Period on which management approved forecasts are based	**5 years**	5 years
Discount rate (pre-tax)	**12.7%**	10.5%

The value-in-use of the insurance operating segment 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, including an allowance for the mortality rates basis changes due to COVID-19. 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 in respect of the insurance operating segment 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.

Other intangible assets with finite useful economic lives are tested for impairment when there is an indication that the carrying value of the asset may be subject to an impairment.

The Group's PVIF of £56.7m at 31 December 2022 represents the present value of future profits from the purchased in-force business of £46.4m recognised on the 2016 acquisition of Partnership Assurance Group and £10.3m on the 2009 acquisition of Just Retirement (Holdings) Limited, the holding company of Just Retirement Limited. The remaining useful economic lives of the Group's PVIF ranges from between two to three years. There are no indications of impairment of the carrying values of PVIF or other intangible assets with finite useful economic lives.

PVIF is an intangible asset within the scope of IFRS 4 and is assessed at least annually, together with the insurance contract liabilities, which are subject to the required liability adequacy test.

14 PROPERTY, PLANT AND EQUIPMENT

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	**10.8**	**10.6**	**6.3**	**6.7**	**34.4**
Acquired during the year	**–**	**0.9**	**2.6**	**8.1**	**11.6**
Revaluations	**(0.9)**	**–**	**–**	**–**	**(0.9)**
At 31 December 2022	**9.9**	**11.5**	**8.9**	**14.8**	**45.1**
Depreciation and impairment					
At 1 January 2022	**(0.5)**	**(8.6)**	**(6.1)**	**(5.0)**	**(20.2)**
Eliminated on revaluation	**0.8**	**–**	**–**	**–**	**0.8**
Impairment	**–**	**–**	**–**	**–**	**–**
Depreciation charge for the year	**(0.4)**	**(1.0)**	**(0.1)**	**(1.8)**	**(3.3)**
At 31 December 2022	**(0.1)**	**(9.6)**	**(6.2)**	**(6.8)**	**(22.7)**
Net book value at 31 December 2022	**9.8**	**1.9**	**2.7**	**8.0**	**22.4**
Net book value at 31 December 2021	10.3	2.0	0.2	1.7	14.2

Year ended 31 December 2021	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 2021	14.3	9.9	6.3	6.1	36.6
Acquired during the year	–	0.7	–	0.6	1.3
Transfer to held for sale	(3.5)	–	–	–	(3.5)
At 31 December 2021	10.8	10.6	6.3	6.7	34.4
Depreciation and impairment					
At 1 January 2021	(0.1)	(7.2)	(5.9)	(2.9)	(16.1)
Impairment	(0.3)	–	–	–	(0.3)
Depreciation charge for the year	(0.5)	(1.4)	(0.2)	(2.1)	(4.2)
Transfer to held for sale	0.4	–	–	–	0.4
At 31 December 2021	(0.5)	(8.6)	(6.1)	(5.0)	(20.2)
Net book value at 31 December 2021	10.3	2.0	0.2	1.7	14.2
Net book value at 31 December 2020	14.2	2.7	0.4	3.2	20.5

Included in freehold land and buildings is land of value £2.3m (2021: £2.8m).

The Company'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 Company. 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 £0.8m.

If freehold land and buildings were stated on the historical cost basis, the carrying values would be land of £3.6m (2021: £3.6m) and buildings of £4.4m (2021: £4.6m).

Right-of-use assets are property assets leased by the Group (see note 26).

15 INVESTMENT PROPERTY

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
At 1 January	**69.6**	–
Recognised on acquisition of the Jersey Property Unit Trust (see note 35)	**–**	70.6
Net loss from fair value adjustment	**(29.3)**	(1.0)
At 31 December	**40.3**	69.6

Investment properties are leased to 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 cashflows):

	2022 £m	2021 £m
Within 1 year	**1.1**	1.1
Between 1 and 2 years	**1.1**	1.1
Between 2 and 3 years	**1.1**	1.1
Between 3 and 4 years	**1.1**	1.1
Between 4 and 5 years	**1.1**	1.1
Later than 5 years	**127.7**	128.8
Total	**133.2**	134.3

16 FINANCIAL INVESTMENTS

All of the Group's financial investments are measured at fair value through the profit or loss and are either designated as such on initial recognition or, in the case of derivative financial assets, classified as held for trading.

	Fair value		Cost	
	2022 £m	2021 £m	2022 £m	2021 £m
Units in liquidity funds	**1,174.4**	1,310.5	**1,174.4**	1,310.5
Investment funds	**421.0**	301.8	**407.8**	290.5
Debt securities and other fixed income securities	**11,370.5**	12,924.0	**13,229.7**	12,141.7
Deposits with credit institutions	**907.6**	52.9	**907.6**	52.9
Loans secured by residential mortgages	**5,305.9**	7,422.8	**4,265.6**	4,328.7
Loans secured by commercial mortgages	**583.7**	677.8	**643.4**	686.3
Loans secured by ground rents	**246.9**	189.7	**356.3**	185.9
Infrastructure loans	**1,056.4**	993.1	**1,205.8**	858.0
Other loans	**134.2**	117.9	**131.0**	115.0
Derivative financial assets	**2,276.6**	691.2	**–**	–
Total	**23,477.2**	24,681.7	**22,321.6**	19,969.5

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 £892.4m (2021: £50.3m) 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.

17 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

This note explains the methodology for valuing the Group's financial assets and liabilities measured at 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 some 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.

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 BVAL score, the investments are classified as level 3 as are assets valued internally.

Debt securities and financial derivatives 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, infrastructure loans, private placement debt securities, investment funds, investment contract liabilities, and deposits received from reinsurers.

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

	2022				2021			
	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	**1,169.8**	**4.6**	**–**	**1,174.4**	1,304.9	5.6	–	1,310.5
Investment funds	**–**	**82.6**	**338.4**	**421.0**	–	68.5	233.3	301.8
Debt securities and other fixed income securities	**3,843.7**	**5,904.0**	**1,622.8**	**11,370.5**	4,302.5	7,172.0	1,449.5	12,924.0
Deposits with credit institutions	**892.4**	**15.2**	**–**	**907.6**	50.3	2.6	–	52.9
Loans secured by residential mortgages	**–**	**–**	**5,305.9**	**5,305.9**	–	–	7,422.8	7,422.8
Loans secured by commercial mortgages	**–**	**–**	**583.7**	**583.7**	–	–	677.8	677.8
Loans secured by ground rents	**–**	**–**	**246.9**	**246.9**	–	–	189.7	189.7
Infrastructure loans	**–**	**–**	**1,056.4**	**1,056.4**	–	–	993.1	993.1
Other loans	**–**	**22.3**	**111.9**	**134.2**	15.6	12.6	89.7	117.9
Derivative financial assets	**–**	**2,276.6**	**–**	**2,276.6**	–	682.7	8.5	691.2
Financial investments	**5,905.9**	**8,305.3**	**9,266.0**	**23,477.2**	5,673.3	7944.0	11,064.4	24,681.7
Investment property	**–**	**–**	**40.3**	**40.3**	–	–	69.6	69.6
Assets classified as held for sale	**–**	**–**	**–**	**–**	–	–	3.1	3.1
Total financial assets	**5,905.9**	**8,305.3**	**9,306.3**	**23,517.5**	5,673.3	7,944.0	11,137.1	24,754.4
Liabilities held at fair value through profit or loss								
Derivative financial liabilities	**–**	**3,004.1**	**19.1**	**3,023.2**	–	386.1	8.6	394.7
Obligations for repayment of cash collateral received	**592.8**	**30.3**	**–**	**623.1**	311.7	14.5	–	326.2
Deposits received from reinsurers	**–**	**–**	**1,603.9**	**1,603.9**	–	–	2,144.7	2,144.7
Other financial liabilities	**592.8**	**3,034.4**	**1,623.0**	**5,250.2**	311.7	400.6	2,153.3	2,865.6
Investment contract liabilities	**–**	**–**	**32.5**	**32.5**	–	–	33.6	33.6
Fair value of loans and borrowings at amortised cost	**–**	**704.2**	**–**	**704.2**	–	936.8	–	936.8
Total financial liabilities	**592.8**	**3,738.6**	**1,655.5**	**5,986.9**	311.7	1,337.4	2,186.9	3,836.0

Other than freehold land and buildings classified as held for sale in 2021 and disposed of in 2022, there are no non-recurring fair value measurements as at 31 December 2022 (2021: nil).

(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. During 2021 the Group enhanced its methodology over the levelling of financial instruments, and in 2022, it continued to use this methodology which improved the pricing sources resulting in transfers of £1,421.7m from Level 2 to Level 1 (2021: £2,820.8m), and saw the pricing quality fall for £368.2m which moved from Level 1 to Level 2 (2021: £13.3m). A further £122.9m saw the pricing quality also improve so were moved from Level 3 to Level 2. In the prior year £49.9m moved from Level 2 to Level 3 as the pricing quality fell.

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

Reconciliation of the opening and closing balances of Level 3 financial assets and liabilities.

Year ended 31 December 2022	**Investment funds £m**	**Debt securities and other fixed income securities £m**	**Loans secured by residential mortgages £m**	**Loans secured by commercial mortgages £m**	**Loans secured by ground rents £m**	**Infra-structure loans £m**	**Other loans £m**	**Derivative financial assets £m**	**Investment contract liabilities £m**	**Derivative financial liabilities £m**	**Deposits received from reinsurers £m**
At 1 January 2022	**233.3**	**1,449.5**	**7,422.8**	**677.8**	**189.7**	**993.1**	**89.7**	**8.5**	**(33.6)**	**(8.6)**	**(2,144.7)**
Purchases/advances/deposits	**106.6**	**716.0**	**538.3**	**91.5**	**217.6**	**369.4**	**–**	**–**	**(14.0)**	**–**	**(0.9)**
Transfers to Level 2	**–**	**(122.9)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Sales/redemptions/payments	**(17.7)**	**(101.1)**	**(542.7)**	**(134.4)**	**(11.2)**	**(21.6)**	**(14.3)**	**–**	**11.4**	**–**	**192.9**
Disposal of a portfolio of LTMs[1]	**–**	**–**	**(750.8)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Recognised in profit or loss in net investment income											
Realised gains and losses	**–**	**–**	**(87.0)**	**(2.2)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Unrealised gains and losses	**16.2**	**(303.3)**	**(1,433.9)**	**(49.1)**	**(149.2)**	**(286.1)**	**36.5**	**(8.5)**	**–**	**(10.5)**	**423.5**
Interest accrued	**–**	**(15.4)**	**159.2**	**0.1**	**–**	**1.6**	**–**	**–**	**–**	**–**	**(74.7)**
Change in fair value of liabilities recognised in profit or loss	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3.7**	**–**	**–**
At 31 December 2022	**338.4**	**1,622.8**	**5,305.9**	**583.7**	**246.9**	**1,056.4**	**111.9**	**–**	**(32.5)**	**(19.1)**	**(1,603.9)**

1 In February 2022 the Group disposed of a portfolio of loans secured by residential mortgages with a fair value of £750.8m. The transaction is 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.

Year ended 31 December 2021	Investment funds £m	Debt securities and other fixed income securities £m	Loans secured by residential mortgages £m	Loans secured by commercial mortgages £m	Loans secured by ground rents £m	Infra-structure loans £m	Other loans £m	Derivative financial assets £m	Investment contract liabilities £m	Derivative financial liabilities £m	Deposits received from reinsurers £m
At 1 January 2021	139.0	1,256.8	8,261.1	592.1	114.9	945.0	66.1	3.6	(42.8)	(3.3)	(2,415.0)
Purchases/advances/deposits	84.9	281.4	528.2	169.0	72.4	79.1	46.1	–	(1.1)	–	(1.2)
Transfers from Level 2	–	49.9	–	–	–	–	–	–	–	–	–
Sales/redemptions/payments	–	(87.9)	(508.9)	(49.4)	–	(17.7)	–	–	11.1	–	202.9
Disposal of a portfolio of LTMs[1]	–	–	(508.8)	–	–	–	–	–	–	–	–
Recognised in profit or loss in net investment income											
Realised gains and losses	–	–	169.1	–	–	–	–	–	–	–	–
Unrealised gains and losses	9.4	(37.6)	(722.8)	(34.6)	2.4	(13.4)	(22.5)	4.9	–	(5.3)	147.3
Interest accrued	–	(13.1)	204.9	0.7	–	0.1	–	–	–	–	(78.7)
Change in fair value of liabilities recognised in profit or loss	–	–	–	–	–	–	–	–	(0.8)	–	–
At 31 December 2021	233.3	1,449.5	7,422.8	677.8	189.7	993.1	89.7	8.5	(33.6)	(8.6)	(2,144.7)

1 In August 2021 the Group disposed of a portfolio of loans secured by residential mortgages with a fair value of £508.8m.

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. There have not been any significant impacts to these investments in relation to COVID-19, global, political and other economic factors.

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 7.0% (2021: 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
2022	**(9.4)**
2021	(8.9)

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
2022	**(138.1)**
2021	(124.6)

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 generally capped at the net sale proceeds of the property. A key judgement is with regard to the calculation approach used. We have used the Black 76 variant of the Black-Scholes option pricing model 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 over the past three years represented market prices specific to the characteristics of the underlying portfolios of loans sold. In particular, loan rates, loan-to-value 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 determines 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 23(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 3.9% (2021: 4.2%).

Mortality

Mortality assumptions have been derived with reference to England & Wales population mortality using the 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. Further details of the matters considered in relation to mortality assumptions at 31 December 2022 are set out in note 23(b).

Property prices

The approach in place at 31 December 2022 is to calculate the value of a property by taking the latest Automated Valuation Model "AVM" result, typically as at 30 September 2022 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 2022, 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% (2021: 3.3%), with a volatility assumption of 13% per annum (2021: 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 Brexit, the COVID-19 pandemic and a higher interest and inflation rate economic environment on the UK property market. House price growth over 2022 continued to be strong initially, but has experienced falls in the latter part of the year. Whilst it is becoming more likely that short term falls in property prices may be experienced, 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 2021. 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 (2021: 0.5% and 4.1%) and between 0.6% and 6.8% for loans in PLACL (2021: 0.6% and 6.8%).

In the prior period, a separate provision for potential higher short-term experience arising from additional remortgaging activity was also allowed for. The sharp increase in loan interest rates observed over the year and reductions in maximum loan-to-value ratios available for new business significantly reduce the opportunities for customers to benefit from remortgaging. Consequently, this separate provision has been removed.

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% (2021: 3.04%) and for loans held within PLACL is 3.5% (2021: 3.51%). 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 or have been included in a portfolio sale 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 +0.25%	Immediate property price fall -10%	Future property price growth -0.5%	Future property price volatility +1%	Voluntary redemptions +10%	Liquidity premium +10bps
2022	**(5.2)**	**(13.9)**	**(6.3)**	**(75.2)**	**(48.5)**	**(32.1)**	**19.7**	**(47.8)**
2021	(6.5)	22.7	10.5	(114.6)	(82.3)	(53.2)	(5.2)	(78.0)

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. Sensitivities are generally of a smaller magnitude compared to the prior period due to the discounting effect of interest rate rises over the period. These interest rate rises also underpin the directional change in the mortality and voluntary redemption sensitivities.

The sensitivities above 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 this asset 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 23(e).

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.

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
2022	**(19.2)**
2021	(25.0)

Loans secured by ground rents

Loans secured by ground rents 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 ground rents

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 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:

Loans secured by ground rents net increase/(decrease) in fair value (£m)	Credit spreads +100bps
2022	**(77.9)**
2021	(59.2)

Infrastructure loans

Infrastructure loans are valued using discounted cash flow analyses.

Principal assumptions underlying the calculation of infrastructure loans 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 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
2022	**(71.7)**
2021	(96.6)

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 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 other loans to the default assumption 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:

Other loans net increase/(decrease) in fair value (£m)	Credit spreads +100bps
2022	**(1.1)**
2021	(0.9)

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 5.67% (2021: 2.73%).

Sensitivity analysis

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

Deposits received from reinsurers

Deposits from reinsurers which have been unbundled from their reinsurance contract and recognised at fair value through profit or loss are measured in accordance with the reinsurance contract and taking into account an appropriate discount rate for the timing of expected cash flows of the liabilities.

Principal assumptions underlying the calculation of deposits received from reinsurers

Discount rate

The valuation model discounts the expected future cash flows using a contractual discount rate derived from the assets hypothecated to back the liabilities at a product level. The discount rates used for individual retirement and individual care annuities were 5.89% and 4.2% respectively (2021: 2.87% and 1.03% respectively).

Credit spreads

The valuation of deposits received from reinsurers includes a credit spread derived from the assets hypothecated to back these liabilities. A credit spread of 252bps (2021: 219bps) was applied in respect of the most significant reinsurance contract.

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 liabilities (see note 27(b)). The Group has estimated the impact on fair value to changes to these inputs as follows:

Deposits received from reinsurers net increase/(decrease) in fair value (£m)	Credit spreads +100bps	Discount rates +100bps
2022	**(39.9)**	**(111.2)**
2021	(72.4)	(196.1)

18 DEFERRED TAX

	2022			2021		
	Asset £m	**Liability £m**	**Total £m**	Asset £m	Liability £m	Total £m
Transitional tax	**1.0**	–	**1.0**	–	(1.5)	(1.5)
Intangible assets	**(15.0)**	–	**(15.0)**	–	(17.0)	(17.0)
Land and buildings	**(1.0)**	–	**(1.0)**	–	(0.8)	(0.8)
Tax losses and other	**108.2**	–	**108.2**	–	14.0	14.0
Total deferred tax	**93.2**	–	**93.2**	–	(5.3)	(5.3)

The transitional tax asset of £1.0m (2021: liability of £1.5m) represents the transitional adjustments for the purposes of adopting IFRS which is amortised over ten years from 1 January 2016. In the prior year, this was offset by the adjustment arising from the change to the tax rules for life companies which was amortised over ten years from 1 January 2013.

Deferred tax assets have been recognised because it is probable that these assets will be recovered. The losses arising in 2022 were principally from investment and economic losses driven by rising interest rates. Previously, the Group took an active approach to hedging its interest rate exposure. In the second half of 2021 and first half of 2022, as rates rose and our solvency position strengthened, we gradually reduced the interest rate hedging to a broadly neutral position for our IFRS balance sheet during the second half of 2022. Our revised approach is to allow the solvency position to fluctuate as interest rates move, and hence minimise the economic cost should rates rise as they did in 2022 before we had neutralised the hedging. Economic losses were also realised on the third and final portfolio sale of LTMs.

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

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Net balance at 1 January	**(5.3)**	(11.3)
Recognised in profit or loss	**94.2**	6.0
Recognised in equity	**4.5**	–
Recognised in other comprehensive income	**(0.2)**	–
Net balance at 31 December	**93.2**	(5.3)

The Group has unrecognised deferred tax assets of £6.3m, (2021: £6.2m).

19 INSURANCE AND OTHER RECEIVABLES

	2022 £m	2021 £m
Receivables arising from insurance and reinsurance contracts	**295.4**	20.0
Finance lease receivables	**0.8**	2.3
Other receivables	**26.6**	13.1
Total insurance and other receivables	**322.8**	35.4

Receivables arising from insurance contracts, reinsurance contracts and also other receivables are accounted for at amortised cost, which approximates fair value. The timing of settlements for December 2022 transactions has resulted in an increase to receivables arising from Insurance contracts in the period. The credit rating of these balances is disclosed in note 33.

Insurance and other receivables expected to be recovered after more than one year are £59.7m (2021: £0.7m in respect of finance lease receivables).

20 CASH AND CASH EQUIVALENTS

	2022 £m	2021 £m
Cash available on demand	**482.0**	510.2
Units in liquidity funds	**1,174.4**	1,310.5
Cash and cash equivalents in the Consolidated statement of cash flows	**1,656.4**	1,820.7

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 16). Liquidity funds do however meet the definition of cash equivalents for the purposes of disclosure in the Consolidated statement of cash flows.

21 SHARE CAPITAL

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	Merger reserve £m	Total £m
At 1 January 2022	**1,038,537,044**	**103.9**	**94.6**	**597.1**	**795.6**
In respect of employee share schemes	**165,888**	**–**	**0.1**	**–**	**0.1**
At 31 December 2022	**1,038,702,932**	**103.9**	**94.7**	**597.1**	**795.7**
At 1 January 2021	1,038,128,556	103.8	94.5	597.1	795.4
In respect of employee share schemes	408,488	0.1	0.1	–	0.2
At 31 December 2021	1,038,537,044	103.9	94.6	597.1	795.6

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

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.

Consideration for the acquisition of the equity shares of Partnership Assurance Group plc consisted of a new issue of shares in the Company. 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 difference between the nominal value of the shares issued and the net assets of Partnership Assurance Group plc acquired.

22 TIER 1 NOTES

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
At 1 January	**322.4**	294.0
Issued in the year	**–**	325.0
Issue costs, net of tax	**–**	(2.6)
Redeemed in the year	**–**	(294.0)
At 31 December	**322.4**	322.4

On 16 September 2021 the Group issued £325m 5.0% perpetual restricted Tier 1 contingent convertible notes, incurring issue costs of £2.6m, net of tax, and concurrently redeemed its £300m 9.375% perpetual restricted Tier 1 contingent convertible notes issued in 2019 (£294.0m net of issue costs, net of tax) at a cost of £341.0m, net of tax. The loss on redemption of the 2019 notes of £47.0m (net of tax) was recognised directly in equity.

During the year, interest of £16.9m was paid to holders of the 2021 notes (2021: interest of £25.2m to holders of the 2019 notes). The 2021 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 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 items. 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.

23 INSURANCE CONTRACTS AND RELATED REINSURANCE

Insurance liabilities

	2022 £m	2021 £m
Gross insurance liabilities	**18,332.9**	21,812.9
Net reinsurance assets	**(1,981.1)**	(2,533.5)
Net insurance liabilities	**16,351.8**	19,279.4

Reinsurance in the table above includes reinsurance assets net of reinsurance liability positions that can arise on longevity swaps which are presented as liabilities in the Consolidated statement of financial position.

(a) Terms and conditions of insurance contracts

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

The valuation of insurance liabilities are agreed by the Board using recognised actuarial valuation methods proposed by the Group's Actuarial Reporting function. In particular, a prospective gross premium valuation method has been adopted for major classes of business.

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 Group seeks to provide for appropriate levels of contract liabilities taking known facts and experiences into account but nevertheless such liabilities remain uncertain.

The estimation process used in determining insurance liabilities involves projecting future annuity payments and the cost of maintaining the contracts. For non-annuity contracts, the liability is determined as the sum of the discounted value of future benefit payments and future administration expenses less the expected value of premiums payable under the contract.

(b) Principal assumptions underlying the calculation of insurance contracts

The principal assumptions underlying the calculation of insurance contracts are explained below. This includes any areas sensitive to COVID-19 effects or other economic downturn.

Mortality assumptions

The COVID-19 pandemic has had a significant effect on mortality rates over the past three years. High COVID-19 mortality rates in 2020 and early 2021 contributed significantly to positive mortality experience variances in those respective reporting periods, whereas during 2022 rates have been closer to expected levels, for the UK population overall. The extent to which mortality rates may be elevated in future, as a result of the pandemic, is subject to considerable uncertainty.

An allowance for future effects of COVID-19 has been implemented through a combination of using the latest CMI 2021 improvement model and applying an overlay to increase short term mortality rates but which tapers to zero in the long-term. The CMI 2021 improvement model has been used with core parameters, placing no weight on 2020 and 2021 experience. The overlay applies multipliers to mortality rates for each calendar year, uniformly across all ages. The Group will continue to follow closely the actual impact of COVID-19 on mortality and to analyse potential direct and indirect future impacts of the pandemic, including the possibility there will be enduring influences on the longevity of customers. The Group will consider the conclusions of such analysis, alongside assessment of other factors influencing mortality trends, in keeping its assumptions under regular review.

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.

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

All references to the use of the CMI 2019 or CMI 2021 models relate to improvements for calendar year 2020 onwards.

The long-term improvement rates in the CMI 2021 model are 2.0% for males and 1.75% for females (2021: 2.0% for males and 1.75% for females). The period smoothing parameter in the modified CMI 2021 model has been set to 7.0 (2021: 7.0). The addition to initial rates ("A") parameter in the model varies between 0% and 0.25% depending on product (2021: between 0% and 0.25% depending on product). All other CMI model parameters are the defaults (2021: other parameters set to defaults).

Valuation discount rates

Valuation discount rate assumptions are set by considering the yields on the assets allocated to back the liabilities. The yields on lifetime mortgage assets are derived using the assumptions described in note 17 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. Economic uncertainty relating to the Russian/Ukraine conflict, supply chain issues and inflation increases the risk of credit defaults. Our underlying default methodology allows for the impact of credit rating downgrades and spread

widening and hence we have maintained the same methodology at 31 December 2022. The considerations around COVID-19 and macro-economic factors for property prices affecting the NNEG are as described in note 17.

Valuation discount rates – gross liabilities	**2022** **%**	2021 %
Individually underwritten Guaranteed Income for Life Solutions (JRL)	**5.67**	2.73
Individually underwritten Guaranteed Income for Life Solutions (PLACL)	**5.89**	2.87
Defined Benefit (JRL)	**5.67**	2.73
Defined Benefit (PLACL)	**5.89**	2.87
Other annuity products (PLACL)	**4.20**	1.03
Term and whole of life products (PLACL)	**4.12**	1.03

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 NNEG from LTMs was 79 bps in JRL and 66bps in PLACL (2021: 64bps and 63bps respectively).

Future expenses

Assumptions for future policy expense levels, expressed as a per plan charge for GIfL and a per scheme member charge for DB, are determined from the Group's recent expense analyses. The assumed future policy expense levels incorporate an annual inflation rate allowance of 4.15% (2021: 4.45%) derived from the long-term expected retail price and consumer price indices implied by inflation swap rates and an additional allowance for earnings inflation. Long-term inflation expectations have fallen during the period, resulting in a decrease in the inflation rate allowance.

Inflation

Assumptions for annuity escalation are required for LPI, RPI and CPI 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, taking into account any escalation caps and/or floors applicable. A change in approach since 31 December 2021, to using a mark to model basis for LPI inflation instead of the previous approach which utilised market prices that were not actively traded, has been implemented.

(c) Movements

The following movements have occurred in the insurance contract balances during the year.

Year ended 31 December 2022	**Gross £m**	**Reinsurance £m**	**Net £m**
At 1 January 2022	**21,812.9**	**(2,533.5)**	**19,279.4**
Change due to new premiums	**2,982.5**	**(202.8)**	**2,779.7**
Change due to new claims	**(1,494.0)**	**231.6**	**(1,262.4)**
Unwinding of discount	**612.7**	**(73.6)**	**539.1**
Changes in economic assumptions	**(5,418.7)**	**515.1**	**(4,903.6)**
Changes in non-economic assumptions	**(164.1)**	**95.2**	**(68.9)**
Other movements	**1.6**	**(13.1)**	**(11.5)**
At 31 December 2022	**18,332.9**	**(1,981.1)**	**16,351.8**

Year ended 31 December 2021	Gross £m	Reinsurance £m	Net £m
At 1 January 2021	21,118.4	(2,865.5)	18,252.9
Change due to new premiums	2,298.1	33.8	2,331.9
Change due to new claims	(1,478.1)	239.0	(1,239.1)
Unwinding of discount	488.8	(62.1)	426.7
Changes in economic assumptions	(595.1)	135.4	(459.7)
Changes in non-economic assumptions	(9.8)	–	(9.8)
Other movements	(9.4)	(14.1)	(23.5)
At 31 December 2021	21,812.9	(2,533.5)	19,279.4

Reinsurance in the table above includes reinsurance assets net of reinsurance liability positions that can arise on longevity swaps which are presented as liabilities in the Consolidated statement of financial position.

Effect of changes in assumptions and estimates during the year

Economic assumption changes

The principal economic assumption changes impacting the movement in insurance liabilities during the year relate to discount rates and inflation.

Discount rates

The movement in the valuation interest rate captures the impact of underlying changes in risk-free curves and spreads and cash flows arising on backing assets held over the course of the year. The movement of the discount rate includes the effect

of any change in the underlying assets over the period, for example due to purchases to support new business and trading for risk management purposes. For the year to 31 December 2022, changes in discount rates resulted in a net reduction of insurance liabilities of £4,659m (2021: £813m) which was due to large increases in risk-free rates over the period (e.g. the 10-year risk-free rate increased by 276bps) and changes to the backing asset portfolio, including as a consequence of the LTM portfolio sale during 2022.

Inflation

Insurance liabilities for inflation-linked products, most notably Defined Benefit business and expenses on all products are impacted by changes in future expectations of RPI, CPI and earnings inflation. For the year to 31 December 2022, changes in inflation, driven by a rise in market-implied expectations of future RPI and CPI inflation, resulted in a net increase of insurance liabilities of £153.3m (2021: £348m). This includes an impact of a £49m reduction in respect of the change in approach since 31 December 2021 to the derivation of the annuity escalation curves required for LPI linked liabilities and is a reduction in liabilities.

Non-economic assumption changes

The principal non-economic assumption changes impacting the movement in insurance liabilities during the year relate to mortality assumptions for both JRL and PLACL products. Note that impacts quoted below relate specifically to the liability cash flow impact of these changes; any resulting change to the discount rate is captured above.

Mortality

The mortality bases applied are outlined above in note 23(b). A decrease in future expectations of longevity decreases the carrying value of the Group's insurance liabilities.

(d) 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.

	Expected cash flows (undiscounted)					Carrying
	Within			Over		value
	1 year	1-5 years	5-10 years	10 years	Total	(discounted)
2022	£m	£m	£m	£m	£m	£m
Gross	**1,505.9**	**5,884.3**	**6,954.4**	**20,876.9**	**35,221.5**	**18,332.9**
Reinsurance	**(209.4)**	**(762.1)**	**(801.7)**	**(1,567.4)**	**(3,340.6)**	**(1,981.1)**
Net	**1,296.5**	**5,122.2**	**6,152.7**	**19,309.5**	**31,880.9**	**16,351.8**

	Expected cash flows (undiscounted)					Carrying
	Within			Over		value
	1 year	1-5 years	5-10 years	10 years	Total	(discounted)
2021	£m	£m	£m	£m	£m	£m
Gross	1,435.4	5,465.3	6,356.3	16,893.6	30,150.6	21,812.9
Reinsurance	(201.7)	(733.5)	(786.3)	(1,650.8)	(3,372.3)	(2,533.5)
Net	1,233.7	4,731.8	5,570.0	15,242.8	26,778.3	19,279.4

Reinsurance in the table above includes reinsurance assets net of reinsurance liability positions that can arise on longevity swaps which are presented as liabilities in the Consolidated statement of financial position.

(e) 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 17. To further assist with this comparison, any impact on reinsurance assets has also been included within the liabilities line item.

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 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. The

impact on liabilities includes the net effect of the impact on reinsurance assets and liabilities. 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.

Sensitivities are generally of a smaller magnitude compared to the prior period due to the discounting effect of interest rate rises over the period. The reduction in the interest rate sensitivity is further due to the change in the interest rate hedging position adopted. The mortality and voluntary redemption sensitivities are further impacted by the interest rate increases observed during the period, as mentioned in the sensitivities to loans secured against residential mortgages in note 17.

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 0.25% for both Retirement Income liabilities and loans secured by residential mortgages
Immediate property price fall	The impact of an immediate decrease in the value of properties by 10%
Future property price growth	The impact of a reduction in future property price growth by 0.5%
Future property price volatility	The impact of an increase in future property price volatility 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 on profit before tax (£m)

		Interest rates +1%	Interest rates -1%	Maintenance expenses +10%	Base mortality -5%	Mortality improvement +0.25%	Immediate property price fall -10%	Future property price growth -0.5%	Future property price volatility +1%	Voluntary redemptions +10%	Credit defaults +10bps
2022	**Assets**	**(1,545.4)**	**1,837.6**	**(5.2)**	**(13.4)**	**(6.0)**	**(62.6)**	**(37.1)**	**(25.6)**	**19.2**	**–**
	Liabilities	**1,552.7**	**(1,848.6)**	**(27.0)**	**(111.3)**	**(81.9)**	**(34.3)**	**(32.2)**	**(16.1)**	**(30.1)**	**(123.2)**
	Total	**7.3**	**(11.0)**	**(32.2)**	**(124.7)**	**(87.9)**	**(96.9)**	**(69.3)**	**(41.7)**	**(10.9)**	**(123.2)**
2021	Assets	(2,602.0)	3,118.9	(6.5)	23.8	7.5	(90.8)	(59.2)	(41.2)	(6.2)	(0.0)
	Liabilities	2,076.3	(2,492.5)	(33.7)	(140.6)	(104.4)	(67.7)	(67.7)	(22.5)	(64.2)	(151.6)
	Total	(525.7)	626.4	(40.2)	(116.8)	(96.9)	(158.5)	(126.9)	(63.7)	(70.4)	(151.6)

24 INVESTMENT CONTRACT LIABILITIES

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
At 1 January	**33.6**	42.8
Deposits received from policyholders	**14.0**	1.1
Payments made to policyholders	**(11.4)**	(11.1)
Change in contract liabilities recognised in profit or loss[1]	**(3.7)**	0.8
At 31 December	**32.5**	33.6

1 This represents the £2.6m in the consolidated statement of comprehensive income less the impact for foreign exchange translation.

(a) Terms and conditions of investment contracts

The Group has written Capped Drawdown products for the at-retirement market. These products are no longer available to new customers. 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 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.

(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 17 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 spread widening and hence we have maintained the same methodology at 31 December 2022.

Valuation discount rates	**2022 %**	2021 %
Investment contracts	**5.67**	2.73

25 LOANS AND BORROWINGS

	Carrying value		Fair value	
	2022 £m	2021 £m	**2022 £m**	2021 £m
£250m 9.0% 10 year subordinated debt 2026 (Tier 2) issued by Just Group plc	**173.6**	249.2	**187.8**	323.5
£125m 8.125% 10 year subordinated debt 2029 (Tier 2) issued by Just Group plc	**122.5**	122.2	**130.1**	165.6
£250m 7.0% 10.5 year subordinated debt 2031 non-callable 5.5 years (Green Tier 2) issued by Just Group plc	**248.5**	248.4	**244.7**	287.2
£230m 3.5% 7 year subordinated debt 2025 (Tier 3) issued by Just Group plc	**154.7**	154.5	**141.6**	160.5
Total loans and borrowings	**699.3**	774.3	**704.2**	936.8

The £250m 7.0% bond is callable after October 2025. The maturity analysis in note 33(d) assumes it is called at the first possible date.

On 15 October 2020, the Group completed the issue of £250m Green Tier 2 capital via a 7.0% sterling denominated BBB rated 10.5 year, non-callable 5.5 year bonds issue, interest payable semi-annually in arrears. The bonds have a reset date of 15 April 2026 with optional redemption any time from 15 October 2025 up to the reset date. The proceeds of the issue have been used in part to finance the purchase of £75m of the £230m 3.5% 7 year subordinated debt 2025 (Tier 3) issued by the Group in 2018.

The Group also has an 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 1.50% 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 2022 £m	Year ended 31 December 2021 £m
At 1 January	**774.3**	773.5
Repayment of Just Group plc Tier 2 subordinated debt	**(76.0)**	–
Financing cash flows	**(76.0)**	–
Amortisation of issue costs	**1.0**	0.8
Non-cash movements	**1.0**	0.8
At 31 December	**699.3**	774.3

26 LEASE LIABILITIES

Lease liabilities are in respect of property assets leased by the Group recognised as right-of-use assets within property, plant and equipment on the Consolidated statement of financial position. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of less than 12 months and leases of low value assets.

Movements in lease liabilities during the year were as follows:

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
At 1 January	**3.9**	6.9
Lease payments	**(3.0)**	(3.7)
Financing cash flows	**(3.0)**	(3.7)
New Lease	**7.6**	–
Rent increase	**–**	0.6
Disposal	**–**	–
Interest	**0.1**	0.1
Non-cash movements	**7.7**	0.7
At 31 December	**8.6**	3.9

Lease liabilities are payable as follows:

	2022 £m	2021 £m
At 31 December		
Less than one year	**1.1**	3.0
Between one and five years	**6.8**	1.0
More than five years	**0.8**	–
	8.7	4.0
Interest	**(0.1)**	(0.1)
Total lease liability	**8.6**	3.9

27 OTHER FINANCIAL LIABILITIES

The Group has the following other financial liabilities which are measured at fair value through profit or loss:

	Note	**2022 £m**	2021 £m
Derivative financial liabilities	(a)	**3,023.2**	394.7
Obligations for repayment of cash collateral received	(a)	**623.1**	326.2
Deposits received from reinsurers	(b)	**1,603.9**	2,144.7
Total other liabilities		**5,250.2**	2,865.6

(a) Derivative financial liabilities and obligations for repayment of cash collateral received

Derivative financial liabilities and obligations for repayment of cash collateral received are classified at fair value through profit or loss. All financial liabilities at fair value through profit or loss are designated as such on initial recognition or, in the case of derivative financial liabilities, are classified as held for trading.

(b) Deposits received from reinsurers

Deposits received from reinsurers are unbundled from their reinsurance contract and recognised at fair value through profit or loss in accordance with IAS 39, Financial instruments: recognition and measurement. Deposits received from reinsurers are measured in accordance with the reinsurance contract, taking into account an appropriate discount rate for the timing of expected cash flows of the liabilities.

The amount of deposits received from reinsurers and reinsurance funds withheld that is expected to be settled more than one year after the Consolidated statement of financial position date is £1,421.9m (2021: £1,952.7m).

28 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 (see note 33).

	2022			2021		
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	**412.9**	**1,320.3**	**12,662.5**	243.4	247.2	8,069.4
Interest rate swaps	**1,407.6**	**1,580.0**	**13,647.9**	169.9	44.9	9,117.7
Inflation swaps	**437.5**	**79.7**	**4,293.4**	261.8	92.5	4,580.0
Forward swaps	**5.0**	**10.5**	**546.3**	1.8	3.4	213.9
Total return swaps	**13.6**	**13.5**	**–**	5.8	5.8	–
Put options on property index (NNEG hedges)	**–**	**19.2**	**705.0**	8.5	0.9	705.0
Total	**2,276.6**	**3,023.2**	**31,855.1**	691.2	394.7	22,686.0

The Group's derivative financial instruments are not designated as hedging instruments and changes in their fair value are included in profit or loss. The significant increase in the interest rate swaps is due to changes in the hedging position.

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 2022, the Group had pledged collateral of £1,286.2m (2021: £61.3m), of which £393.8m were corporate bonds and European Investment Bank bonds (2021: £11m) and had received cash collateral of £623.1m (2021: £326.2m).

29 REINSURANCE

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

New business is reinsured via longevity swap arrangements for DB and GIfL business and quota share for DB partnering business, as follows:

- DB was reinsured at 90% for non-underwritten schemes in 2021 and 2022.
- DB Partnering was reinsured at 100% for the scheme completed in 2022.
- GIfL was reinsured at 90% in 2021 and 2022.
- Care new business was not reinsured in 2021 or 2022.

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

In addition to the deposits received from reinsurers recognised within other financial liabilities (see note 27(b)), 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 ringfenced 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 ringfenced 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 ringfenced for issued Lifetime Mortgage quotes agreed by the reinsurer, it is also not recognised as an asset by 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 ringfenced collateral account of notes/shares issued through the dedicated Investment vehicle. The investments in the vehicle are restricted only for the purpose of this reinsurance. 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 reinsurer also deposits cash into a bank account held legally by the Group to fund reinsurance claims but as this cash is ringfenced for the reinsurer purpose, it is also not recognised as an asset by the Group.

	2022 **£m**	2021 £m
Deposits held in trust	**568.7**	491.7

The Group is exposed to a minimal amount of reinsurance counterparty default risk in respect of the above arrangements and calculates a counterparty default reserve accordingly. At 31 December 2022, this reserve totalled £2.0m (2021: £3.4m).

30 INSURANCE AND OTHER PAYABLES

	2022 **£m**	2021 £m
Payables arising from insurance and reinsurance contracts	**31.7**	22.0
Other payables	**230.8**	71.3
Total insurance and other payables	**262.5**	93.3

Other payables include unsettled investment purchases, which have increased in the period as a result of cash liability for recognised investment trades. All amounts are due within one year.

31 COMMITMENTS

Capital commitments

The Group had no capital commitments as at 31 December 2022 (2021: £nil).

32 CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2022 (2021: £nil).

33 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 withdrawal levels 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. 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 to match some of 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.

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 provide detailed insight into longevity risk;
- The use of reinsurance to reduce longevity risk. The Group retains oversight of the overall exposures and monitors that the aggregation of risk ceded is within the reinsurance counterparty risk appetite;
- The assessment and recalibration of adequacy of risk based capital;
- Review and approval of assumptions used by the Board;
- Regular monitoring and analysis of actual experience; and
- Monitoring of expense levels.

Concentrations of insurance risk

Improved longevity arises from enhanced medical treatment and improved life circumstances. Concentration risk to individuals 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, property markets, inflation and exchange rates. The Group is not exposed to equity risk. Some very limited equity risk exposure arises from investment into credit funds which have a mandate which 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 monies 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 economic 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.

2022	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	**1,174.4**	**–**	**–**	**–**	**–**	**1,174.4**
Investment funds	**82.7**	**338.3**	**–**	**–**	**–**	**421.0**
Debt securities and other fixed income securities	**676.2**	**1,424.5**	**2,405.0**	**6,864.7**	**–**	**11,370.4**
Deposits with credit institutions	**907.6**	**–**	**–**	**–**	**–**	**907.6**
Loans secured by residential mortgages	**–**	**–**	**–**	**–**	**5,305.9**	**5,305.9**
Loans secured by commercial mortgages	**67.1**	**338.5**	**125.1**	**53.0**	**–**	**583.7**
Loans secured by ground rents	**–**	**–**	**–**	**246.9**	**–**	**246.9**
Infrastructure loans	**–**	**24.2**	**160.3**	**871.9**	**–**	**1,056.4**
Other loans	**1.5**	**117.9**	**6.4**	**8.5**	**–**	**134.3**
Derivative financial assets	**51.8**	**157.4**	**322.3**	**1,745.1**	**–**	**2,276.6**
Total	**2,961.3**	**2,400.8**	**3,019.1**	**9,790.1**	**5,305.9**	**23,477.2**

2021	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	1,310.5	–	–	–	–	1,310.5
Investment funds	68.4	233.4	–	–	–	301.8
Debt securities and other fixed income securities	733.5	1,920.0	2,345.9	7,924.6	–	12,924.0
Deposits with credit institutions	52.9	–	–	–	–	52.9
Derivative financial assets	8.0	62.7	96.4	524.1	–	691.2
Loans secured by residential mortgages	–	–	–	–	7,422.8	7,422.8
Loans secured by commercial mortgages	43.4	395.0	189.8	49.6	–	677.8
Loans secured by ground rents	–	–	–	189.7	–	189.7
Infrastructure loans	–	25.3	123.5	844.3	–	993.1
Other loans	0.9	108.3	3.2	5.5	–	117.9
Total	2,217.6	2,744.7	2,758.8	9,537.8	7,422.8	24,681.7

A sensitivity analysis of the impact of interest rate movements on profit before tax is included in note 23(e).

(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. The Group has managed its property risk exposure in the year via a reduction in the LTM backing ratio and an additional LTM portfolio sale.

A sensitivity analysis of the impact of residential property price movements is included in note 17 and note 23(e). These notes also discuss the Group's consideration of the impact of COVID-19 on property assumptions at 31 December 2022.

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 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.
- 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 28).
- 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.
- Cash balances – credit risk on cash assets is managed by imposing restrictions over the credit ratings of third parties with whom cash is deposited.
- Credit risk for loans secured by residential mortgages has been considered within "property risk" above.

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:

2022	UK gilts £m	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
Units in liquidity funds	–	1,169.8	–	–	–	4.6	–	1,174.4
Investment funds	–	–	–	–	–	–	421.0	421.0
Debt securities and other fixed income securities	306.0	698.2	1,582.5	3,262.6	5,120.6	400.6	–	11,370.5
Deposits with credit institutions	–	–	99.4	773.0	20.0	15.1	0.1	907.6
Loans secured by residential mortgages	–	–	–	–	–	–	5,305.9	5,305.9
Loans secured by commercial mortgages	–	–	–	–	–	–	583.7	583.7
Loans secured by ground rents	–	–	–	–	–	–	246.9	246.9
Infrastructure loans	–	71.2	97.4	141.7	733.9	12.2	–	1,056.4
Other loans	–	–	–	–	–	22.3	111.9	134.2
Derivative financial assets	–	–	–	1,669.9	606.7	–	–	2,276.6
Reinsurance	–	–	126.9	197.1	3.7	–	204.4	532.1
Insurance and other receivables	–	–	–	–	–	–	322.8	322.8
Total	**306.0**	**1,939.2**	**1,906.2**	**6,044.3**	**6,484.9**	**454.8**	**7,196.7**	**24,332.1**

2021	UK gilts £m	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
Units in liquidity funds	–	1,304.9	–	–	–	5.6	–	1,310.5
Investment funds	–	–	–	–	–	–	301.8	301.8
Debt securities and other fixed income securities	741.8	894.0	2,132.3	3,279.7	5,554.2	322.0	–	12,924.0
Deposits with credit institutions	–	–	–	11.1	39.2	2.6	–	52.9
Loans secured by residential mortgages	–	–	–	–	–	–	7,422.8	7,422.8
Loans secured by commercial mortgages	–	–	–	–	–	–	677.8	677.8
Loans secured by ground rents	–	–	–	–	–	–	189.7	189.7
Infrastructure loans	–	82.4	116.6	180.9	567.5	45.7	–	993.1
Other loans	–	–	–	–	–	12.5	105.4	117.9
Derivative financial assets	–	–	0.3	519.3	171.6	–	–	691.2
Reinsurance	–	–	214.7	277.0	5.1	–	0.5	497.3
Insurance and other receivables	–	–	–	–	–	–	35.4	35.4
Total	741.8	2,281.3	2,463.9	4,268.0	6,337.6	388.4	8,733.4	25,214.4

There are no financial assets that are either past due or impaired.

The credit rating for Cash available on demand at 31 December 2022 was between a range of AA and BB (2021: between a range of AA and BB).

The carrying amount of those assets subject to credit risk represents the maximum credit risk exposure.

In the tables below, the amounts of assets or liabilities presented in the Consolidated Balance Sheet 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.

2022	**Balance Sheet £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 represents 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.

2021	Balance Sheet £m	Related financial Instruments[1] £m	Cash collateral[2] £m	Securities collateral pledged £m	Net amount £m
Derivative assets	691	(369)	(311)	–	11
Derivative liabilities	(395)	380	26	–	–

1 Related financial instruments represents 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.

(d) Liquidity risk

Liquidity risk is the risk of loss because the Group, although solvent, does not have sufficient financial resources available to it in order to meet its obligations as they fall due.

The investment of cash received from Retirement Income sales into corporate bonds, gilts and lifetime mortgages, and commitments to pay policyholders and other obligations, requires liquidity risks to be taken.

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; and
- ensuring financial support can be provided across the Group.

Liquidity risk is managed by holding assets of a suitable maturity 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 Retirement Income liabilities can be reasonably estimated and liquidity can be arranged to meet this expected outflow through asset-liability matching and new business premiums.

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. Policyholders are able to redeem mortgages, albeit at a cost. The mortgage assets are considered illiquid, as they are not readily saleable due to the uncertainty about their value and the lack of a market in which to trade them individually.

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. Cash flow forecasts include an assessment of the impact of a 1-in-200 year event on the Group's long term liquidity and the minimum cash and cash equivalent levels required to cover enhanced stresses. Derivative stresses have been revised to take into account the market volatility caused by COVID-19, and focus on the worst observed movements over the last 40 years, in shorter periods from one day up to and including one month.

During the year 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 1.50% per annum depending on the Group's unsecured issuer rating provided by any of Fitch, S&P and Moody's.

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:

2022	**Within one year or payable on demand £m**	**One to five years £m**	**More than five years £m**
Investment contract liabilities	**7.8**	**30.7**	**0.7**
Subordinated debt	**65.0**	**559.8**	**855.3**
Derivative financial liabilities	**28.3**	**324.5**	**2,651.3**
Obligations for repayment of cash collateral received	**623.1**	**–**	**–**
Deposits received from reinsurers	**182.0**	**651.3**	**1,772.3**

2021	Within one year or payable on demand £m	One to five years £m	More than five years £m
Investment contract liabilities	10.2	21.1	1.5
Subordinated debt	71.8	684.2	899.2
Derivative financial liabilities	7.3	41.9	344.6
Obligations for repayment of cash collateral received	326.2	–	–
Deposits received from reinsurers	192.0	679.8	1,924.0

34 CAPITAL

Group capital position

The Group's estimated capital surplus position at 31 December 2022 was as follows:

	Solvency Capital Requirement		Minimum Group Solvency Capital Requirement	
	2022[1] **£m**	2021[2] £m	**2022 £m**	2021 £m
Eligible Own Funds	**2,757**	3,004	**2,152**	2,263
Solvency Capital Requirement	**(1,387)**[3]	(1,836)	**(388)**[3]	(482)
Excess Own Funds	**1,370**[3]	1,168	**1,764**[3]	1,781
Solvency coverage ratio	**199%**[3]	164%	**555%**[3]	469%

1 Estimated regulatory position. Solvency II capital coverage ratios as at 31 Dec 2021 and 31 Dec 2022 include a recalculation of transitional measures on technical provisions ("TMTP") as 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 2021.

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. It is also unaudited.

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 include:

- 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.

The Group regularly assesses a wide range of actions to improve the capital position and resilience of the business.

To improve resilience to property risk, we have significantly reduced the exposure related to LTMs by selling three blocks of LTMs and transacting three no-negative equity guarantee ("NNEG") hedges since 2018.

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 stops writing new business.

EVT compliance

At 31 December 2022, Just passed the PRA EVT with a buffer of 1.53% (unaudited) over the current minimum published deferment rate of 2.0% (allowing for volatility of 13%, in line with the requirement for the EVT). At 31 December 2021, the buffer was 0.75% (unaudited) compared to the minimum deferment rate of 0.5%. The buffer increased primarily due to rise in risk free rates.

Management regularly assesses the level of buffer above the minimum deferment rate and considers appropriateness of the buffer against an established framework.

Regulatory developments

The PRA approved the Group's major model change application on 28 November 2022. We are planning to apply to the PRA to bring the PLACL SCR calculation onto the internal model.

In November 2022, HMT published its response to the consultation on the review of Solvency II and set out its plans for reform. The key elements of the reform for the Group relate to the risk margin and the Matching Adjustment. We welcome the reduction in risk margin to a more appropriate level and that we hope that the proposed expansion of the matching adjustment criteria enables us to invest in a wider range of assets, in particular to help support investment in the UK economy. However, the detailed expectations underlying the reforms still needs to be developed and the implementation date has not been set. The Group will engage with PRA and HMT consultations in 2023 as appropriate.

35 GROUP ENTITIES

The Group holds investment in the ordinary shares (unless otherwise stated) of the following subsidiary undertakings and associate undertakings, which are all consolidated in these Group accounts. All subsidiary undertakings have a financial year end at 31 December (unless otherwise stated).

	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%

	Principal activity	Registered office	Percentage of nominal share capital and voting rights held
Just Retirement Finance plc	Dormant	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 (formerly Corinthian Group 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]
Associate			
Guernsey Property Unit Trust	Investment activity	Guernsey	60%
Comentis	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:
44 Esplanade
St Helier
Jersey JE4 9WG

Portsmouth office:
Building 3000, Lakeside North Harbour
Portsmouth
Hampshire PO6 3EN

Consolidated structured entities

In November 2020 the Parent Company invested in a cell of a Protected Cell Company, White Rock Insurance (Gibraltar) PCC Limited. 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.

In December 2021 the Group invested in a controlling interest in a Jersey Property Unit Trust (JPUT). 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 and as such the investment by the Group does not represent a business combination (see note 15). 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 based on the investment proportion held by the Group.

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 ground rents.

As at 31 December 2022 the Group's interest in unconsolidated structured entities, which are classified as investments held at fair value through profit or loss, are shown below:

	2022 £m	2021 £m
Loans secured by commercial mortgages	**583.7**	677.8
Loans secured by ground rents	**246.9**	189.7
Asset backed securities	**7.0**	9.5
Investment funds	**399.2**	301.8
Liquidity funds	**1,174.4**	1,310.5
Total	**2,411.2**	2,489.3

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.

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.

On 17 August 2018 the Group acquired 75% of the ordinary share capital of HUB Pension Consulting (Holdings) Limited (formerly Corinthian Group Limited). On 22 September 2021 the Group acquired the remaining 25% of the ordinary share capital at a cost of £52,659.80.

The non-controlling interests of the minority shareholders of Spire Platform Solutions Limited of £0.6m have been recognised in the year.

Associates

During the year the Group invested £196m for 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.

In December 2022 the Group invested £1m for a 13% equity stake in Comentis Ltd, incorporated and registered in England and Wales with company number 13061362 whose registered office is at Henleaze House, Harbury Road, Bristol, England, BS9 4PN.

The investment includes the right for the Group to appoint a Director to the board of Comentis Ltd and as a result the investment has been classified as an Associate and accounted for using the equity method in the Group accounts. Comentis Ltd has a reporting period ending 31 March which is different to the Group's year end of 31 December. Given the timing of the acquisition, there is no impact on the application of the equity method in the Group's 2022 financial statements.

Summarised financial information for associates

2022	**Year ended 31 December 2022 £m**
Assets	
Investment properties	**212.0**
Trade and other receivables	**52.0**
Cash and cash equivalents	**6.0**
Total assets	**270.0**
Equity	
Partners capital	**327.0**
Retained earnings	**(57.0)**
Total equity	**270.0**

Reconciliation of carrying value

2022	Year ended 31 December 2022 £m
Investment in associate – GPUT	**196.2**
Share of associates net income - GPUT	**(2.9)**
Carrying amount – GPUT	**193.3**
Investment in associate - Comentis	**1.0**
Carrying amount	**194.3**

36 RELATED PARTIES

The Group has related party relationships with its key management personnel and subsidiary undertakings detailed in note 35.

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 2022 £m	Year ended 31 December 2021 £m
Short-term employee benefits	**3.0**	3.9
Share-based payments	**1.7**	1.5
Total key management compensation	**4.7**	5.4
Loans owed by Directors	**0.4**	0.4

The loan advances to Directors accrue interest fixed at 4% per annum and are repayable in whole or in part at any time.

37 ULTIMATE PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

The Company is the ultimate Parent Company of the Group and has no controlling interest.

38 POST BALANCE SHEET EVENTS

Subsequent to 31 December 2022, the Directors proposed a final dividend for 2022 of 1.23 pence per ordinary share (2021: 1.0 pence), amounting to £17.9m (2021: £10.4m) in total. Subject to approval by shareholders at the Company's 2023 AGM, the dividend will be paid on 17 May 2023 to shareholders on the register of members at the close of business on 14 April 2023, and will be accounted for as an appropriation of retained earnings in year ending 31 December 2023.

There are no other material post balance sheet events that have taken place between 31 December 2022 and the date of this report.

Additional Financial 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 2022 of £1,370m.

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
2023	228	(73)	155
2024	223	(73)	150
2025	215	(73)	142
2026	208	(73)	135
2027	202	(73)	129
2028	198	(73)	125
2029	194	(73)	121
2030	190	(73)	117
2031	186	(73)	113
2032	181	–	181
2033	176	–	176
2034	171	–	171
2035	165	–	165
2036	158	–	158
2037	151	–	151
2038	144	–	144
2039	136	–	136
2040	128	–	128
2041	119	–	119
2042	110	–	110
2043 – 2047	429	–	429
2048 – 2052	254	–	254
2053 – 2057	145	–	145

New business contribution

The table below shows the expected future emergence of Solvency II surplus arising from 2022 new business at 100% of SCR over 50 years from the point of sale. It shows the initial Solvency II capital strain in 2022. The amounts are shown undiscounted.

Year	Surplus generation £m
Point of sale	(60.0)
Year 1	15.5
Year 2	15.2
Year 3	15.9
Year 4	16.6
Year 5	17.2
Year 6	17.1
Year 7	17.7
Year 8	17.0
Year 9	16.4
Year 10	16.4
Year 11	16.0
Year 12	16.3
Year 13	16.6
Year 14	16.5
Year 15	16.2
Year 16	15.9
Year 17	15.1
Year 18	14.4
Year 19	14.1
Year 20	13.7
Years 21 to 30	114.3
Years 31 to 40	44.1
Years 41 to 50	18.4

FINANCIAL INVESTMENTS CREDIT RATINGS

The sector analysis of the Group's financial investments portfolio by credit rating is shown below:

	Total £m	%	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m
Basic materials	270	1.3	–	–	103	157	10	–
Communications and technology	1,327	6.5	100	191	249	741	46	–
Auto manufacturers	250	1.2	–	-	218	26	6	–
Consumer (staples including healthcare)	1,012	5.1	127	245	193	354	15	78
Consumer (cyclical)	142	0.7	–	4	13	125	0	–
Energy	535	2.6	–	181	105	160	89	–
Banks	1,120	5.5	35	61	568	456	–	–
Insurance	607	3.0	6	142	96	363	(0)	–
Financial – other	956	4.7	59	85	270	43	324	175
Real estate including REITs	437	2.1	31	15	96	267	28	-
Government	1,596	7.8	340	782	216	258	–	-
Industrial	622	3.1	–	63	71	430	24	34
Utilities	2,266	11.0	–	115	797	1,342	12	–
Commercial mortgages	584	2.9	77	144	253	110	(0)	–
Ground Rent	291	1.4	138	7	81	65	(0)	–
Infrastructure loans	1,811	9.0	71	103	474	1,137	26	–
Other	42	0.2	–	–	42	–	0	–
Corporate/government bond total	13,868	68.1	984	2,138	3,845	6,034	580	287
Lifetime mortgages	5,306	26.1						
Liquidity funds	1,174	5.8						
Sub-total	20,348	100.0						
Derivatives and collateral	3,169							
Total	23,517							

Glossary

Acquisition costs – comprise the direct costs (such as commissions) of obtaining new business.

Adjusted earnings per share (adjusted EPS) – an APM, this measures earnings per share based on underlying operating profit after attributed tax, rather than IFRS profit before tax. 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. For remuneration purposes (see Directors' Remuneration Report), the measure is calculated as adjusted operating profit before tax divided by the weighted average number of shares in issue by the Group for the period.

Adjusted operating profit before tax – an APM and one of the Group's KPIs, this is the sum of the new business operating profit and in-force operating profit, operating experience and assumption changes, other Group companies' operating results, development expenditure and reinsurance and financing costs. The Board believes it provides a better view of the longer-term performance of the business than profit before tax because it excludes the impact of short-term economic variances and other one-off items. It excludes the following items that are included in profit before tax: non-recurring and project expenditure, implementation costs for cost saving initiatives, 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.

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.

Amortisation and impairment of acquired intangibles – relate to the amortisation of the Group's intangible assets arising on consolidation, including the amortisation of intangible assets recognised in relation to the acquisition of Partnership Assurance Group plc by Just Group plc (formerly Just Retirement Group plc).

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.

Change in insurance liabilities – represents the difference between the year-on-year change in the carrying value of the Group's insurance liabilities and the year-on-year change in the carrying value of the Group's reinsurance assets including the effect of the impact of reinsurance recaptures.

Combined Group/Just Group – following completion of the merger with Partnership Assurance Group plc, Just Group plc and each of its consolidated subsidiaries and subsidiary undertakings comprising the Just Retirement Group and the Partnership Assurance Group.

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 – captures costs relating to the development of new products and new initiatives, and is included within adjusted operating profit.

Drawdown (in reference to Just Group sales or products) – collective term for Flexible Pension Plan and 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 reinsurance deposits and financing and the interest 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 net assets – one of the Group's KPIs, representing the assets attributable to equity holders.

IFRS profit before tax – one of the Group's KPIs, representing the profit before tax attributable to equity holders.

In-force operating profit – an APM capturing the expected margin to emerge from the in-force book of business and free surplus, and results from the gradual release of prudent reserving margins over the lifetime of the policies. In-force 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.

Investment and economic profits – 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, Solvency II capital coverage ratio, Underlying organic capital generation, Retirement Income sales, New business operating profit, Underlying operating profit, Management expenses, Adjusted operating profit, IFRS profit before tax and IFRS net assets.

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.

Management expenses – an APM and one of the Group's KPIs, and are business as usual costs incurred in running the business, including all operational overheads. Management expenses are other operating expenses excluding investment expenses and charges; reassurance management fees which are largely driven by strategic decisions; amortisation of acquired intangible assets relating to merger and acquisition activity; and other costs impacted by external factors. Management expenses are reconciled to IFRS other operating expenses in note 4 to the consolidated financial statements.

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.

Net premium revenue – represents the sum of gross premiums written and reinsurance recapture, less reinsurance premium ceded.

New business margin – the new business operating profit divided by Retirement Income sales. It provides a measure of the profitability of Retirement Income sales.

New business operating 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 prudent reserves and for acquisition expenses. New business 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.

New business strain – represents 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.

Non-recurring and project expenditure – includes any one-off regulatory, project and development costs. This line item does not include acquisition integration, or acquisition transaction costs, which are shown as separate line items.

Operating experience and assumption changes – captures the impact of the actual operating experience differing from that assumed at the start of the period, plus the impact of changes to future operating assumptions applied during the period. It also includes the impact of any expense reserve movements, and other sundry operating items.

Organic capital generation/(consumption) – an APM and 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.

Other operating expenses – represent the Group's operational overheads, including personnel expenses, investment expenses and charges, depreciation of equipment, reinsurance fees, operating leases, amortisation of intangibles, and other expenses incurred in running the Group's operations.

Pension Freedoms/Pension Freedom and Choice/Pension Reforms – the UK government's pension reforms, implemented in April 2015.

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.

Reinsurance and finance costs – the interest on subordinated debt, bank loans and reinsurance financing, together with reinsurance fees incurred.

Retail sales (in reference to Just Group sales or products) – collective term for GIfL and Care Plan.

Retirement Income sales (in reference to Just Group sales or products) – an APM and one of the Group's KPIs and a collective term for GIfL, DB and Care Plan. Retirement Income sales are reconciled to IFRS gross premiums in note 6 to the consolidated financial statements. DB partner premium is not included in the Retirement Income sales.

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. Tangible net asset value is reconciled to IFRS total equity in the Business Review.

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.

Tangible net asset value – IFRS total equity excluding goodwill and other intangible assets, net of tax, and excluding equity attributable to Tier 1 noteholders.

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 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 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.

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

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

tCO_2e – tonnes of carbon dioxide equivalent

TMTP – transitional measures on technical provisions

TSR – total shareholder return