NEWS RELEASE

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10 March 2022

JUST GROUP PLC
RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

PROFITABLE AND SUSTAINABLE GROWTH

Just Group plc (the "Group", "Just") announces its results for the year ended 31 December 2021.

Profitable and sustainable growth

- **Retirement Income sales[1] up 25% to £2.7bn** (2020: £2.1bn), as Defined Benefit De-risking ("DB") sales increased by 28% and retail sales were up 16%.
- **New business profits[1] up 13% to £225m** (2020: £199m), driven by higher volumes. New business margin at 8.4% (2020: 9.3%) reflects a significant increase in the proportion of DB deferred business within the sales mix.
- **Underlying operating profit[1] up 9% to £210m** (2020: £193m).
- **Underlying organic capital generation[1] ("UOCG") up 183% to £51m** (2020: £18m), strongly beating the target to double the 2020 UOCG by 2022, achieved a year early, driven by outperformance in new business capital strain, which at £40m, represents only 1.5% of sales (2020: £48m and 2.2%). Expense overruns have been eliminated in line with our target.

Rewarding shareholders

- **Dividend reinstated. Recommended final dividend of 1.0p per share.** Sustainable dividend expected to grow over time from 2021 pro forma base level of 1.5p.
- **New guidance to target growth in underlying operating profits over the medium term by an average of 15% per annum[1].** Strengthened organic capital generation to sustain strong, profitable sales growth and increase the long term value of the business.

Strong Solvency II balance sheet and IFRS

- **Improved capital coverage ratio of 164%[2]** (31 December 2020: 156%). Organic capital generation and credit portfolio management together have contributed 6 percentage points to the ratio.
- **Reduced property sensitivity.** Including final LTM portfolio sale announced in February 2022, the sensitivity of the Solvency II balance sheet to a 10% immediate fall in UK house prices is now within appetite at 11 percentage points ("pp") (31 December 2020: 14pp).
- **Adjusted operating profit[1] was £238m, broadly unchanged from 2020** (£239m), as significantly higher new business profit was offset by lower operating experience and assumption changes and in-force operating profit.
- **IFRS loss before tax was £21m** (2020: profit £237m) as economic variances and the loss on the sale of the second LTM portfolio led to economic losses of £226m (2020: gains of £9m).
- **Tangible net assets per share[1] 195p** (31 December 2020: 199p).

David Richardson, Group Chief Executive Officer, said:

"This is an excellent set of results which demonstrate our ability to generate profitable growth within a sustainable capital model. New business premiums, underlying operating profits and underlying capital generation have improved significantly on the previous year. Furthermore, we have also attained a sustainable level of underlying capital generation and coverage ratio to be in a position to re-commence dividend payments.

Our confidence in the growth opportunities available to the Group is reflected in our new target to grow underlying operating profits over the medium term by an average of 15% per annum.

HM Treasury's Solvency II reform objectives are welcomed, as we believe they will increase the opportunities available to Just to invest the long term cashflows inherent in our business model in support of the Government's levelling-up and green agendas. Lower capital requirements and increased illiquid asset investment improve customer pricing and further stimulate our end markets.

Just has a clear, compelling purpose: we help people achieve a better later life. The solid foundations we've established will enable our customers to reach that goal. We are committed to growing, helping more customers and increasing shareholder value."

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 This figure is an estimate and has been recalculated in line with the Solvency II Directive timetable as at 31 December 2021 and the TMTP has been recalculated excluding the contribution from the LTMs that have been sold on 22 February 2022.

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For those analysts who have registered, a presentation will take place today at Royal Bank of Canada, 100 Bishopsgate, London, EC2M 1GT, commencing at 09:30am. The presentation will also available via a live webcast.

FINANCIAL CALENDAR	DATE
Ex-dividend date for final dividend	21 April 2022
Record date for final dividend	22 April 2022
Annual General Meeting	10 May 2022
Payment of final dividend	17 May 2022
Interim results	9 August 2022

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

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The information contained within this announcement is deemed to constitute inside information as stipulated under the retained EU law version of the Market Abuse Regulation (EU No. 596/2014) (the "UK MAR") which is part of UK law by virtue of the European Union (Withdrawal) Act 2018. The information is disclosed in accordance with the Company's obligations under Article 17 of the UK MAR. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

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 unfolding 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

PURPOSE DRIVEN, FOCUSED ON PROFITABLE SUSTAINABLE GROWTH

2021 has been a significant and positive year in our history. We have built on the foundations we put in place over the previous two years to transform the way that we do business. We are excited about the growth potential for the Group.

The growth that we have achieved in 2021 is a testament to the success of our transformation. We are investing the increased levels of organic capital generated into writing more new business that delivers profitable and sustainable growth at attractive levels of return to shareholders.

This year we have achieved record new business sales and new business profits and more than doubled our underlying organic capital generation a year ahead of our 2022 target. The results build on our strong track record of delivering on our commitments. In 2020, we achieved capital self-sufficiency more than a year earlier than originally planned. In 2021, we have reduced our Solvency II balance sheet sensitivity to property to a comfortable level and eliminated our cost overruns.

RETIREMENT SALES GROWTH

I am pleased to report that during 2021 we have increased Retirement Income sales by 25% to £2.7bn.

DB sales were up 28% to £1.9bn including two transactions in the over £250m segment. The market is becoming more focused on Buy-out transactions and so our enhanced capability to meet the needs of deferred members has been an important part of this growth; almost 40% of our transactions were DB deferred. Our start to 2022 has been encouraging and we have a £4bn pipeline of potential DB transactions.

In our retail market, sales of £739m were up 16% on 2020 and were 8% higher than the pre-pandemic sales of 2019.

GROWTH AND INNOVATION

We participate in retirement markets that offer long-term structural growth and the capital which we invest in that growth is achieving high levels of return. We are investing in all of these markets, developing our propositions and also innovating to build improved retirement products and services.

OUR PURPOSE AND SUSTAINABILITY

Just has a strong purpose: we help people achieve a better later life. We help our customers achieve security, certainty and peace of mind.

We achieve our goals responsibly and are committed to a sustainable strategy that protects our communities and the planet we live in. The most material impact we can make to reduce carbon emissions will be achieved through the decisions we take with our investment portfolio, which currently exceeds £24bn. We are diversifying these investments, investing in more sustainable assets and reducing the carbon intensity of our entire asset portfolio. We plan to become signatories of The Science Based Targets Initiative ("SBTi") and we are committed to ensure that our investment portfolio will have halved its emissions by 2030 and will be carbon net zero by 2050. You can read more in our new sustainability content available at justgroupplc.co.uk.

Our commitment to invest in sustainable assets is underscored by our bond issuance programme. After becoming the first UK insurer to issue a Green Bond in 2020, we continued to be a market innovator by issuing a Sustainability RT1 Bond, the first of its kind in the UK and European insurance sector.

Additionally we are aiming for our operations to be carbon net zero in terms of emissions by 2025. I am very proud that over the last two years we have reduced our operational carbon intensity per employee by 85% and that we have achieved by far the lowest intensity amongst life insurance companies operating in the FTSE 350[1]. However, there is still considerably more work to do over the next few years to reach our goal of carbon net zero.

CUSTOMERS

We have ambitious targets to continuously improve the customer experience we deliver and are investing to enhance our digital capabilities. For our business partners this will make Just easier to do business with and provide our customers with more options to engage with us.

COLLEAGUES

During 2021 we successfully transitioned colleagues from homeworking in light of COVID-19, to embracing hybrid ways of working. The skills and commitments of our colleagues across the Group have achieved external recognition from our business partners. We were delighted to be named Company of the Year at the Financial Adviser Service Awards for 2021 in recognition of the outstanding service we have consistently delivered over the past decade. In addition we achieved five star awards in both the Pensions and Protection, and Mortgages categories.

We have a key priority to build a diverse workforce and strengthen our inclusive culture. I am proud that we have increased gender diversity across senior roles by a further three percentage points in 2021. As a signatory to the Women in Finance Charter we have pledged that 33% of our senior leaders will be female by 2023 and during 2021 we have committed to increasing the percentage of senior leaders from a Black, Asian or Minority Ethnic background to 15%, in line with the percentage in the broader UK population.

FINANCIAL PERFORMANCE

Over the last two years we have moved successfully to a profitable and sustainable growth model, as demonstrated by the excellent 25% sales growth which has helped us to grow new business profits by 13%. Adjusted IFRS operating profit is slightly reduced due to a lower assumption change compared to 2020.

Our interest rate hedging programme has successfully protected our solvency capital position, but the rise in interest rates during the year has resulted in an economic loss, which means we have a small overall IFRS loss before tax of £(21)m for 2021.

The strength and resilience of our overall capital position and our ability to improve our underlying capital generation remain extremely important metrics for us. In 2020 we delivered £18m underlying organic capital generation ("UOCG") and set a target to "at least double" this amount by 2022. We have achieved that one year early in 2021 with £51m UOCG, helped by a new business strain of 1.5%. This is a level of capital generation that gives us more choice over capital allocation decisions, including the ability to pay a sustainable dividend. We are pleased to report a Solvency II capital coverage ratio at end 2021 of 164%, up from 156% at end 2020. We continue to be comfortable with our capital coverage.

GEOPOLITICAL VOLATILITY

As I write this report Europe is facing military aggression and we are carefully monitoring events. Our business has very limited direct exposure resulting from the conflict but our thoughts are with the many people impacted.

IN CONCLUSION

During this unprecedented period of the pandemic we are continuing to ensure we live up to our purpose. I am very grateful to my colleagues for their resilience, commitment and adaptability during this period of changing working patterns. With our capital base now strengthened we have shown that we can grow the business sustainably. This means that we are able to help more people achieve a better later life while also rewarding shareholders.

DAVID RICHARDSON
Group Chief Executive Officer

1 The determination of carbon intensity per employee is based on published information from peer group companies from the UK FTSE 350 for 2020.

Business review

SUSTAINABLE GROWTH IN PROFITS

Over the past two years, we have rebuilt the capital base and achieved capital self-sufficiency. This, combined with the Group's compelling propositions in the attractive UK retirement market provide the foundation for the delivery of on-going sustainable growth, which in turn delivers value for customers and shareholders.

The Business Review presents the results of the Group for the year ended 31 December 2021, including IFRS and Solvency II information.

The business continues to benefit from the strong positive progress in previous years, in particular a transformed, lower capital intensity new business model, combined with a strengthened and increasingly resilient capital base. Our new business franchise delivered 25% growth in Retirement Income sales during 2021, with strong momentum continuing into the first half of 2022. We continue to maintain discipline in pricing and risk selection as we build on our strong foundations and the Group moves forwards in the next phase of its development to deliver sustainable long-term growth.

We have a track record of delivering results that exceed our commitments. After achieving the capital self-sufficiency milestone more than a year earlier than originally planned, we have subsequently almost trebled the underlying organic capital generation, also a year ahead of target. This strong performance was driven by our disciplined approach to acquiring business through our highly successful new business franchise, which delivers low levels of capital strain. We have eliminated the cost overrun as planned. We have also successfully reduced our property sensitivity, and in September, took advantage of favourable credit market conditions to lower future debt interest costs.

The strong sales growth in 2021 helped achieve a 13% increase in new business profit, to £225m, with sales of £2,674m up 25% and a new business margin of 8.4% (2020: 9.3%). 2021 margins reflected adjustments made to the asset mix backing the new business, tighter credit spreads, in particular on lifetime mortgages, and a significant increase in the proportion of DB deferred business within the sales mix (2021: 38% of DB sales, 2020, 2% of DB sales). DB deferred sales are more capital efficient, but are longer duration with a lower upfront margin than pensioner in payment DB and retail business. 2021 IFRS adjusted operating profit was broadly unchanged at £238m (2020: £239m) as the increased new business profit was offset by lower assumption changes and reduced in-force profit (with 2020 boosted by increased credit spreads). Rising interest rates led to IFRS losses from hedges we use to protect the Solvency II balance sheet. Sales of LTM portfolios to reduce the sensitivity of our Solvency II balance sheet to UK house prices resulted in a loss of £161m. These two elements offset the operating profit above, leading to an IFRS post tax loss of £16m.

Underlying organic capital generation increased by £33m in 2021 to £51m (2020: £18m), even after writing significantly higher new business volumes during the year. Our target to double the 2020 result by 2022, but we have strongly exceeded that objective one year early.   The capital strain from writing new business reduced to 1.5% (2020: 2.2%) reflecting continued pricing discipline and risk selection, together with the increased proportion of low capital strain DB deferred business in 2021.

Over the past 3 years we have implemented management actions to reduce, the recurring core management expense cost base by 18%. In 2021, we achieved our target to successfully eliminate the new business expense overrun in line with target.

The £51m of underlying organic capital generation contributed towards a further strengthening of the Group's Solvency II capital position. During the year, the Solvency II capital coverage ratio increased to 164%[1] (2020: 156%[1]), a level we continue to be comfortable to operate at.

Recognising the strengthened financial position of the Group, the Board has decided to re-introduce a dividend for the Group's shareholders. Over the past two years, we have demonstrated our ability to deliver significant growth in new business, at low strain, our capital generation is now sufficient to fund our on-going growth ambitions and pay a distribution to shareholders, while continuing to maintain a comfortable capital position. We now expect growth in new business and in-force profits to deliver on average 15% growth per annum in our IFRS underlying operating profit over the medium term.

In the second half of 2021, we completed an internal model update, incorporating the new regulatory treatment of LTMs, which was approved by the Prudential Regulation Authority in December 2021. The overall impact of the new model was a £33m decrease in the capital surplus. This was more than offset by management actions of £16m and other operating items including positive mortality experience, which contributed £26m towards the capital surplus.

Over the past three years, we have successfully taken action to reduce the Group's exposure and sensitivity of the Solvency II balance sheet to UK house prices. This has been achieved through a combination of NNEG hedging, LTM portfolio sales and reducing the LTM backing for new business. We have completed three NNEG risk transfer hedges totalling £1.4bn and with the third LTM portfolio sale announced in February 2022, we have also completed our planned programme of portfolio sales (totalling £1.6bn of LTMs). The LTM backing ratio for new business in 2021 at 18% was below our 20% target. Taken together, our various property de-risking actions have almost halved the Solvency II UK house price sensitivity to close to 10% (for a 10% house price fall) a level at which we are comfortable.

In 2022, we expect further clarification from HM Treasury following its review of Solvency II and its consultation on the Future Regulatory Framework ("FRF") Review for financial services following the UK's exit from Europe. We anticipate progress in helping the insurance industry to better support the government's twin-pronged agenda of infrastructure development and decarbonising the economy through an increased pool of matching adjustment eligible assets, which we can invest in to back our customer promises.

Financial markets have had limited impact on the Group's capital position over the past two years, which demonstrates the resilience of our balance sheet. Interest rates rose during 2021, the impact of which was hedged in relation to our Solvency II position but resulted in a loss for our IFRS balance sheet of £226m for the year. We continue to monitor the effect of the interest rate hedging programme on the IFRS result, with rates being volatile on geopolitical and other macro-economic concerns such as inflation. 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 these financial statements.

Credit downgrades affecting 9% of the Group's corporate bond portfolio were offset by credit upgrades on 8% of the portfolio as the economy continues to recover. This led to a negligible £13m reduction in the Solvency II surplus, which was more than offset by £49m of positive capital impacts from portfolio management. We are committed to further growing and diversifying the non-LTM illiquid portfolio, in particular through continued investment in infrastructure projects, commercial real estate, ground rents, social housing and local authority loans. Our manager of managers investment model for non-LTM illiquid assets has 13 active originators, which provides a healthy pipeline of investment opportunities, both domestic and international. Typically, going forward, we expect non-LTM illiquids to back up to 30% of new business, with LTMs backing up to 20% and liquid bonds/cash backing the remainder.

At this time, the outlook for the economy continues to evolve, as the world learns to live with COVID-19 and with heightened geopolitical tensions associated with the conflict in Ukraine. Inflation is likely to continue to be the dominant economic theme in 2022, as central banks commence tightening of monetary policy to combat rising prices. We expect these macro forces to have a negligible effect on the Group's business model, with active hedging to protect the Solvency II capital position and limited impact from higher interest rates/inflation on demand for our products. We have a strong, stable and more resilient capital base and a low strain business model that is now generating substantial on-going excess capital on an underlying basis. The foundations are firmly in place to take advantage of the multiple growth opportunities available in our attractive markets.

1 The 2020 Solvency II capital coverage ratio allows for a notional recalculation of TMTP at 31 December 2020. In 2021, the ratio includes the estimated impact of the biennial reset of TMTP as at 31 December 2021 and the TMTP has been calculated excluding the contribution from the LT Ms that have been sold on 22 February 2022.

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, organic capital generation, underlying organic capital generation, new business operating profit, in-force operating profit, underlying operating profit, adjusted operating profit before tax, Retirement Income sales, management expenses 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 KPIs, which include certain APMs, and which 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. During the second half of 2021 the Group introduced two new KPIs, return on equity and underlying operating profit, and discontinued organic capital generation as a KPI. During the second half of 2020 the Group introduced two new KPIs, management expenses, and underlying organic capital generation, and discontinued in-force operating profit as a KPI. These changes reflect the Group's focus on monitoring and controlling its costs and growing capital, and provide a balance of KPIs across capital, sales, expenses, profit 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 2021 £m	Year ended 31 December 2020 £m	Change
Return on equity[1]	**9.4%**	9.7%	(0.3)pp
Retirement Income sales[1]	**2,674**	2,145	25%
Underlying organic capital generation[1]	**51**	18	183%
New business operating profit[1]	**225**	199	13%
Adjusted operating profit before tax[1]	**238**	239	–
Underlying operating profit[1]	**210**	193	9%
IFRS (loss)/profit before tax	**(21)**	237	(109)%
Management expenses[1]	**147**	159	(8)%

	31 December 2021 £m	31 December 2020 £m	Change
Solvency II capital coverage ratio[2]	**164%**	156%	8pp
IFRS net assets	**2,440**	2,490	(2)%

1 Alternative performance measure, see glossary for definition.

2 This figure allows for a notional recalculation of TMTP as at 31 December 2020. In 2021, the figures include the estimated impact of the biennial reset of the TMTP as at 31 December 2021 and the TMTP has been calculated excluding the contribution from the LTMs that have been sold on 22 February 2022.

RETURN ON EQUITY

The return on equity in the year to 31 December 2021 was 9.4% (2020: 9.7%), based on adjusted operating profit after attributed tax of £193m (2020: £194m) arising on average tangible net assets of £2,048m (2020: £1,989m). Tangible net assets are reconciled to IFRS total equity as follows:

	31 December 2021 £m	31 December 2020 £m
IFRS total equity	**2,440**	2,490
Less intangible assets	**(120)**	(134)
Less tax on amortised intangible assets	**17**	19
Less equity attributable to Tier 1 noteholders	**(322)**	(294)
Tangible net assets	**2,015**	2,081

ADJUSTED OPERATING PROFIT

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m	Change %
New business operating profit	**225**	199	13
In-force operating profit	**90**	98	(8)
Other Group companies' operating results	**(15)**	(17)	(12)
Development expenditure	**(7)**	(7)	–
Reinsurance and finance costs	**(83)**	(80)	4
Underlying operating profit	**210**	193	9
Operating experience and assumption changes	**28**	46	(39)
Adjusted operating profit before tax[1]	**238**	239	–

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

ADJUSTED OPERATING PROFIT BEFORE TAX

Adjusted operating profit before tax of £238m was broadly flat in 2021 (2020: £239m) as higher new business profit was offset by lower operating experience and assumption changes and in-force operating profit.

UNDERLYING OPERATING PROFIT

Underlying operating profit, which is the same as adjusted operating profit before tax but excludes operating experience and assumption changes, rose 9% to £210m.

NEW BUSINESS OPERATING PROFIT

New business operating profit increased by 13% to £225m (2020: £199m) driven by a 25% increase in Retirement Income sales to £2,674m (2020: £2,145m). The new business margin achieved on Retirement Income sales during the year was 8.4% (2020: 9.3%), reflecting adjustments made to the asset mix backing the new business, tighter credit spreads, in particular on lifetime mortgages, and a significant increase in the proportion of DB deferred business within the sales mix (2021: 38% of DB sales, 2020: 2% of DB sales).

MANAGEMENT EXPENSES

Management expenses have decreased by 8% to £147m (2020: £159m). A formal three year cost reduction programme concluded at the end of 2021. Going forward, we will continue to maintain a focus on cost control, with premium and business growth to outpace costs, thus further improving operational leverage.

IN-FORCE OPERATING PROFIT

In-force operating profit decreased by 8% to £90m (2020: £98m) with 2020 profit inflated due to the elevated credit spreads following the onset of COVID-19. Aside from reduced profit emerging due to credit spreads, the Group's in-force operating profit benefited from a growing in-force book of business and higher surplus assets.

OTHER GROUP COMPANIES' OPERATING RESULTS

The operating result for other Group companies was a loss of £15m in 2021 (2020: loss of £17m). These costs arise from the holding company, Just Group plc, and the HUB group of businesses.

DEVELOPMENT EXPENDITURE

Development expenditure mainly relates to product development and new initiatives, such as LTM medical underwriting and new capital light products. 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

Reinsurance and finance costs 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 increase for the year is due to a full 12 months of coupon on the Green £250m Tier 2 notes issued in October 2020. In September 2021, we opportunistically refinanced the 2019 issued Restricted Tier 1 bond and issued a new £325m Sustainability Restricted Tier 1 bond. This discrete bond refinancing will reduce the future interest costs on the RT1 component of the capital structure by £12m pre-tax per annum, while also lengthening the maturity by at least 7.5 years, with a call option available from March 2031.

OPERATING EXPERIENCE AND ASSUMPTION CHANGES

The Group has paid close attention to developments as the COVID-19 vaccine and subsequent booster programme rolls out across the population, in particular with its customer base, many of whom are in the more vulnerable category. The long-term impact of the COVID-19 pandemic on the population, including the health of those who recovered from the disease, the future efficacy of the various vaccines and secondary impacts such as delayed diagnosis for other illnesses or behavioural changes continue to be difficult to assess with any confidence. Given this on-going uncertainty over the impact of COVID-19 on longer term mortality, the Group has made no changes to its long-term mortality assumptions at 31 December 2021, but will continue to assess actively during 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, positive operating experience and assumption changes of £28m were reported in 2021 (2020: £46m). The overall net £33m of positive experience variance reflected the largely COVID-19 driven impact of increased mortality in our annuitant customers, offset by increased early redemptions, in part mortality driven, within our LTM book. Assumption changes were negligible and combined to a £5m reserve strengthening. In 2020, assumption changes driven by the adoption of CMI_19 across our product range combined to a net £26m release.

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 2021 £m	Year ended 31 December 2020 £m	Change %
Defined Benefit De-risking Solutions ("DB")	**1,935**	1,508	28
Guaranteed Income for Life Solutions ("GIfL")	**688**	586	17
Care Plans ("CP")	**51**	51	-
Retirement Income sales	**2,674**	2,145	25

Retirement Income sales for 2021 increased by 25% to £2,674m (2020: £2,145m).

DB sales were £1,935m, an increase of 28%, and a record for the Group. In early 2021 we expanded our proposition in the DB de-risking market to meet fully the needs of schemes and trustees. As a consequence of multi-year de-risking journeys, scheme funding levels across the industry have improved. This has increased the deferred part of the DB market with more schemes able to afford full scheme de-risking and buyout as opposed to pensioner only de-risking. We expect this trend to continue. Adding DB deferred capability to our proposition has enhanced the opportunity available to us in the £2.3tn DB liability market, thus increasing our ability to risk select and triage the industry pipeline. The defined benefit de-risking market was subdued in the first half of 2021, however activity rebounded in the second half. For the year as a whole, we completed 29 transactions (2020: 23 transactions). Our efforts in 2021 were recognised by being named "Risk Management Provider of the Year" at the Pensions Age awards in February 2022.

The heightened activity in the second half of 2021 has created strong momentum in the market year to date. Willis Towers Watson are predicting a £40bn buy-in/buy-out market in 2022 (Just estimate £28–30bn in 2021), with the long-term growth opportunity even more substantial. Lane Clark Peacock ("LCP") have cumulatively forecast £150–£250bn of buy-in/buy-out transactions over the next five years, and thereafter rising beyond £50bn per annum, potentially to £100bn per annum by 2030, as funding deficits amongst the largest pension schemes are gradually closed. Up to £650bn of DB buy-in and buy-out transactions are forecast over the decade to 2030.

GIfL sales increased by 17% to £688m for 2021, recovering strongly following the COVID-19 related sales disruption in the first half of 2020. Retail sales (GIfL and Care) in 2021 were 8% higher than 2019 levels. In recognition of the outstanding service we deliver, we were named Company of the Year at the recent Financial Adviser Service Awards, as well as achieving five stars in both the Pensions and Protection, and Mortgages categories. Economic uncertainty has demonstrated to customers the importance and security of a guaranteed income. We continue to invest in our proposition, and launched a refreshed version of our medical underwriting engine PrognoSys™ during 2021. Care sales were subdued and remain impacted by customer behaviour changes due to the pandemic, remaining at less than 2% of Retirement Income sales.

OTHER NEW BUSINESS SALES

Lifetime Mortgage advances were £528m for 2021 (2020: £512m), an increase of 3%. The LTM backing ratio for new business was 18%, which is below our target of 20%, and aided by the change in sales mix as DB deferred sales are fully backed by bonds and non-LTM illiquids. 2021 also includes £40m of LTM origination on behalf of a third party (2020: £36m). The Group does not hold an economic exposure for these assets; instead it earns a fee for originating and administering these loans. In line with other assets, LTM spreads compressed somewhat during the first half of the year as risk-free rates rose, which impacted the new business margin. In the second half, the market repriced and LTM spreads partially widened back out.

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, for example shorter duration loans to older borrowers, and/or customers with sufficient income to service interest on their borrowings. During 2021, we introduced medical underwriting across the entire lifetime mortgage range and also signed an exclusive distribution agreement with Saga. Increased investment in LTM digital capabilities and proposition has been well received by financial advisers, and contributed to the five star awards mentioned above.

ADJUSTED EARNINGS PER SHARE

Adjusted EPS (based on adjusted operating profit after attributed tax) has decreased from 18.8 pence for 2020, to 18.7 pence for 2021.

	Year ended 31 December 2021	Year ended 31 December 2020
Adjusted earnings (£m)	**193**	194
Weighted average number of shares (million)	**1,034**	1,031
Adjusted EPS[1] (pence)	**18.7**	18.8

1 Alternative performance measure, see glossary for definition.

EARNINGS PER SHARE

	Year ended 31 December 2021	Year ended 31 December 2020
Earnings (£m)	**(35)**	166
Weighted average number of shares (million)	**1,034**	1,031
EPS (pence)	**(3.4)**	16.1

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 2021 £m	Year ended 31 December 2020 £m
Adjusted operating profit before tax	**238**	239
Non-recurring and project expenditure	**(15)**	(13)
Implementation of cost saving initiatives	**–**	(8)
Investment and economic (losses)/profits	**(251)**	9
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	**25**	28
Amortisation costs	**(18)**	(18)
IFRS (loss)/profit before tax	**(21)**	237

NON-RECURRING AND PROJECT EXPENDITURE

Non-recurring and project expenditure was £15m (2020: £13m). This included support for the internal model change to incorporate recent regulatory changes for LTMs, and updating for best practice since the model was first incorporated in December 2015. We plan to move PLACL from standard formula onto a Group internal model over the next 12-18 months. There were also a number of smaller project costs such as LTM portfolio sales. The Group continues to improve its business processes, and increase efficiency by investing in systems, which will lead to long-term cost and control benefits.

INVESTMENT AND ECONOMIC (LOSSES)/PROFITS

	Year ended 31 December 2021	Year ended 31 December 2020
Change in interest rates	**(226)**	360
Credit spreads	**57**	(14)
Property growth experience	**56**	(34)
House price inflation assumption change	**–**	(166)
Sale of LTM portfolio	**(161)**	(136)
Other	**23**	(1)
Investment and economic (losses)/profits	**(251)**	9

Investment and economic losses for 2021 were £251m (2020: £9m profit). The main driver for the large difference compared to the prior year is the increase in risk-free rates during the year, which contributed losses of £226m compared to a gain of £360m when interest rates fell during 2020. The Group actively hedges its interest rate exposure to protect the Solvency II capital position, but in doing so we accept the accounting volatility that ensues. We have adjusted our hedging structure during 2022 to better balance hedging of the solvency position whilst minimising the cost in IFRS, should rates rise over 2022. Other movements cancelled each other as the £161m cost from the second in our planned programme of LTM portfolio sales has been offset by positives from narrower credit spreads (£57m), positive property growth experience (£56m) and minimal corporate bond defaults within our portfolio during the period (2020: no defaults). In the prior year, credit spreads widened, property growth was below our long term assumption, and we reduced the house price inflation assumption by 0.5% to 3.3%, which led to a £166m reserve strengthening.

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 mainly relates 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 164% at 31 December 2021 after recalculation of transitional measures on technical provisions ("TMTP") (31 December 2020: 156% after a notional 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 2021 £m**	31 December 2020 £m
Own funds	**3,004**	3,014
Solvency Capital Requirement	**(1,836)**	(1,938)
Excess own funds	**1,168**	1,076
Solvency coverage ratio[1]	**164%**	156%

1 This figure allows for a notional recalculation of TMTP as at 31 December 2020. In 2021, the figures include the estimated impact of the biennial reset of the TMTP as at 31 December 2021 and the TMTP has been calculated excluding the contribution from the LTMs that have been sold on 22 February 2022.

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

MOVEMENT IN EXCESS OWN FUNDS[1]

The table below analyses the movement in excess own funds, in the year ended 31 December 2021.

Unaudited	**2021 £m**	2020 £m
Excess own funds at 1 January	**1,076**	748
Operating		
In-force surplus net of TMTP amortisation[2]	**191**	174
New business strain	**(40)**	(48)
Finance cost	**(71)**	(66)
Group and other costs	**(29)**	(42)
Underlying organic capital generation	**51**	18
Other	**42**	203
Total organic capital generation[3]	**93**	221
Non-operating		
Accelerated TMTP amortisation	**–**	(24)
Regulatory changes	**(38)**	(19)
Economic movements	**56**	37
T2 and equity issuance, net of costs[4]	**(19)**	113
Excess own funds at 31 December	**1,168**	1,076

1 All figures are net of tax, and reflect the estimated impact of a TMTP recalculation as at 31 December 2021. Figures for 2020 include a notional recalculation of TMTP where applicable.

2 The in-force line excludes the accelerated amortisation of a portion of TMTP which has been shown separately.

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

4 2020 figure is PLACL's Tier 2 bond which was called in March 2020.

UNDERLYING ORGANIC CAPITAL GENERATION

£51m of underlying organic capital generation in 2021, whilst delivering new business premium growth of 25%, was an outstanding result. We more than achieved our target of doubling 2020 underlying organic capital generation of £18m by 2022, and did so a year early. At this level of underlying organic capital generation we believe the business is delivering sufficient on-going capital generation to support decisions on the deployment of capital between supporting further profitable growth, providing returns to our capital providers and further investment in the strategic growth of the business.

The improvement in underlying organic capital generation has benefitted from the on-going focus across the business on minimising new business capital strain. In 2021, new business strain fell by a further £8m to £40m, which represents 1.5% of new business premium (2020: 2.2%). This outperformance was driven by continued pricing discipline and risk selection, together with an increased proportion of the DB deferred business within the sales mix, following enhancements to our proposition in 2020. Capital light DB deferred business represented 38% of total DB sales in 2021 (2020: 2%). In-force surplus has continued to increase as the size of the in-force book grows. Group and other costs includes £11m (2020 £10m) of non-life costs previously included in in-force surplus. Finance costs have peaked and are expected to materially decline in future as we gradually refinance the outstanding debt to coupons more commensurate to our credit rating and representative of the progress made to reduce risks and improve capital generation over the past three years. We also completed our three year cost-base reduction programme, which contributed towards eliminating the cost overruns in line with our 2021 target (2020: £8m overruns).

The £18m of expenses incurred include development (£6m) and non-recurring (£12m) costs. Management actions and other contributed £42m to the capital surplus, leading to a total of £93m from organic capital generation.

NON-OPERATING ITEMS

Included within regulatory changes is the impact of the major model change (£33m) and the transition of the Solvency II prescribed risk-free rates from LIBOR to SONIA, offset by the positive impact of the corporation tax rate changes, which increases the Group's deferred tax assets.

Economic movements included a positive property variance of £82m due to actual property price growth of over 9% during 2021 being in excess of our 3.3% long-term growth assumption, offset by an adjustment to move to individual updated property prices calculated across our portfolio, rather than using the ONS index. This gain was offset by a negative £76m from higher interest rates (though largely neutral for the solvency ratio) and the net £19m upfront cost of the RT1 refinancing, which will benefit the Group's underlying organic capital generation in the longer term through lower financing costs. The cost of credit migration during the year was £13m, significantly less than 1% reduction in the Solvency II capital coverage ratio, as credit conditions remained benign.

The property sensitivity has reduced to 11% on a pro forma basis, taking into account the third LTM portfolio sale completed post year end (31 December 2020: 14% and a peak of 20% on 30 June 2019). We expect that by maintaining a reduced LTM backing ratio of c.20% on new business and selective NNEG hedges where commercially attractive, we will contain the Solvency II sensitivity to house prices to at or below this level over time. Note that the credit quality step downgrade sensitivity below, as well as being a severe stress requiring a significant downgrade in credit quality for 20% of our credit portfolio, does not allow for the positive impact from credit portfolio management during a time of stress.

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

ESTIMATED GROUP SOLVENCY II SENSITIVITIES[1]

Unaudited	%	£m
Solvency coverage ratio/excess own funds at 31 December 2021[2]	**164**	1,168
-50 bps fall in interest rates (with TMTP recalculation)	**(4)**	42
+100 bps credit spreads	**2**	5
Credit quality step downgrade (with TMTP recalculation)[3]	**(8)**	(156)
+10% LTM early redemption	**1**	4
-10% property values (with TMTP recalculation)[4]	**(12)**	(197)
-10% property values post LTM sale (with TMTP recalculation)[4,5]	**(11)**	(178)
-5% mortality	**(12)**	(210)

1 In all sensitivities the Effective Value Test ("EVT") deferment rate is maintained at the level consistent with base balance sheet, except for the interest rate sensitivity where the deferment rate reduces in line with the reduction in risk-free rates but is subject to the minimum deferment rate floor of 0.50% as at 31 December 2021 (0% as at 31 December 2020).

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

3 Sensitivity shows the impact of an immediate full letter downgrade on 20% of assets where the capital treatment depends on a credit rating (including corporate bonds, commercial mortgages and infrastructure loans), but excludes lifetime mortgage senior notes. All credit assets were grouped into rating class, then 20% of each group were downgraded.

4 After application of NNEG hedges.

5 Including the impact of the February 2022 LTM portfolio sale.

RECONCILIATION OF IFRS TOTAL EQUITY TO SOLVENCY II OWN FUNDS

Unaudited	31 December 2021[1] £m	31 December 2020 £m
Shareholders' net equity on IFRS basis	**2,440**	2,490
Goodwill	**(34)**	(34)
Intangibles	**(86)**	(100)
Solvency II risk margin	**(759)**	(846)
Solvency II TMTP[1]	**1,657**	2,106
Other valuation differences and impact on deferred tax	**(987)**	(1,391)
Ineligible items	**(3)**	(5)
Subordinated debt	**781**	795
Group adjustments	**(5)**	(1)
Solvency II own funds[1]	**3,004**	3,014
Solvency II SCR[1]	**(1,836)**	(1,938)
Solvency II excess own funds[1]	**1,168**	1,076

1 These figures allow for a notional recalculation of TMTP as at 31 December 2020. In 2021, the figures include the estimated impact of the biennial reset of TMTP as at 31 December 2021 and the TMTP has been calculated excluding the contribution from LTMs that have been sold on 22 February 2022.

RECONCILIATION FROM REGULATORY CAPITAL SURPLUS TO REPORTED CAPITAL SURPLUS

	31 December 2021 £m	31 December 2021 %	31 December 2020 £m	31 December 2020 %
Regulatory capital surplus	**1,168**	**164**	1,071	155
Notional recalculation of TMTP	**–**	**–**	5	1
Reported capital surplus	**1,168**	**164**	1,076	156

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 2021 £m	Year ended 31 December 2020 £m
Gross premiums written	**2,676**	2,148
Reinsurance premiums ceded	**(23)**	(232)
Reinsurance recapture	**–**	940
Net premium revenue	**2,653**	2,856
Net investment income	**(130)**	1,778
Fee and commission income	**16**	11
Total revenue	**2,539**	4,645
Net claims paid	**(1,141)**	(1,000)
Change in insurance liabilities	**(1,039)**	(2,983)
Change in investment contract liabilities	**(1)**	(2)
Acquisition costs	**(49)**	(44)
Other operating expenses	**(193)**	(220)
Finance costs	**(137)**	(159)
Total claims and expenses	**(2,560)**	(4,408)
(Loss)/profit before tax	**(21)**	237
Income tax	**5**	(44)
(Loss)/profit after tax	**(16)**	193

GROSS PREMIUMS WRITTEN

Gross premiums written for the year were £2,676m, an increase of 25% compared to the prior period (2020: £2,148m). As discussed above, this reflects the strong growth in Retirement Income new business premiums, driven by growth in DB deferred and GIfL business.

REINSURANCE PREMIUMS CEDED

Reinsurance premiums ceded (expense of £23m) has decreased significantly in the current period as the first six months of 2020 included a one-off reinsurance expense in relation to a pioneering DB partnering transaction.

REINSURANCE RECAPTURE

During 2020, the Group recaptured all of the remaining quota share reinsurance arrangements held by its subsidiary Just Retirement Limited ("JRL"). These reinsurance treaties included financing arrangements, which allowed a capital benefit under the old Solvency I regime. The treaties allowed the recapture of business once the financing loan from the reinsurer had been repaid, and the Group has now fully repaid all such financing arrangements.

NET PREMIUM REVENUE

Net premium revenue has decreased by 7% to £2,653m (2020: £2,856m), as the one-off reinsurance recapture and premiums ceded described above more than offset the increase in gross premiums written.

NET INVESTMENT INCOME

Net investment income decreased to an expense of £130m (2020: income of £1,778m). The main components of investment income 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 year which has resulted in unrealised losses in relation to assets held at fair value, and hence the swing from income to expense, as in the prior period, interest rates fell. We closely match our assets and liabilities, hence fluctuations in interest rates will drive both sides of the IFRS balance sheet. We actively hedge interest rate exposure to protect the Solvency II capital position and in doing so we accept the accounting volatility.

NET CLAIMS PAID

Net claims paid increased to £1,141m (2020: £1,000m) reflecting the continuing growth of the in-force book.

CHANGE IN INSURANCE LIABILITIES

Change in insurance liabilities was £1,039m for the current year (2020: £2,983m). The decrease is principally due to an increase in the valuation interest rate due to the rise in risk-free rates noted above. The prior period also reflected a reinsurance recapture.

ACQUISITION COSTS

Acquisition costs have increased to £49m (2020: £44m), mainly due to a 3% increase in LTM origination to fund the 25% increase in new business premiums, which are now backed by a reduced LTM ratio.

OTHER OPERATING EXPENSES

Other operating expenses decreased to £193m in the current year from £220m in 2020. This reduction reflects the benefit of the cost saving initiatives carried out over the past three years.

FINANCE COSTS

The Group's overall finance costs decreased to £137m (2020: £159m). The main driver relates to a reduction in reinsurance deposits, which have fallen in line with the £940m reinsurance recaptures made at the end of 2020, as mentioned above. This decrease was partly offset by a full year of interest on the Tier 2 loan notes issued in October 2020. 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 2021 was a credit of £5m (2020: charge of £44m). The effective tax rate of 26.4% (2020: 18.7%) is 7.4% higher than the standard 19% corporation tax rate. This is due to the small base of profit/loss for 2021 compared to 2020 leading to the impact of tax adjustments having a far more significant impact on the effective tax rate than in 2020.

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 2021 £m	31 December 2020 £m
Assets		
Financial investments	**24,682**	23,270
Reinsurance assets	**2,808**	3,132
Other assets	**858**	1,771
Total assets	**28,348**	28,173
Share capital and share premium	**199**	198
Other reserves	**948**	949
Accumulated profit and other adjustments	**973**	1,051
Total equity attributable to ordinary shareholders of Just Group plc	**2,120**	2,198
Tier 1 notes	**322**	294
Non-controlling interest	**(2)**	(2)
Total equity	**2,440**	2,490
Liabilities		
Insurance liabilities	**21,813**	21,118
Reinsurance liabilities	**275**	267
Other financial liabilities	**2,866**	3,305
Insurance and other payables	**93**	92
Other liabilities	**861**	901
Total liabilities	**25,908**	25,683
Total equity and liabilities	**28,348**	28,173

FINANCIAL INVESTMENTS

During the year, financial investments increased by £1.4bn to £24.7bn (2020: £23.3bn), as investment of the Group's new business premiums and credit spread narrowing was offset by increases in risk-free rates during the period. The credit quality of the corporate bond portfolio has improved, with 54% of the Group's corporate bond and gilts portfolio rated A or above (2020: 50%), as upgrades across the portfolio and an increase in Government investments offset downgrades. Our diversified portfolio continues to grow and is well balanced across a range of industry sectors and geographies. Accommodative central bank and fiscal stimulus during 2021 led to continued credit spread tightening, however, in 2022, we expect various government asset purchase programmes in response to the pandemic to be gradually unwound. At the same time, central banks are expected to raise base rates from their historical low levels to counteract the effect of inflation, albeit inflation momentum is expected to soften in the second half of 2022. In the longer term, a normalisation of central bank and government fiscal policy is welcome, as interest rates remain extremely low compared to historical levels.

Credit rating agencies had been slow to restore previously downgraded companies or corporates to a level our fundamental credit analysis supports, which provides opportunities to increase our exposure to certain sectors that will benefit from the economic growth expected. The Group has selectively added to its consumer (staples), energy, basic materials and infrastructure investments, with minor rotational changes during the year as we reduced exposure to banks and real estate including REITs.

During the year, we continued to invest in commercial mortgages, income strips, social housing, and have separately disclosed ground rents for the first time. These illiquid real estate investments are typically much longer duration and very beneficial to match the DB deferred liabilities. Government investments increased by over £1bn as the Group temporarily invested excess cash, however this is expected to be recycled into other corporate bonds and illiquid assets during 2022 as opportunities arise. We also received UK gilts as part of the August 2020 LTM sale proceeds and invested in both developed and emerging market sovereign bonds.

The Group has limited exposure to those sectors that are most sensitive to structural change, such as auto manufacturers and consumer (cyclical), while the BBB-rated bonds are weighted towards the most defensive sectors including utilities, communications and technology, and infrastructure. During the year, we sold £157m of bonds, including those that were most exposed to downgrade. We constantly review the sector allocations and within those, take the opportunity to trade out of individual names to stay ahead of credit rating agency actions, whilst maintaining diversification.

At 31 December 2021, the Group had ample liquidity. We continue to prudently manage the balance sheet by hedging all foreign exchange and inflation exposure, while maintaining an extensive interest rate hedging programme, which is primarily designed to protect against movements in the Solvency II capital coverage ratio. Our interest rate hedging has been adapted during the latter stages of 2021 and into 2022 to provide a better balance between solvency protection and IFRS cost, in particular as rates rise.

The loan-to-value ratio of the mortgage portfolio was 36.1% (2020: 36.1%), reflecting strong property growth across our geographically diversified portfolio, which offsets interest roll-up. Lifetime mortgages at £7.4bn decreased by a further 5 percentage points to 30% of total financial investments. In August 2021, we completed a second LTM portfolio sale, and post year end completed a third LTM portfolio sale. 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 11% pro forma capital ratio impact for a 10% fall in UK house prices is now at a level at which we are comfortable. At the present time, further portfolio sales are not envisaged as the sensitivity is expected to be contained around 10%. The value of LTMs post the latest portfolio sales is expected to be 27% of our investment assets. With a lower new business backing ratio, we anticipate the LTM proportion will fall to around 25% over time. Furthermore, during 2021 and continuing into 2022, the increase in long-term interest rates has decreased the value of LTMs on our balance sheet.

OTHER ILLIQUID ASSETS AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE INVESTING

During the year, the Group originated £615m (2020: £485m) of new investments in other illiquid assets including infrastructure, real estate investments mentioned above and private placements. Just has invested £3.0bn of other illiquid assets, representing 12.3% (2020: 11.2%) of the total financial investments portfolio. We anticipate that the upcoming Solvency II reform will broaden the matching adjustment eligibility criteria, which will create opportunities to invest in line with the Government “levelling up” agenda through infrastructure, decarbonising the economy and investment in science and research. Many of the other illiquids are invested in a range of ESG assets including renewable energy, social housing and local authority loans. We have invested £1.6bn in dedicated ESG assets (10.3% of £15.3bn corporate/government bond portfolio). By the end of 2021, we had already completed our Green bond £250m investment commitment, a little over a year after issuance, and have completed over half of the £325m Sustainable bond investment commitment. We are on track to complete our total £575m investment in green and social asset commitment by the end of 2022. The Green/Sustainability bond 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 2021 £m	**31 December 2021 %**	31 December 2020 £m	31 December 2020 %
AAA[1]	**2,448**	**10**	2,197	9
AA[1] and gilts	**3,194**	**13**	1,989	9
A[2]	**4,384**	**18**	4,136	18
BBB	**6,500**	**26**	6,024	26
BB or below	**388**	**1**	408	2
Unrated/Other	**414**	**2**	255	1
Lifetime mortgages	**7,423**	**30**	8,261	35
Total[2]	**24,751**	**100**	23,270	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 2021 £m	**31 December 2021 %**	31 December 2020 £m	31 December 2020 %
Basic materials	**264**	**1.1**	200	0.9
Communications and technology	**1,430**	**5.8**	1,189	5.1
Auto manufacturers	**319**	**1.3**	385	1.7
Consumer (staples including healthcare)	**1,174**	**4.7**	977	4.2
Consumer (cyclical)	**187**	**0.7**	113	0.5
Energy	**633**	**2.6**	463	2.0
Banks	**1,192**	**4.8**	1,422	6.1
Insurance	**845**	**3.4**	825	3.5
Financial – other	**481**	**1.9**	462	2.0
Real estate including REITs	**661**	**2.7**	771	3.3
Government	**2,415**	**9.7**	1,340	5.8
Industrial	**920**	**3.7**	840	3.6
Utilities	**2,302**	**9.3**	2,030	8.7
Commercial mortgages	**678**	**2.7**	592	3.0
Ground rents[1]	**263**	**1.1**	115	–
Infrastructure	**1,474**	**6.0**	1,220	5.2
Other	**38**	**0.2**	38	0.2
Corporate/government bond total	**15,276**	**61.7**	12,982	55.8
Lifetime mortgages	**7,423**	**30.0**	8,261	35.5
Liquidity funds	**1,311**	**5.3**	1,129	4.8
Derivatives and collateral	**741**	**3.0**	898	3.9
Total[1]	**24,751**	**100.0**	23,270	100.0

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

REINSURANCE ASSETS AND LIABILITIES

Reinsurance assets decreased to £2,808m at 31 December 2021 (2020: £3,132m) as the reinsurance quota share treaties gradually run-off. Since the introduction of Solvency II in 2016, the Group has increased its use of reinsurance swaps rather than quota share treaties. Reinsurance liabilities relate to liability balances in respect of the Group's longevity swap arrangements.

OTHER ASSETS

Other assets decreased to £858m at 31 December 2021 (2020: £1,771m). These assets mainly comprise cash, and intangible assets. The Group holds significant amounts of assets in cash, so as to protect against liquidity stresses. During 2020 the Group significantly increased the amount of assets held in cash so as to safeguard against market volatility. The reduction in 2021 reflects a more stable operating environment and reduced market volatility.

INSURANCE LIABILITIES

Insurance liabilities increased to £21,813m at 31 December 2021 (2020: £21,118m). The increase in liabilities arose from the new business premiums written during the year, which was offset by an increase to the valuation rate of interest over the period.

OTHER FINANCIAL LIABILITIES

Other financial liabilities decreased to £2,866m at 31 December 2021 (2020: £3,305m). These liabilities mainly relate to deposits received from reinsurers, together with derivative liabilities and cash collateral received. The reduction from the prior year relates to corresponding reduction in reinsurance assets as mentioned above and lower amounts of derivatives and collateral, given the reduced market volatility.

OTHER LIABILITIES

Other liability balances decreased to £861m at 31 December 2021 (2020: £901m), due to reductions in the deferred tax liability and accruals.

IFRS NET ASSETS

The Group's total equity at 31 December 2021 was £2,440m (2020: £2,490m) at 31 December 2020. Total equity includes the Restricted Tier 1 notes of £322m (after issue costs) issued by the Group in September 2021, which refinanced £294m of higher coupon Restricted Tier 1 notes issued in 2019. Including the upfront cost of the refinancing, total equity attributable to ordinary shareholders decreased from £2,198m to £2,120m resulting in net asset value per ordinary share of 204p (2020: 212p).

DIVIDENDS

Reflecting our strong performance in 2021, improved capital position and confidence in our future performance, the Board is recommending a final dividend of 1.0p (£10m). In the near term, we expect to deploy the majority of capital we generate to support the new business available to us in the DB and GIfL markets, whilst supporting an on-going sustainable dividend, which we would expect to grow over time.

From 2022 onwards, we intend to declare dividends twice annually with an interim dividend to be declared at our interim results in August and paid in September and the final dividend to be declared at the final results in March and paid in May. In future we would expect the interim dividend to be approximately one third of the prior year full year dividend and if this policy had applied for 2021 as a whole the equivalent dividend for the full year would have been 1.5p (£15m).

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 provide confidence to other stakeholders. Our risk management processes are designed to ensure that our understanding of risk underpins how we run the business.

RISK FRAMEWORK

Our risk framework, owned by the 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. Over the past year it has 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 high-level qualitative climate risk appetite has been added to the Group's existing high-level appetites, which include reputation and capital, recognising the importance of climate risk. Group policies have been updated to draw out any climate specific considerations for risk management.

RISK EVALUATION AND REPORTING

We evaluate our principal and emerging risks and decide how best to manage them within our risk appetite. Management regularly reviews its risks and produces reports 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.

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. This modelling allows 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.

The associated policies govern the exposure of the Group to a range of risks, including climate risk, and define the risk management activities to ensure these risks remain within appetite.

Quantification of the financial impact of climate risk is subject to significant uncertainty. Risks arising from the transition risk to a lower carbon economy are heavily dependent on government policy developments and social responses to policy. Just's initial focus has therefore been placed on implementation of strategies to reduce the likely risk 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 done through the year on business model and strategic risks, tests the business in 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 thus informs strategic decision making. Updates are prepared each quarter, including factors such as key risk limit consumption as well as 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 to its Risk Committees, including the Group ORSA. Reporting will evolve as quantification of risk exposures develops and further key risk indicators ("KRIs") are identified.

Principal risks and uncertainties

STRATEGIC PRIORITIES

1 Improve our capital position

2 Transform how we work

3 Get closer to our customers and partners

4 Generate growth in new markets

5 Be proud to work at Just

Risk	Description and impact	Mitigation and management action
Risk A Risks from regulatory changes and supervision **Strategic priorities** 1, 3, 4, 5 **Change in the period** No change/stable **Risk outlook** No change/stable	The financial services industry continues to see a high level of regulatory activity and regulatory supervision. This is shown in the Business Plans of the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"). The PRA has retained its focus on the use of illiquid assets in matching adjustment portfolios (including equity release mortgages) as insurers continue their asset allocations in this area. The PRA is carrying out a quantitative impact study ("QIS") to assess the financial impact of a variety of potential reforms to the Solvency II regime, including most notably for Just, reform of the matching adjustment and the risk margin. The Group remains exposed to the changes following SS3/17, notably to the PRA changing the parameters used to determine compliance with the Effective Value Test, limiting the matching adjustment available from equity release mortgages. These changes are partially offset by TMTP for business written prior to the introduction of Solvency II. The Treasury is undertaking a review of the future regulatory framework in the UK post-Brexit. This covers the general regulatory framework and roles of the UK regulators as well as a review focused on adapting Solvency II to fit the UK insurance market. The impact on the risk of regulatory change remains uncertain. The PRA required firms to have fully implemented their plans for identifying and managing the financial risks from climate change by the end of 2021. The FCA expected premium-listed firms (including Just Group plc) to comply with the recommendations of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures ("TCFD") in their annual reports for financial years starting from 1 January 2021. The PRA and FCA have issued requirements to strengthen operational resilience in the	Just monitors and assesses regulatory developments on an on-going 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 competitive advantage for the business. We develop our strategy by giving consideration to planned political and regulatory developments and allowing for contingencies should outcomes differ from our expectations. The Group also keeps under review the possible need for capital management actions, such as reducing new business volumes. Just has an approved partial internal model to calculate the Group Solvency Capital Requirement, which it keeps under review for continued appropriateness. Just received approval for changes proposed as part of a Major Model Change in December 2021 incorporating the requirements of SS3/17 for JRL's internal model and a regulatory treatment for the no-negative equity guarantee risk transfer transactions already completed. Further steps to manage our exposure to UK residential property and the amount of capital we have to hold for lifetime mortgages continue, with a range of actions building on the no-negative equity guarantee hedging and lifetime mortgage portfolio sale transactions completed to date. A revised investment risk framework and limits was adopted by the Board in support of the Group's on-going compliance with the Prudent Person Principle following the PRA's supervisory statement. The Group operates a number of governance committees to ensure continuing compliance with the framework and limits. Just is reviewing the potential implications of the Treasury review of Solvency II and the opportunities it presents. Just has participated in the QIS related to the potential Solvency II reforms to understand the financial impacts of the scenarios requested by the PRA. The trade deal agreed between the UK and the EU following UK's withdrawal from the EU did not address the issue of UK insurers continuing payments to EU/EEA resident customers from 1 January 2021 after the end of the transition period. However, following engagement with EU/EEA regulators, permanent or interim solutions are in place for jurisdictions where material numbers of our customers reside. Just will engage with national regulators to ensure any further

Risk	Description and impact	Mitigation and management action
	financial services sector. This is a key priority for the regulators. The risk of a negative impact on the Group's capital position from broader financial services regulatory change is not limited to the matters described in the paragraphs above. The change in 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.	measures are taken as required to allow policyholder payments to continue. We have identified the potential impacts of climate change on the Group's risks. The Group's risk management framework has been developed to accommodate and report on climate risks and make appropriate disclosures in line with TCFD recommendations. Climate and environmental considerations have been embedded in the Group's governance and decision making. Just has carried out a programme of development of its operational resilience approach to meet the regulators' expectations ahead of the implementation deadline at the end of March 2022. We will endeavour to educate investors on the changes resulting from IFRS 17 ahead of full implementation.

Risk	Description and impact	Mitigation and management action
Risk B Risks from the economic and political environment **Strategic priorities** 1, 3, 4, 5 **Change in the period** No change/stable **Risk outlook** No change/stable	The premiums paid by the Group's customers are invested to enable future benefits to be paid when expected with a high degree of certainty. The economic environment and financial market conditions have a significant influence on the value of assets and liabilities the Group holds and on the income the Group receives. A deterioration in the economic environment could impact the availability and attractiveness of certain securities and increase the risk of credit downgrades and defaults in our asset portfolio. A fall in residential property values could reduce the amounts received from lifetime mortgage redemptions and may affect the relative attractiveness of the LTM product to customers. The regulatory capital needed to support the possible shortfall on the redemption of lifetime mortgages also increases if property values drop. Conversely, significant rises in property values could increase the incidence of early mortgage redemptions, leading to an earlier receipt of anticipated cash flows with the consequential reinvestment risk. It remains possible that the Bank of England could maintain negative real interest rates as a policy tool to stimulate the economy. The effect that this would have on customer behaviour or on the market for credit investments or lifetime mortgages is unclear. Most defined benefit pension schemes link member benefits to inflation through indexation. As the Group's defined benefit de-risking business volumes grow, its gross exposure to inflation risk increases. The conflict in Ukraine is expected to impact energy prices and hence increases our expectations of inflation in the near term. Depending on how the conflict is resolved, it may have implications for certain of the investments in our investment portfolio. Market risks may affect the liquidity position of the Group by, for example, having to realise assets to meet liabilities during stressed market	Economic conditions are actively monitored, and alternative scenarios modelled to better understand the potential impacts of significant economic changes on the amount of capital required to be held to cover risks, and to inform management action plans. The Group's strategy is to buy and hold high-quality, investment grade assets in its investment portfolio to ensure that it has sufficient income to meet outgoings as they fall due. Portfolio credit risk is managed by a combination of Just's internal investment team and specialist external fund managers, overseen by Just's own credit specialists, executing a diversified investment strategy in assets within concentration risk limits. Improved returns are sought by increasing the types, geographies, industry sectors and classes of assets into which the Group invests. This creates exposures to foreign exchange risk, which is controlled using derivative instruments. Derivative instruments are also used to reduce exposures to interest rate volatility. The counterparty exposure arising from transacting in these instruments is mitigated by collateral arrangements and managed to avoid concentration exposures wherever practical. For lifetime mortgages, the Group underwrites the properties against which it lends using valuations from expert third parties. The Group's property risk is controlled by limits to the initial Loan-to-value ratio, supported by product design features and limiting specific property types and exposure in each region. We also monitor the exposure to adverse house price movements and the accuracy of our indexed valuations. While the Group's capital models accommodate negative interest rates, there is no historical data to validate the behaviour of the economy in such an environment. The Group manages its exposure to inflation risk using inflation hedges and index-linked securities. The Group closely monitors inflationary pressures, including energy prices, and other factors that may have implications for our investments. Liquidity risk is managed by ensuring that assets of a suitable maturity and marketability are held to meet liabilities as they fall due. There can be some short-term volatility in the Group's cash position, which is a consequence of its derivative hedging. Regular cash flow forecasts predict liquidity levels over both the short-term and long-term and stress tests help us determine the required liquidity to hold. The Group monitors market conditions to ensure appropriate liquid resources are

	conditions or to service collateral requirements due to the changes in market value of financial derivatives. A lack of market liquidity is also a risk to any need that the Group may have to raise capital or refinance existing debt. Just's asset and derivative counterparties have climate risk exposure which may impact their creditworthiness in due course.	held at all times to cover extreme stresses such as those seen in March 2020. The Group's liquidity requirements have been met over the past year and forecasting indicates that this position can reasonably be expected to continue for both investments and business operations. The monitoring of climate risk exposures of counterparties is an evolving area as climate disclosures and regulatory expectations are developing. Assessing such exposure includes consideration of climate risk disclosures, alongside any associated public reporting and the actions of credit rating agencies and where appropriate regulators.

Risk	Description and impact	Mitigation and management action
Risk C Risks to the Group's brand and reputation **Strategic priorities** 1, 2, 3, 4, 5 **Change in the period** No change/stable **Risk outlook** Increasing	Our purpose is to help people achieve a better later life. Our Group's brands reflect the way we aim to conduct our business and treat our customers and wider stakeholder groups. The Group's reputation could be damaged if the Group is perceived to be acting, even unintentionally, below the standards we set for ourselves. This could include, for example, failing to achieve the goals we have set for enhancing our sustainability framework and contributing to global efforts to reduce climate change risk. The Group's reputation could also be threatened by external risks such as a cyber attack, a data protection breach, or regulatory enforcement action. Such regulatory action could result directly from the Group's actions or through contagion from other companies in the sectors in which we operate. Damage to our reputation may adversely affect our underlying profitability, through reducing sales volumes, restricting access to distribution channels and attracting increased regulatory scrutiny.	The Group actively seeks to differentiate its business from competitors by investing in brand enhancing activities. Fairness to customers and high service standards are at the heart of the Just brand, and we encourage our colleagues to take pride in the quality of service they provide. Engaging our colleagues in the Just brand and its associated values has been, and remains, a critical part of our internal activity. Just is proactive in pursuing its sustainability responsibilities and recognises the importance of its social purpose. We have set sustainability targets aiming for our operations to be carbon net zero by 2025 and for emissions from our investment portfolio to be net zero by 2050, with a 50% reduction in emissions from the portfolio by 2030. Performance against these targets will be carefully monitored and reported. Protecting the personal data of our customers and colleagues remains a key priority. This is achieved both by high standards of information security and keeping the use of such data under tight control. We also take care to ensure that all data subjects can exercise their rights under GDPR, such as the ability to make subject access requests to obtain the data we hold about them and the right to be forgotten.

Risk	Description and impact	Mitigation and management action
Risk D Risks from our pricing and reinsurance **Strategic priorities** 1, 3, 4 **Change in the period** No change/stable **Risk outlook** No change/stable	Writing long-term defined benefit de-risking, Guaranteed Income for Life and lifetime mortgage business requires a range of assumptions to be made based on historical experience, current data and future expectations, for customers' longevity, corporate bond yields, interest and inflation rates, property values and expenses. These assumptions are applied to the calculation of the reserves needed for future liabilities and solvency margins using recognised actuarial approaches. Experience may differ materially from the Group's assumptions, requiring them to be recalibrated in future. This could affect the level of reserves needed, with an impact on profitability and the Group's solvency position. As part of its overall risk mitigation and capital management strategy, the Group purchases reinsurance from a number of reinsurance providers to cover a significant proportion of its longevity risk exposure. Use of reinsurance creates a counterparty default risk exposure in	Current mortality rates are largely derived using historical experience. The Group has the benefit of its extensive underwritten mortality data, as well as external mortality datasets, in setting base longevity assumptions. Experience is regularly monitored to ensure consistency with expected levels of mortality. If there are material differences between assumptions and emerging experience, bases are modified appropriately. Assumptions relating to future longevity are based on our analysis of trends and likely drivers of future change. This analysis includes the potential impact (both direct and indirect) of COVID-19 on the longevity of customers. Given the uncertainty around the potential impact of both COVID-19 and climate risk on longevity, no explicit allowance is made for these in our assumptions. Any material climate risk developments will be considered as part of our overall basis setting. The Group performs due diligence on our reinsurance partners, who themselves undertake due diligence on the Group's approach to risk selection. The Group manages its exposure to reinsurers on an on-going basis within the Group's risk appetite limit, with the maximum exposure to individual counterparties being subject to limits set by the Group Board. This exposure is partially mitigated through the

	the unlikely event of the failure of the reinsurance provider. Just's reinsurance counterparties have climate risk exposure which may impact their creditworthiness in due course.	posting of collateral into third party trusts or similar security arrangements, or the deposit of premiums back to the Group. The Group measures its counterparty exposure as the change in its Solvency II SCR coverage ratio from a default of each individual counterparty combined with simultaneous longevity and market stresses. The measures used include the change immediately upon default and after allowing for management actions such as re-establishing cover. Potential increased counterparty risk in respect of the reinsurer due to climate risk is at present difficult to assess due to the diverse nature of the reinsurers' business models but should become clearer over time.

Risk	Description and impact	Mitigation and management action
Risk E Risks arising from operational processes and IT systems **Strategic priorities** 1, 2, 3, 4, 5 **Change in the period** No change/stable **Risk outlook** No change/stable	The Group relies on its operational processes and IT systems to conduct its business, including the pricing and sale of its products, managing its investments, measuring and monitoring its underwriting liabilities, processing applications and delivering customer service and maintaining accurate records. These processes and systems may not operate as expected, may not fulfil their intended purpose or may be damaged or interrupted by human error, unauthorised access, natural disaster or similarly disruptive events. Any failure of the Group's IT and communications systems and/or the third party infrastructure on which it relies could lead to costs and disruptions that could adversely affect its business and ability to serve its customers as well as harm its reputation. Large organisations continue to be targeted for cyber crime. This includes attacks by state-sponsored actors on national infrastructure as well as criminal attacks on particular organisations that hold customers' personal details. The Group is exposed to the effects of indirect and direct attacks and these could affect customer confidence, or lead to financial losses.	The Group maintains a system of internal control, with associated policies and operational procedures, to ensure its processes operate with a low level of risk of failure. The Group also defines clear expectations of the standards we expect of all colleagues. Protecting our customers and their data remains our highest priority, while maintaining a resilient framework on our existing, well-established business continuity management and disaster recovery capabilities. In parallel to this and as part of our commitment to continuous improvement, 2021 has seen some significant changes in the Group's infrastructure, with the migration and rationalisation of data centres forming part of a wider network and technology transformation programme. This means that the Group is in an even stronger position to ensure the continuity of IT service availability, particularly for the technologies that enable important business services to support the needs of our customers. Group security and management of data has also seen advances in the capability implemented, including the latest technologies to protect our customers' information from advanced cyber threats. Further management and security tools have been added to the Group email system to identify and resist malicious attacks. The newly deployed telephony system builds security and resilience into all contact points with our customers and partners. A specialist Security Operations Centre monitors all Group externally facing infrastructure and services, providing real-time threat analysis and incident management and response capabilities. The Group continues to invest in market-leading products to protect a hybrid workforce and to maintain our multilayered approach to information security and resilience.

Risk	Description and impact	Mitigation and management action

Risk F
Risks from our chosen market environment

Strategic priorities
1, 2, 3, 4

Change in the period
No change/stable

Risk outlook
No change/stable

The Group operates in a market where changes in pensions legislation can have a considerable effect on our strategy and could reduce our sales and profitability or require us to hold more capital.

Our chosen market of helping people approaching and in-retirement is rightly highly regulated. While we maintain strong controls across our services, we could fail to meet these ever increasing standards and fail to deliver to our core purpose of helping people achieve a better later life. Likewise, customer needs and expectations continue to evolve and change in profile, and we may not optimise our professional services offering and distribution models to suit their requirements. Failures in these areas would raise the risk of losing one or more of our key partners on whom we rely for customer introductions.

Competitive pressure in the lifetime mortgage market is strong with lenders moving to control distribution as well as competing on rates and early repayment charges. The range of products available in this market has increased substantially in the last few years while average rates have reduced, squeezing margins.

A significant fall in home prices, although not expected to occur, could affect customer appetite for equity release.

Climate risk could affect Just Group's financial risks due to its exposure to residential property through its lifetime mortgage portfolio and through its corporate bond and illiquid investment portfolio.

For lifetime mortgages:

(i) transition risk – government policy changes may impact the value of residential properties, such as through the introduction of minimum energy performance requirements at the time of sale;

(ii) physical risks – such as increased flooding, resulting from severe rainfall, or more widespread subsidence due to extended droughts, may affect the value of properties not seen as having such an exposure at present.

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. The yields available from corporate bonds may also be affected by any litigation or reputational risks associated with the issuers' environmental policies or adherence to emissions targets.

The increased 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 Group offers a range of retirement options, allowing it to remain agile in this changing environment, and flexes its offerings in response to market dynamics. Our approach to legislative change in our markets is to participate actively and engage with policymakers.

We are well placed to adapt to changing customer demand, supported by our brand promise, innovation credentials, digital expertise and financial strength.

The most influential factors in the successful delivery of the Group's plans are closely monitored to help inform the business. The factors include market forecasts and market share, supported by insights into customer and competitor behaviour.

Demand from scheme trustees for defined benefit de-risking solutions is expected to continue to grow, mitigating the impacts on Just of increased market competition.

The automated advice service Destination Retirement is a strategic response by the distribution business to address changing needs in the retirement market. This service is targeted at people approaching or in-retirement with modest pension savings who may be unable to afford traditional financial advice.

The risk of increased competition in the lifetime mortgage market is mitigated through continuing work to improve the customer appeal of the Group's products, explore new product variants and meet distributors' digital and service needs.

We continue to develop stress testing capabilities to further improve monitoring of the potential impact of climate change on our investment and equity release portfolios. Government policy on the energy performance of residential properties is being monitored.

We already take risks from flooding, coastal erosion and subsidence into account in our lending decisions, and are keeping the lifetime mortgage lending policy under review in light of climate risks, making adjustments as required.

Just has enhanced its approach to ESG in its investment strategy as set out in its Responsible Investment Framework. This has resulted in new premium income being invested in bonds and illiquid investments with a lower carbon footprint.

Consolidated statement of comprehensive income

for the year ended 31 December 2021

	Note	**Year ended 31 December 2021 £m**	Year ended 31 December 2020 £m
Gross premiums written	6	**2,676.1**	2,147.8
Reinsurance premiums ceded		**(23.3)**	(232.0)
Reinsurance recapture		**–**	940.0
Net premium revenue		**2,652.8**	2,855.8
Net investment (expense)/income	2	**(130.3)**	1,777.7
Fee and commission income	6	**15.6**	11.7
Total revenue		**2,538.1**	4,645.2
Gross claims paid		**(1,381.3)**	(1,321.1)
Reinsurers' share of claims paid		**239.9**	320.9
Net claims paid		**(1,141.4)**	(1,000.2)
Change in insurance liabilities:			
Gross amount		**(706.7)**	(2,116.6)
Reinsurers' share		**(332.0)**	73.5
Reinsurance recapture		**–**	(940.0)
Net change in insurance liabilities		**(1,038.7)**	(2,983.1)
Change in investment contract liabilities	24	**(0.8)**	(1.8)
Acquisition costs	3	**(48.6)**	(44.5)
Other operating expenses	4	**(193.2)**	(219.9)
Finance costs	5	**(136.8)**	(159.0)
Total claims and expenses		**(2,559.5)**	(4,408.5)
(Loss)/profit before tax	6	**(21.4)**	236.7
Income tax	7	**5.6**	(44.2)
(Loss)/profit for the year		**(15.8)**	192.5
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of land and buildings	7, 14	**–**	(1.1)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(0.6)**	(0.6)
Other comprehensive loss for the year, net of income tax		**(0.6)**	(1.7)
Total comprehensive (loss)/income for the year		**(16.4)**	190.8
(Loss)/profit attributable to:			
Equity holders of Just Group plc		**(15.0)**	193.6
Non-controlling interest	35	**(0.8)**	(1.1)
(Loss)/profit for the year		**(15.8)**	192.5
Total comprehensive income attributable to:			
Equity holders of Just Group plc		**(15.6)**	191.9
Non-controlling interest	35	**(0.8)**	(1.1)
Total comprehensive (loss)/income for the year		**(16.4)**	190.8
Basic earnings per share (pence)	11	**(3.42)**	16.06
Diluted earnings per share (pence)	11	**(3.42)**	15.89

The notes are an integral part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2021

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	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	(1.9)	2,490.4
Loss for the year		–	–	–	–	–	–	(15.0)	(15.0)	–	(0.8)	(15.8)
Other comprehensive loss for the year, net of income tax		–	–	–	–	(0.5)	–	(0.1)	(0.6)	–	–	(0.6)
Total comprehensive loss for the year		–	–	–	–	(0.5)	–	(15.1)	(15.6)	–	(0.8)	(16.4)
Contributions and distributions												
Shares issued	21	0.1	0.1	–	–	–	–	–	0.2	–	–	0.2
Tier 1 notes issued (net of costs)	22	–	–	–	–	–	–	–	–	322.4		322.4
Tier 1 notes redeemed	22	–	–	–	–	–	–	(47.0)	(47.0)	(294.0)	–	(341.0)
Dividends	12	–	–	–	–	–	–	–	–	–	–	–
Interest paid on Tier 1 notes (net of tax)	22	–	–	–	–	–	–	(20.4)	(20.4)	–	–	(20.4)
Share-based payments		–	–	–	–	–	1.1	3.7	4.8	–	–	4.8
Total contributions and distributions		0.1	0.1	–	–	–	1.1	(63.7)	(62.4)	28.4	–	(34.0)
Changes in ownership interest												
Acquisition of non-controlling interest	35	–	–	–	–	–	–	(0.8)	(0.8)	–	0.8	–
Total changes in ownership interests		–	–	–	–	–	–	(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	(1.9)	2,440.0

Year ended 31 December 2020	Note	Share capital £m	Share premium £m	Reorganisation reserve £m	Merger reserve £m	Revaluation reserve £m	Shares held by trusts £m	Accumulated profit1 £m	Total shareholders' equity £m	Tier 1 notes £m	Non-controlling interest £m	Total £m
At 1 January 2020		103.5	94.5	348.4	597.1	4.4	(6.0)	885.9	2,027.8	294.0	(0.8)	2,321.0
Profit/(loss) for the year		–	–	–	–	–	–	193.6	193.6	–	(1.1)	192.5
Other comprehensive loss for the year, net of income tax		–	–	–	–	(1.1)	–	(0.6)	(1.7)	–	–	(1.7)
Total comprehensive income/(loss) for the year		–	–	–	–	(1.1)	–	193.0	191.9	–	(1.1)	190.8
Contributions and distributions												
Shares issued	21	0.3	–	–	–	–	–	–	0.3	–	–	0.3
Dividends	12	–	–	–	–	–	–	(0.1)	(0.1)	–	–	(0.1)
Interest paid on Tier 1 notes	22	–	–	–	–	–	–	(28.1)	(28.1)	–	–	(28.1)
Share-based payments		–	–	–	–	–	0.6	5.9	6.5	–	–	6.5
Total contributions and distributions		0.3	–	–	–	–	0.6	(22.3)	(21.4)	–	–	(21.4)
At 31 December 2020		103.8	94.5	348.4	597.1	3.3	(5.4)	1,056.6	2,198.3	294.0	(1.9)	2,490.4

1 Includes currency translation reserve.

The notes are an integral part of these financial statements.

Consolidated statement of financial position

as at 31 December 2021

	Note	**31 December 2021 £m**	31 December 2020 £m
Assets			
Intangible assets	13	**119.7**	133.5
Property, plant and equipment	14	**14.2**	20.5
Investment property	15	**69.6**	–
Financial investments	16	**24,681.7**	23,269.8
Reinsurance assets	23	**2,808.2**	3,132.6
Deferred tax assets	18	**–**	11.5
Current tax assets		**30.2**	2.9
Prepayments and accrued income		**75.6**	74.3
Insurance and other receivables	19	**35.4**	32.0
Cash available on demand	20	**510.2**	1,496.3
Assets classified as held for sale	14	**3.1**	–
Total assets		**28,347.9**	28,173.4
Equity			
Share capital	21	**103.9**	103.8
Share premium	21	**94.6**	94.5
Reorganisation reserve		**348.4**	348.4
Merger reserve	21	**597.1**	597.1
Revaluation reserve	14	**2.8**	3.3
Shares held by trusts		**(4.3)**	(5.4)
Accumulated profit		**977.0**	1,056.6
Total equity attributable to owners of Just Group plc		**2,119.5**	2,198.3
Tier 1 notes	22	**322.4**	294.0
Non-controlling interest	35	**(1.9)**	(1.9)
Total equity		**2,440.0**	2,490.4
Liabilities			
Insurance liabilities	23	**21,812.9**	21,118.4
Reinsurance liabilities	23	**274.7**	267.1
Investment contract liabilities	24	**33.6**	42.8
Loans and borrowings	25	**774.3**	773.5
Lease liabilities	26	**3.9**	6.8
Other financial liabilities	27	**2,865.6**	3,305.1
Deferred tax liabilities	18	**5.3**	22.8
Other provisions		**1.2**	1.0
Accruals and deferred income		**43.1**	53.9
Insurance and other payables	30	**93.3**	91.6
Total liabilities		**25,907.9**	25,683.0
Total equity and liabilities		**28,347.9**	28,173.4

The notes are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 9 March 2022 and were signed on its behalf by:

ANDY PARSONS
Director

Consolidated statement of cash flows

for the year ended 31 December 2021

	Note	**Year ended 31 December 2021 £m**	Year ended 31 December 2020 £m
Cash flows from operating activities			
(Loss)/profit before tax		**(21.4)**	236.7
Property revaluation loss through profit and loss	14	**–**	1.2
Depreciation of property, plant and equipment	14	**4.2**	3.9
Impairment of property, plant and equipment	14	**0.3**	–
Amortisation of intangible assets	13	**20.4**	19.9
Impairment of intangible assets	13	**–**	1.1
Share-based payments		**4.8**	6.5
Interest income	2	**(572.1)**	(631.7)
Interest expense	5	**136.8**	159.0
Realised and unrealised gains on financial investments		**(1,103.8)**	(1,039.7)
Decrease in reinsurance assets		**332.0**	866.5
Increase in prepayments and accrued income		**(1.3)**	(3.7)
Increase in insurance and other receivables		**(3.8)**	(6.1)
Increase in insurance liabilities		**694.5**	2,114.7
Decrease in investment contract liabilities		**(9.2)**	(11.2)
Decrease in deposits received from reinsurers		**(270.3)**	(775.3)
Decrease/(increase) in accruals and deferred income		**(10.8)**	3.3
Increase in insurance and other payables		**1.7**	19.0
Decrease in other creditors		**(60.4)**	(162.7)
Interest received		**337.8**	314.5
Interest paid		**(78.7)**	(107.7)
Taxation paid		**(12.7)**	(60.6)
Net cash (outflow)/inflow from operating activities		**(612.0)**	947.6
Cash flows from investing activities			
Additions to internally generated intangible assets	13	**(6.6)**	(0.1)
Acquisition of property and equipment	14	**(0.7)**	(2.3)
Acquisition of subsidiaries	15	**(70.6)**	–
Acquisition of non-controlling interest	35	**–**	–
Net cash outflow from investing activities		**(77.9)**	(2.4)
Cash flows from financing activities			
Issue of ordinary share capital (net of costs)	21	**0.2**	0.3
Proceeds from issue of Tier 1 notes (net of costs)	22	**321.8**	–
Redemption of Tier 1 notes (including costs)	22	**(350.6)**	–
Increase in borrowings (net of costs)	25	**–**	110.6
Dividends paid	12	**–**	(0.1)
Coupon paid on Tier 1 notes	12	**(25.2)**	(28.1)
Interest paid on borrowings		**(56.7)**	(49.8)
Payment of lease liabilities – principal	26	**(3.6)**	(4.1)
Payment of lease liabilities – interest	26	**(0.1)**	(0.2)
Net cash (outflow)/inflow from financing activities		**(114.2)**	28.6
Net (decrease)/increase in cash and cash equivalents		**(804.1)**	973.8
Cash and cash equivalents at 1 January		**2,624.8**	1,651.0
Cash and cash equivalents at 31 December		**1,820.7**	2,624.8
Cash available on demand		**510.2**	1,496.3
Units in liquidity funds		**1,310.5**	1,128.5
Cash and cash equivalents at 31 December	20	**1,820.7**	2,624.8

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.

1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the Companies Act 2006, including application of international accounting standards and other disclosure requirements, International Financial Reporting Standards ("IFRS") as adopted by the UK Endorsement Board, and IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The change in basis of preparation to UK adopted IFRS is required by UK company law for the purposes of financial reporting as a result of the UK's exit from the EU on 31 January 2020 and the cessation of the transition period on 31 December 2020. This change does not constitute a change in accounting policy but a change in framework which is required to ground the use of IFRS in company law. There is no impact on recognition, measurement or disclosure between the two frameworks in the period reported.

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 2021 and 2020 but is derived from those accounts. Statutory accounts for 2020 have been delivered to the registrar of companies, and those for 2021 will be delivered in due course. The auditor has reported on those statutory accounts. Their report for the year ended 31 December 2021 was (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. Their report for the year ended 31 December 2020 was (i) unqualified, (ii) did not contain a statement under section 498 (2) and (3) of the Companies Act 2006, and (iii) by way of emphasis of matter, without qualifying their report, drew attention to note 35, Capital, to the 2020 statutory accounts.

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; steps taken by the Group over the last three years to improve capital efficiency; the projected liquidity position of the Company and the Group; on-going impacts of COVID-19; 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 £200m 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 2020 was 17.5%. The facility is expected to be renewed in June 2022 for a further five years. 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. 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 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 resilience of the solvency capital position has been tested under a range of adverse scenarios, 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 in excess of 40%. Eligible own funds exceeded the minimum capital requirements in all stressed scenarios described above.

The Group has several mitigating management actions that can be taken to manage stress, which are considered by the Board. Some of these actions are deemed to be more fully within the Group's control.

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 on page 59 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 Group has applied UK-adopted IFRS from 1 January 2021. The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020.

The following new accounting standards and amendments to existing accounting standards are effective from 1 January 2021 but do not have a significant impact on the Group's 2021 financial statements.

- Amendments to IFRS 9, Financial instruments; IAS 39, Financial instruments: recognition and measurement; IFRS 7, Financial instruments: disclosures; IFRS 4, Insurance contracts; and IFRS 16, Leases – Interest Rate Benchmark Rate (IBOR) Reform Phase 2.

  During the year the London Inter Bank Offered Rate ("LIBOR") interest rate benchmark was replaced with the Sterling Overnight Index Average ("SONIA"). In order to avoid unintended accounting consequences from IBOR reform, the IASB made amendments to accounting standards. The amendments address issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one. The amendments provide relief when changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), and provide hedge accounting reliefs that will allow most hedge relationships that are directly affected by IBOR reform to continue.

  The Group does not have financial assets or liabilities or leases that are based on an interest rate benchmark, and the Group does not use hedge accounting. Therefore there is no impact on profit and loss or equity from these amendments.

The following new accounting standards and amendments to existing accounting standards in issue and significant to the Group have not yet been adopted by 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 as explained in note 1.17.

  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 2021 would be unchanged at £24,681.7m. 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, as disclosed in notes 19 and 20.

- IFRS 17, Insurance contracts (effective 1 January 2023, not yet endorsed).

  IFRS 17 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. The transition requirements of IFRS 9 prescribe that comparative periods are not restated for certain accounting changes introduced by IFRS 9. This can result in accounting mismatches with restated IFRS 17 comparative information. As a result the IASB published an amendment to IFRS 17 in December 2021 permitting an entity to present financial asset comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset. Once effective, IFRS 17 will replace IFRS 4 that was issued in 2005. The final standard remains subject to endorsement by the UK Endorsement Board which has sought views of accounts preparers and users in a final consultation process that closed in February 2022. The Group has participated actively in industry consultations to date, with implementation matters continuing to be debated, these are expected to conclude in time for the 1 January 2023 effective date.

  IFRS 17 provides a comprehensive revision of the accounting for insurance contracts including their valuation, income statement presentation and disclosure. The main impact of the standard applicable to annuities is the deferment of premium revenues and expenses on the balance sheet within a "contractual service margin" ("CSM") account instead of recognition at point of sale under IFRS 4. The CSM is then recognised in the profit or loss account over the life of contracts. The presentation of insurance revenue in the statement of comprehensive income will be based on the concept of insurance services provided in the period rather than the value of premiums as presented under IFRS 4. The standard also requires an explicit allowance for non-financial risk instead of the prudence margins held on an implicit basis under IFRS 4.

  Given the long-term nature of the Group's business, the impact of IFRS 17 on the measurement and presentation of insurance contracts in the Group's statutory reporting is expected to be significant. The transition requirements of IFRS 17 include three approaches: retrospective, modified retrospective and fair value approach. Although the impact is not known or reasonably estimatable, there is expected to be a reduction in equity on transition as a result of the deferment of premium revenues and expenses on the balance sheet within the CSM.

The Group initiated a project in 2017 to develop measurement and reporting systems and processes which will apply to all of the Group's insurance business. The requirements of the new standard are complex and will require fundamental changes to accounts reporting systems and processes as well as the application of significant judgement. A steering committee chaired by the Group Chief Financial Officer provides oversight and strategic direction, a technical committee provides governance over the technical interpretation and accounting policies selected, with delivery of the project managed within the Group's broader Finance Transformation Programme. During 2021 the Group has made significant progress.

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. The amendments include clarifications that are not inconsistent with the Group's existing accounting treatment and other insignificant changes.

- IAS 16, Property, plant and equipment – Amendments in respect of proceeds before intended use (effective 1 January 2022, not yet endorsed);
- IFRS 3, Business combinations – Amendments to references to the conceptual framework for financial reporting (effective 1 January 2022, not yet endorsed);
- IAS 37, Provisions, contingent liabilities and contingent assets – Amendments in respect of costs of fulfilling a contract (effective 1 January 2022, not yet endorsed);
- IAS 1, Presentation of financial statements – Amendments in respect of the classification of liabilities as current or non-current and in respect of disclosures of accounting policies (effective 1 January 2023, 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 that affect 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 used as part of accounting policy application are summarised below.

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	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 at 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 neutral assumptions due to the lack of relevant observable market inputs to support a risk neutral valuation approach. This approach is in line with common industry practice and there does not appear to be an alternative approach that is widely supported in the industry. We acknowledge that there has been significant recent academic and market debate

Accounting policy	Item involving judgement	Critical accounting judgement
		concerning the valuation of no-negative equity guarantees and we intend to continue to actively monitor this debate.

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.

The table below sets out those items the Group considers 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.
1.18, 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, 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 investees 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 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.

The internal reporting used by the CODM includes product information (which comprises analysis of product revenues, LTM advances and amounts written under investment contracts) and information on adjusted operating profit and profit before tax and amortisation costs for the Group's operating segments.

Material product information is analysed by product line and includes DB, GIfL, Care Plans, Protection, LTM and Drawdown products.

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

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

- the writing of insurance products for distribution to the at- or in-retirement market, which is undertaken through the activities of the life companies (this is referred to as the insurance segment in note 6, Segmental reporting);
- 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.

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.

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.

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 life and pensions business 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.

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. Reinsurance premiums previously incurred can be recaptured under certain conditions, notably once reinsurance financing for an underwriting year is fully repaid.

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

The Group recognises revenue from contracts with customers in accordance with IFRS 15, in an 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. Reinsurance paid claim recoveries are accounted for in the same period as the related claim.

Death claims are accounted for when notified.

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 reinsurance financing is accrued in accordance with the terms of the financing arrangements.

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 the relevant future economic benefits attributable to the asset will flow to the Group, and are measured at cost less accumulated amortisation and any impairments.

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 assessed for impairment when circumstances or events indicate there may be uncertainty over the carrying value. 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, which range from two 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.

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.

The significant intangible assets recognised by the Group, their 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 subsequent depreciation, and impairment losses are recognised at the date of revaluation. Valuations are performed with sufficient frequency 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. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. 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.

Buildings are depreciated on a straight-line basis over the estimated useful lives of the buildings of 25 years.

Equipment is stated 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 as follows:

Plant and equipment	Estimated useful economic life
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 or for capital appreciation or both. Investment property is initially recognised at cost, including any directly attributable transaction costs and subsequently measured at fair value. 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 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

The Group classifies financial investments in accordance with IAS 39 whereby, subject to specific criteria, they are accounted for at fair value through profit and loss. This comprises assets designated by management as fair value through profit or loss on inception, as they are managed on a fair value basis, and derivatives that are classified as held for trading. These investments are measured at fair value with all changes thereon being recognised in investment income in the Consolidated statement of comprehensive income.

Derivatives are recognised at fair value through profit or loss. All derivatives are carried as assets when the fair value is positive and liabilities when the fair values are negative. The Group does not use hedge accounting.

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. Transaction costs are expensed through profit or loss.

Loans secured by residential mortgages, “LTMs”, are recognised when cash is advanced to borrowers.

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 in the Consolidated statement of financial position with a corresponding liability for the repayment in other financial liabilities. Non-cash collateral received is not recognised in the Consolidated statement of financial position unless it qualifies for derecognition by the transferor. Certain reinsurance arrangements involve premiums being deposited back with the Group. The recognition of such collateral is assessed based on the terms of the arrangement, including consideration of the Group’s exposure to the economic benefits. See note 28 for further details.

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’s policy is to derecognise financial investments when our rights when the contractual cash flows expire or it is deemed that substantially all the risks and rewards of ownership have been transferred.

Use of fair value

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

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

The Group holds certain financial investments which are not quoted in active markets and include loans secured by residential mortgages, derivatives and other 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.

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

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

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

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 2021, 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 certain amounts within other financial liabilities and insurance payables which arise in the course of writing insurance business of £5,527.4m, giving a predominancy ratio of 96%.

1.18 Reinsurance

Reinsurance assets and liabilities

Amounts recoverable from reinsurers are measured in a consistent manner with insurance liabilities or relevant financial 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.

Financial liabilities

Where reinsurance contracts entered into by the Group require deposits received from reinsurers to be repaid, such amounts are classified as "deposits received from reinsurers" and included in other financial liabilities in the Consolidated statement of financial position. Where the liability carries no insurance risk, it is initially recognised at fair value at the date the deposited asset is recognised and subsequently remeasured at fair value at each balance sheet date. Fair value is determined as the amount repayable discounted from the first date that the amount is required to be paid. The resulting gain or loss is recognised in the Consolidated statement of comprehensive income.

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.

1.19 Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand, deposits held at call with banks, and other short-term highly liquid investments with less than 90 days' maturity from the date of acquisition.

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 year in which they are paid. Final dividends are 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 have been classified as equity when 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 the notes bear interest which is non-cumulative and cancellable at the discretion of the Company.

1.21 Insurance liabilities

Measurement

Long-term insurance liabilities arise from the Group writing Retirement Income contracts, including Guaranteed Income for Life Solutions, Defined Benefit De-risking Solutions, long-term care insurance, and whole of life and term 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 discount rates, adjusted for default allowance and mortality assumptions, taken from the appropriate mortality tables and adjusted to reflect actual and expected experience, and expense level and inflation assumptions. The assumptions in the valuation are set on a prudent basis.

Liability adequacy test

The Group performs adequacy testing on its insurance liabilities to ensure the carrying amount is sufficient to cover the current estimate of future cash flows. Any deficiency 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. Tax, including tax relief for losses if applicable, is allocated over profit before taxation and amounts charged or credited to components of other comprehensive income and equity as appropriate.

Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, using the liability method, on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The principal temporary differences arise from the revaluation of certain financial assets and liabilities, including technical provisions and other insurance items and tax losses carried forward, and include amortised transitional tax adjustments resulting from changes in tax basis. The 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)/INCOME

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Interest income:		
Assets at fair value through profit or loss	572.1	631.7
Movement in fair value:		
Financial assets and liabilities designated on initial recognition at fair value through profit or loss	(832.1)	818.3
Derivative financial instruments (note 28)	129.7	327.7
Total net investment (expense)/income	(130.3)	1,777.7

3 ACQUISITION COSTS

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Commission	17.2	14.9
Other acquisition expenses	31.4	29.6
Total acquisition costs	**48.6**	44.5

4 OTHER OPERATING EXPENSES

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Personnel costs (note 9)	**101.5**	107.5
Investment expenses and charges	**16.8**	17.5
Depreciation of property, plant and equipment	**4.2**	3.9
Amortisation of intangible assets	**20.4**	19.9
Impairment of property, plant and equipment	**0.3**	–
Impairment of intangible assets	**–**	1.1
Other costs	**50.0**	70.0
Total other operating expenses	**193.2**	219.9

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

Reconciliation of Other operating expenses to Management expenses

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Total other operating expenses	**193.2**	219.9
Investment expenses and charges	**(16.8)**	(17.5)
Reassurance management fees	**(8.4)**	(22.2)
Amortisation of acquired intangible assets	**(18.0)**	(18.0)
Other costs	**(2.6)**	(2.9)
Total management expenses	**147.4**	159.3

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

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Fees payable for the audit of the Parent Company and consolidated accounts	**550**	540
Fees payable for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**1,876**	1,618
Audit-related assurance services	**656**	842
Other assurance services	**65**	65
Other non-audit services not covered above	**–**	1
Auditor remuneration	**3,147**	3,066
Fees payable to other audit firms:		
The audit of the Company's subsidiaries pursuant to legislation	**–**	60
Corporate finance services	**–**	146
Total	**3,147**	3,272

Fees payable for the audit of the Company's subsidiaries pursuant to legislation includes fees of £455,000 for audit activities related to the implementation of IFRS 17. Audit-related assurance services mainly include fees relating to the audit of the Group's Solvency II regulatory returns and review procedures in relation to the Group's interim results. The fees payable to other audit firms during 2020 noted above includes fees paid to KPMG in relation to the 2020 audit of the Group's South African subsidiaries and fees paid to KPMG in relation to corporate finance services carried out during 2019.

5 FINANCE COSTS

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Interest payable on deposits received from reinsurers	**78.7**	107.7
Interest payable on subordinated debt	**55.6**	47.3
Other interest payable	**2.5**	4.0
Total finance costs	**136.8**	159.0

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 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 professional services business, HUB, is included with other corporate companies in the Other segment. This business is not currently sufficiently significant to separate from other companies' results. The Other segment also 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.

Adjusted operating profit

The Group reports adjusted operating profit as an alternative measure of profit which is used for decision making and performance measurement. The Board believes that adjusted operating profit, which excludes effects of short-term economic and investment changes, provides a better view of the longer-term performance and development of the business and aligns with the long-term nature of the products. Underlying operating profit represents a combination of both the profit generated from new business written in the year and profit expected to emerge from the in-force book of business based on current assumptions. Actual operating experience, where different from that assumed at the start of the year, and the impacts of changes to future operating assumptions applied in the year, are then also included in arriving at adjusted operating profit.

New business profits represent expected investment returns on the financial instruments assumed to be newly purchased to back that business after allowances for expected movements in liabilities and deduction of acquisition costs. 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.

Adjusted operating profit excludes the impairment and amortisation of goodwill and other intangible assets arising on consolidation, non-recurring and project expenditure and implementation costs for cost saving initiatives, since these items arise outside the normal course of business in the year. Adjusted operating profit also excludes exceptional items. Exceptional items are those items that, in the Directors' view, are required to be separately disclosed by virtue of their nature or incidence to enable a full understanding of the Group's financial performance.

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

Segmental reporting and reconciliation to financial information

	Year ended 31 December 2021			Year ended 31 December 2020		
	Insurance £m	**Other £m**	**Total £m**	Insurance £m	Other £m	Total £m
New business operating profit	**224.7**	**–**	**224.7**	199.2	–	199.2
In-force operating profit	**87.3**	**2.7**	**90.0**	96.8	1.0	97.8
Other Group companies' operating results	**–**	**(15.1)**	**(15.1)**	–	(17.1)	(17.1)
Development expenditure	**(4.2)**	**(2.6)**	**(6.8)**	(5.9)	(1.4)	(7.3)
Reinsurance and financing costs	**(89.1)**	**6.0**	**(83.1)**	(79.5)	–	(79.5)
Underlying operating profit	**218.7**	**(9.0)**	**209.7**	**210.6**	**(17.5)**	**193.1**
Operating experience and assumption changes	**28.0**	**–**	**28.0**	**46.2**	**–**	**46.2**
Adjusted operating profit/(loss) before tax	**246.7**	**(9.0)**	**237.7**	256.8	(17.5)	239.3
Non-recurring and project expenditure	**(14.8)**	**(0.2)**	**(15.0)**	(7.1)	(5.6)	(12.7)
Implementation of cost saving initiatives	**–**	**–**	**–**	(7.8)	(0.7)	(8.5)
Investment and economic profit/(loss)	**(248.6)**	**(2.6)**	**(251.2)**	9.4	(0.9)	8.5
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	**28.1**	**(3.0)**	**25.1**	28.1	–	28.1
Profit/(loss) before amortisation costs and tax	**11.4**	**(14.8)**	**(3.4)**	279.4	(24.7)	254.7
Amortisation of acquired intangibles	**–**	**(18.0)**	**(18.0)**	–	(18.0)	(18.0)
Profit/(loss) before tax	**11.4**	**(32.8)**	**(21.4)**	279.4	(42.7)	236.7

Additional analysis of segmental profit or loss

Revenue (other than fee and commission income presented in the disaggregation of fee and commission income below), depreciation of property, plant and equipment, and amortisation of intangible assets (other than amortisation of acquired intangibles presented in the table above) are materially all allocated to the insurance segment. The interest adjustment in respect of Tier 1 notes in the other segment represents the difference between interest charged to the insurance segment in respect of Tier 1 notes and interest incurred by the Group in respect of Tier 1 notes.

Product information analysis

Additional analysis relating to the Group's products is presented below. The Group's gross premiums written, as shown in the Consolidated statement of comprehensive income, is analysed by product below:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Defined Benefit De-risking Solutions ("DB")	**1,934.6**	1,507.9
Guaranteed Income for Life contracts ("GIfL")	**688.2**	585.9
Care Plans ("CP")	**51.1**	51.5
Protection	**2.2**	2.5
Gross premiums written	**2,676.1**	2,147.8

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 2021 £m	Year ended 31 December 2020 £m
LTM loans advanced	**528.2**	511.7
Drawdown deposits and other investment products	**1.1**	1.0

Reconciliation of gross premiums written to Retirement Income sales

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Gross premiums written	**2,676.1**	2,147.8
Protection sales not included in Retirement Income sales	**(2.2)**	(2.5)
Retirement Income sales	**2,673.9**	2,145.3

Disaggregation of fee and commission income

	Year ended 31 December 2021			Year ended 31 December 2020		
	Insurance £m	**Other £m**	**Total £m**	Insurance £m	Other £m	Total £m
Product/service						
GIfL commission	**–**	**6.1**	**6.1**	–	4.5	4.5
LTM commission and advice fees	**–**	**2.0**	**2.0**	–	2.1	2.1
Other	**3.9**	**3.6**	**7.5**	2.3	2.8	5.1
	3.9	**11.7**	**15.6**	2.3	9.4	11.7
Timing of revenue recognition						
Products transferred at point in time	**3.9**	**11.4**	**15.3**	2.3	9.0	11.3
Products and services transferred over time	**–**	**0.3**	**0.3**	–	0.4	0.4
Revenue from contracts with customers	**3.9**	**11.7**	**15.6**	2.3	9.4	11.7

All revenue from contracts with customers is from the UK.

7 INCOME TAX

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Current taxation		
Current year	**0.8**	46.6
Adjustments in respect of prior periods	**(0.4)**	1.0
Total current tax	**0.4**	47.6
Deferred taxation		
Origination and reversal of temporary differences	**(5.7)**	(4.0)
Adjustments in respect of prior periods	**–**	(0.9)
Rate change	**(0.3)**	1.5
Total deferred tax	**(6.0)**	(3.4)
Total income tax recognised in profit or loss	**(5.6)**	44.2

On 3 March 2021, the government announced an increase in the rate of corporation tax rate to 25% from 1 April 2023. The change in rate was substantively enacted on 24 May 2021, and the impact of the rate change is that the net deferred tax balances carried forward increased by £0.3m.

The deferred tax assets and liabilities at 31 December 2021 have been calculated based on the rate at which they are expected to reverse.

Reconciliation of total income tax to the applicable tax rate

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
(Loss)/profit on ordinary activities before tax	**(21.4)**	236.7
Income tax at 19% (2020: 19%)	**(4.1)**	45.0
Effects of:		
Expenses not deductible for tax purposes	**1.0**	2.0
Rate change	**(0.3)**	1.5
Unrecognised deferred tax asset	**0.1**	1.3
Adjustments in respect of prior periods	**(0.4)**	0.1
Relief on Tier 1 interest included in equity[1]	**–**	(5.3)
Other	**(1.9)**	(0.4)
Total income tax recognised in profit or loss	**(5.6)**	44.2

1 Income tax relief on Tier 1 interest for the year ended 31 December 2021 is recognised directly in equity rather than in profit or loss (see below).

Income tax recognised in other comprehensive income

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Deferred taxation		
Revaluation of land and buildings	**–**	(0.1)
Total deferred tax	**–**	(0.1)
Total income tax recognised in other comprehensive income	**–**	(0.1)

Income tax recognised directly in equity

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Current taxation		
Relief on Tier 1 interest	**(4.8)**	–
Relief on cost of redeeming RT1	**(9.6)**	–
Other	**(0.6)**	–
Total current tax	**(15.0)**	–
Total income tax recognised directly in equity	**(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, 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 will be amortised on a straight-line basis over a ten year period from 1 January 2016. The tax charge for the year to 31 December 2021 includes profits chargeable to corporation tax arising from amortisation of transitional balances of £2.5m (2020: £2.5m).

Tax balances included within these financial statements include the use of estimates and assumptions which are based on management's best knowledge of current circumstances and future events and actions. This includes the determination of tax liabilities and recoverables for uncertain tax positions. The actual outcome may differ from the estimated position.

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 £3.9m (2020: £3.6m). Employer contributions to pensions for Executive Directors for qualifying periods were £nil (2020: £nil). The aggregate net value of share awards granted to the Directors in the year was £2.0m (2020: £2.2m). 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 £0.6m (2020: two Directors exercised options with an aggregate gain of £0.3m).

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 2021 Number	Year ended 31 December 2020 Number
Directors	**9**	9
Senior management	**123**	119
Staff	**944**	949
Average number of staff	**1,076**	1,077

The aggregate personnel costs were as follows:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Wages and salaries	**82.3**	87.2
Social security costs	**9.9**	9.2
Other pension costs	**4.3**	4.3
Share-based payment expense	**5.0**	6.8
Total personnel costs	**101.5**	107.5

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 £4.3m (2020: £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 since 2018 are subject to a two year holding period after the options have been exercised.

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 2021 Number of options	Year ended 31 December 2020 Number of options
Outstanding at 1 January	**19,264,506**	15,196,343
Granted	**6,795,784**	8,951,149
Forfeited	**(868,418)**	(941,906)
Exercised	**(1,351,472)**	(2,261,267)
Expired	**(1,437,275)**	(1,679,813)
Outstanding at 31 December	**22,403,125**	19,264,506
Exercisable at 31 December	**3,853,927**	3,119,248
Weighted-average share price at exercise (£)	**1.02**	0.57
Weighted-average remaining contractual life (years)	**1.19**	1.36

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

During the year to 31 December 2021, awards of LTIPs were made on 24 March 2021 and 17 September 2021. 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	**£0.85**
Option pricing models used	**Black-Scholes, Stochastic, Finnerty**
Share price at grant date	**£0.94**
Exercise price	**Nil**
Expected volatility – TSR performance	**60.80%**
Expected volatility – holding period	**61.54%**
Option life	**3 years + 2 year holding period**
Dividends	**Nil**
Risk-free interest rate – TSR performance	**0.15%**
Risk-free interest rate – holding period	**0.34%**

A Black-Scholes option pricing model is used where vesting is related to an earnings per share target or a solvency capital generation target, a Stochastic model is used where vesting is related to a total shareholder return target, 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. Volatility of the market in 2020 due to COVID-19 has been considered and it has been concluded that the Company's share price was not materially affected and no adjustment has been made.

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 2021 Number of options	Year ended 31 December 2020 Number of options
Outstanding at 1 January	**5,094,921**	4,287,693
Granted	**1,432,610**	1,882,472
Forfeited	**–**	(15,004)
Exercised	**(739,528)**	(1,060,240)
Outstanding at 31 December	**5,788,003**	5,094,921
Exercisable at 31 December	**1,683,566**	1,716,596
Weighted-average share price at exercise (£)	**0.93**	0.54
Weighted-average remaining contractual life (years)	**0.93**	1.10

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

During the year to 31 December 2021, awards of DSBPs were made on 24 March 2021. 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	**£0.94**
Option pricing model used	**Black-Scholes**
Share price at grant date	**£0.94**
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 which 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 2021		Year ended 31 December 2020	
	Number of options	**Weighted-average exercise price £**	Number of options	Weighted-average exercise price £
Outstanding at 1 January	**15,516,003**	**0.41**	9,953,188	0.56
Granted	**1,149,350**	**0.74**	13,031,462	0.38
Forfeited	**(1,081,602)**	**0.42**	(603,970)	0.57
Cancelled	**(363,145)**	**0.45**	(6,609,575)	0.54
Exercised	**(408,488)**	**0.45**	(46,892)	0.52
Expired	**(32,565)**	**0.84**	(208,210)	1.03
Outstanding at 31 December	**14,779,553**	**0.44**	15,516,003	0.41
Exercisable at 31 December	**278,130**	**0.60**	58,930	0.46
Weighted-average share price at exercise		**0.93**		0.60
Weighted-average remaining contractual life (years)		**1.66**		2.56

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

	2021 Number of options outstanding	2020 Number of options outstanding
£0.38	**11,119,351**	12,476,881
£0.52	**2,443,437**	2,870,402
£0.74	**1,079,922**	–
£1.07	**66,166**	66,166
£1.18	**70,677**	102,554
Total	**14,779,553**	15,516,003

During the year to 31 December 2021, awards of SAYEs were made on 21 April 2021. 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	**£0.53**
Option pricing model used	**Black-Scholes**
Share price at grant date	**£1.05**
Exercise price	**£0.74**
Expected volatility – 3 year scheme	**56.62%**
Expected volatility – 5 year scheme	**50.98%**
Option life	**3.36 or 5.36 years**
Dividends	**Nil**
Risk-free interest rate – 3 year scheme	**0.17%**
Risk-free interest rate – 5 year scheme	**0.36%**
Saving forfeit discounts	**5%**

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. Volatility of the market in 2020 due to COVID-19 has been considered and it has been concluded that the Company's share price was not materially affected and no adjustment has been made.

Share-based payment expense

The share-based payment expense recognised in the Consolidated statement of comprehensive income for employee services receivable during the year is as follows:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Equity-settled schemes	**5.0**	6.8
Total expense	**5.0**	6.8

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 2021			Year ended 31 December 2020		
	Earnings £m	**Weighted-average number of shares million**	**Earnings per share pence**	Earnings £m	Weighted-average number of shares million	Earnings per share pence
(Loss)/profit attributable to equity holders of Just Group plc	**(15.0)**	**–**	**–**	193.6	–	–
Coupon payments in respect of Tier 1 notes (net of tax)	**(20.4)**	**–**	**–**	(28.1)	–	–
(Loss)/profit attributable to ordinary equity holders of Just Group plc (basic)	**(35.4)**	**1,033.7**	**(3.42)**	165.5	1,030.7	16.06
Effect of potentially dilutive share options[1]	**–**	**–**	**–**	–	11.1	(0.17)
Diluted	**(35.4)**	**1,033.7**	**(3.42)**	165.5	1,041.8	15.89

1 The weighted-average number of share options for the year ended 31 December 2021 that could potentially dilute basic earnings per share in the future but are not included in diluted EPS because they would be antidilutive was 21.9 million share options.

12 DIVIDENDS AND APPROPRIATIONS

Dividends and appropriations paid in the year were as follows:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Dividends paid on the vesting of employee share schemes	–	0.1
Total dividends paid	–	0.1
Coupon payments in respect of Tier 1 notes[1]	**25.2**	28.1
Total distributions to equity holders in the period	**25.2**	28.2

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 2021, the Directors proposed a final dividend for 2021 of 1.0 pence per ordinary share (2020: nil), amounting to £10m (2020: £nil) in total. Subject to approval by shareholders at the Company's 2022 AGM, the dividend will be paid on 17 May 2022 to shareholders on the register of members at the close of business on 22 April 2022, and will be accounted for as an appropriation of retained earnings in year ending 31 December 2022.

13 INTANGIBLE ASSETS

	Acquired intangible assets									
Year ended 31 December 2021	**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 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

	Acquired intangible assets									
Year ended 31 December 2020	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 2020	34.9	200.0	26.6	5.6	2.0	11.1	2.0	5.9	18.3	306.4
Additions	–	–	–	–	–	–	–	–	0.1	0.1
At 31 December 2020	34.9	200.0	26.6	5.6	2.0	11.1	2.0	5.9	18.4	306.5
Amortisation and impairment										
At 1 January 2020	(0.8)	(89.7)	(26.6)	(5.6)	(0.5)	(11.1)	(2.0)	(2.1)	(13.6)	(152.0)
Impairment	–	–	–	–	–	–	–	–	(1.1)	(1.1)
Charge for the year	–	(17.9)	–	–	(0.1)	–	–	(0.5)	(1.4)	(19.9)
At 31 December 2020	(0.8)	(107.6)	(26.6)	(5.6)	(0.6)	(11.1)	(2.0)	(2.6)	(16.1)	(173.0)
Net book value at 31 December 2020	34.1	92.4	–	–	1.4	–	–	3.3	2.3	133.5
Net book value at 31 December 2019	34.1	110.3	–	–	1.5	–	–	3.8	4.7	154.4

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 2021 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:

	2021	2020
Period on which management approved forecasts are based	**5 years**	5 years
Discount rate (pre-tax)	**10.5%**	11.7%

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 a temporary increase in mortality rates 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.

Present Value of In-Force business ("PVIF") and 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 £74.6m at 31 December 2021 represents the present value of future profits from the purchased in-force business of £60.6m recognised on the 2016 acquisition of Partnership Assurance Group and £14.0m 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 three to five years. There are no indications of impairment of the carrying values of PVIF or other intangible assets with finite useful economic lives.

14 PROPERTY, PLANT AND EQUIPMENT

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

Year ended 31 December 2020	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 2020	17.9	7.7	6.2	11.9	43.7
Acquired during the year	–	2.2	0.1	–	2.3
Revaluations	(3.6)	–	–	–	(3.6)
Disposal cost	–	–	–	(5.8)	(5.8)
At 31 December 2020	14.3	9.9	6.3	6.1	36.6
Depreciation and impairment					
At 1 January 2020	(0.7)	(6.2)	(5.7)	(4.3)	(16.9)
Eliminated on revaluation	1.2	–	–	–	1.2
Disposal	–	–	–	3.5	3.5
Depreciation charge for the year	(0.6)	(1.0)	(0.2)	(2.1)	(3.9)
At 31 December 2020	(0.1)	(7.2)	(5.9)	(2.9)	(16.1)
Net book value at 31 December 2020	14.2	2.7	0.4	3.2	20.5
Net book value at 31 December 2019	17.2	1.5	0.5	7.6	26.8

Included in freehold land and buildings is land of value £2.8m (2020: £4.0m).

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 the Company's freehold land and buildings as at 5 October 2020 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 COVID-19 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 2020 comprise a loss of £1.2m recognised in profit or loss, a loss of £1.2m recognised in other comprehensive income (gross of tax of £0.1m) partially reversing previously recognised gains of £5.3m (gross of tax of £0.9m), and the elimination of depreciation on the revaluations of £1.2m.

If freehold land and buildings were stated on the historical cost basis, the carrying values would be land of £3.6m (2020: £4.3m) and buildings of £6.1m (2020: £10.2m).

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

15 INVESTMENT PROPERTY

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
At 1 January	**–**	–
Recognised on acquisition of the Jersey Property Unit Trust (see note 35)	**70.6**	–
Net loss from fair value adjustment	**(1.0)**	–
At 31 December	**69.6**	–

Investment properties are leased to tenants under operating leases. Minimum lease payments receivable on leases of investment properties are as follows:

	2021 £m	2020 £m
Within 1 year	**1.1**	–
Between 1 and 2 years	**1.1**	–
Between 2 and 3 years	**1.1**	–
Between 3 and 4 years	**1.1**	–
Between 4 and 5 years	**1.1**	–
Later than 5 years	**128.8**	–
Total	**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	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Units in liquidity funds	**1,310.5**	1,128.5	**1,310.5**	1,128.5
Investment funds	**301.8**	176.1	**290.5**	175.2
Debt securities and other fixed income securities	**12,924.0**	11,061.4	**12,141.7**	10,001.9
Deposits with credit institutions	**52.9**	99.7	**52.9**	99.7
Derivative financial assets	**691.2**	800.0	**–**	–
Loans secured by residential mortgages	**7,422.8**	8,261.1	**4,328.7**	4,535.7
Loans secured by commercial mortgages	**677.8**	592.1	**686.3**	566.9
Loans secured by ground rents	**189.7**	114.9	**185.9**	113.2
Infrastructure loans	**993.1**	945.0	**858.0**	796.6
Other loans	**117.9**	91.0	**115.0**	88.9
Total	**24,681.7**	23,269.8	**19,969.5**	17,506.6

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.

Deposits with credit institutions with a carrying value of £50.3m (2020: £97.8m) have been pledged as collateral in respect of the Group's derivative financial instruments. Amounts pledged as collateral are deposited with the derivative counterparty.

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.

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

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.

Where the Group uses broker/asset manager quotes and no information as to observability of inputs is provided by the broker/asset manager, the investments are classified as follows:

- where the broker/asset manager price is validated by using internal models with market-observable inputs and the values are similar, the investment is classified as Level 2; and
- in circumstances where internal models cannot be used to validate broker/asset manager prices as the observability of inputs used by brokers/asset managers is unavailable, the investment is classified as Level 3.

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

Level 3

Inputs to Level 3 fair values are 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.

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. Other than freehold land and buildings included in note 14, there are no non-recurring fair value measurements as at 31 December 2021 (2020: nil).

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

	2021				2020			
	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								
Investment property	–	–	69.6	69.6	–	–	–	–
Units in liquidity funds	1,304.9	5.6	–	1,310.5	1,123.2	5.3	–	1,128.5
Investment funds	–	68.5	233.3	301.8	–	37.1	139.0	176.1
Debt securities and other fixed income securities	4,302.5	7,172.0	1,449.5	12,924.0	809.3	8,995.3	1,256.8	11,061.4
Deposits with credit institutions	50.3	2.6	–	52.9	97.7	2.0	–	99.7
Derivative financial assets	–	682.7	8.5	691.2	–	796.4	3.6	800.0
Loans secured by residential mortgages	–	–	7,422.8	7,422.8	–	–	8,261.1	8,261.1
Loans secured by commercial mortgages	–	–	677.8	677.8	–	–	592.1	592.1
Loans secured by ground rents	–	–	189.7	189.7	–	–	114.9	114.9
Infrastructure loans	–	–	993.1	993.1	–	–	945.0	945.0
Other loans	15.6	12.6	89.7	117.9	13.1	11.8	66.1	91.0
Assets classified as held for sale	–	–	3.1	3.1	–	–	–	–
Total financial assets	**5,673.3**	**7,944.0**	**11,137.1**	**24,754.4**	2,043.3	9,847.9	11,378.6	23,269.8
Liabilities held at fair value through profit of loss								
Investment contract liabilities	–	–	33.6	33.6	–	–	42.8	42.8
Derivative financial liabilities	–	386.1	8.6	394.7	–	509.4	3.3	512.7
Obligations for repayment of cash collateral received	311.7	14.5	–	326.2	351.3	26.1	–	377.4
Deposits received from reinsurers	–	–	2,144.7	2,144.7	–	–	2,415.0	2,415.0
Other financial liabilities								
Fair value of loans and borrowings at amortised cost[1]	–	936.8	–	936.8	–	894.3	–	894.3
Total financial liabilities	**311.7**	**1,337.4**	**2,186.9**	**3,836.0**	351.3	1,429.8	2,461.1	4,242.2

1 The fair value disclosed for loans and borrowings for 2020 has been restated to correct the basis on which the fair value was determined – see note 25.

(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 the year the Group enhanced its methodology over the levelling of financial instruments, resulting in transfers of £2,820.8m from Level 2 to Level 1 (2020: nil), and £13.3m from Level 1 to Level 2 (2020: nil). Transfers from Level 2 to Level 3 in 2021 of £49.9m (2020: £62.2m) include debt securities which no longer had observable prices.

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

Reconciliation of the opening and closing recorded amount of Level 3 assets and liabilities held at fair value.

Year ended 31 December 2021	Investment funds £m	Debt securities and other fixed income securities £m	Derivative financial assets £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	Investment contract liabilities £m	Derivative financial liabilities £m	Deposits received from reinsurers £m
At 1 January 2021	**139.0**	**1,256.8**	**3.6**	**8,261.1**	**592.1**	**114.9**	**945.0**	**66.1**	**(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)**	–	–	–	–	–	–	–
Realised gains and losses recognised in profit or loss within net investment income	–	–	–	**169.1**	–	–	–	–	–	–	–
Unrealised gains and losses recognised in profit or loss within net investment income	**9.4**	**(37.6)**	**4.9**	**(722.8)**	**(34.6)**	**2.4**	**(13.4)**	**(22.5)**	–	**(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**	**8.5**	**7,422.8**	**677.8**	**189.7**	**993.1**	**89.7**	**(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. 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 2020	Investment funds £m	Debt securities and other fixed income securities £m	Derivative financial assets £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	Investment contract liabilities £m	Derivative financial liabilities £m	Deposits received from reinsurers £m
At 1 January 2020	111.8	729.2	4.0	7,980.5	494.5	–	787.3	48.6	(54.0)	–	(2,417.7)
Purchases/advances/deposits	27.1	418.9	–	511.7	97.9	113.2	104.3	68.7	(1.0)	5.0	(1.4)
Transfers from Level 2	–	62.2	–	–	–	–	–	–	–	–	–
Sales/redemptions/payments	–	(29.4)	–	(380.9)	(8.7)	–	(15.9)	(52.3)	14.0	–	212.2
Disposal of a portfolio of LTMs[1]	–	–	–	(600.8)	–	–	–	–	–	–	–
Realised gains and losses recognised in profit or loss within net investment income	(0.2)	(0.2)	–	111.6	–	–	–	–	–	–	–
Unrealised gains and losses recognised in profit or loss within net investment income	0.3	80.6	(0.4)	356.3	7.6	1.7	68.0	1.1	–	(8.3)	(125.3)
Interest accrued	–	(4.5)	–	282.7	0.8	–	1.3	–	–	–	(82.8)
Change in fair value of liabilities recognised in profit or loss	–	–	–	–	–	–	–	–	(1.8)	–	–
At 31 December 2020	139.0	1,256.8	3.6	8,261.1	592.1	114.9	945.0	66.1	(42.8)	(3.3)	(2,415.0)

1 In December 2020 the Group disposed of a portfolio of loans secured by residential mortgages with a fair value of £600.8m.

For Level 1 and Level 2 assets and liabilities measured at fair value, unrealised losses during the year were £32.1m and £131.4m respectively (2020: gains of £23.2m and £241.1m respectively).

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.

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% (2020: 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
2021	**(8.9)**
2020	(4.9)

Debt securities and other fixed income securities

Debt securities classified as Level 3 are private placement bonds and asset-backed securities. Such securities are valued using discounted cash flow analyses. The impact of COVID-19 has been taken into account in the assessment of the future cash flows default risk at 31 December 2021. Due to the nature of these assets and the sectors in which they operate, the Group has assessed that there is not any significant impact from COVID-19 on the valuation at 31 December 2021.

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.

Redemption and defaults

The redemption and default assumptions used in the valuation of private placement bonds are similar to the rest of the Group's bond portfolio.

Sensitivity analysis

Reasonably possible alternative assumptions for upon observable 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
2021	**(124.6)**
2020	(109.2)

Derivative financial assets and liabilities

Derivative financial assets and liabilities classified as Level 3 are the put options on property index (also referred to as NNEG hedges). The value of each NNEG hedge is made up of premiums payable to the counterparty less expected claims back from the option where losses are made. The expected claims are calculated through the Black-Scholes framework, with parameters set such that at outset the fair value of the NNEG hedge is zero.

Principal assumptions underlying the calculation of the derivative financial assets and liabilities classified as Level 3

Property prices and interest rates are the most significant assumption applied in calculating the fair value of the derivative financial assets and liabilities. As described above, these assumptions are set at outset such that the fair value of the NNEG hedge is zero. The Group has assessed the possible impact of COVID-19 and economic uncertainty on current property assumptions. Details of the matters considered in relation to property assumptions at 31 December 2021 are noted in the section on Loans secured by residential mortgages further below. The future property price volatility assumption used in the fair value calculation of derivative financial assets and liabilities has been updated to 11% (2020: 9%). This assumption is based on upon property price index volatility only, consistent with protection provided by the underlying derivatives. Property growth assumptions used in the fair value calculation of derivative financial assets and liabilities have remained unchanged from 31 December 2020, consistent with the equivalent assumptions on loans secured by residential mortgages as noted below. The impact on derivative financial assets and liabilities from changes to property assumptions are noted in the sensitivity analysis below.

Sensitivity analysis

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

Net increase/(decrease) in fair value (£m)	Interest rates +100bps	Immediate property price fall -10%	Future property price growth -0.5%	Future property price volatility +1%
Derivative financial assets				
2021	**(4.6)**	**10.4**	**10.6**	**4.4**
2020	(6.5)	24.0	24.1	10.2
Derivative financial liabilities				
2021	**(4.1)**	**13.4**	**12.5**	**6.2**
2020	(1.8)	6.3	6.8	2.8

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. There has been significant academic and market debate concerning the valuation of no-negative equity guarantees in recent years, including proposals to use risk-free based methods rather than best estimate assumptions to project future house price growth. We continue to actively monitor this debate. In the absence of any widely supported alternative approach, we have continued in line with the common industry practice to value no-negative equity guarantees using best estimate assumptions.

The best estimate assumptions used include future property growth and future property price volatility.

Cash flow models are used in the absence of a deep and liquid market for loans secured by residential mortgages. The sales of the portfolios of Just LTMs in 2020, 2021 and 2022 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 4.2% (2020: 3.6%).

Mortality

Mortality assumptions have been derived with reference to England & Wales population mortality using the CMI 2019 model for mortality improvements for 2020 onwards, and have been applied by the Group since 2020. 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 long-term mortality assumptions, but has kept these unchanged at 31 December 2021. Further details of the matters considered in relation to mortality assumptions at 31 December 2021 are set out in note 23(b).

Property prices

The approach in place at 31 December 2021 is to calculate the value of a property by taking the latest Automated Valuation Model "AVM" result, or latest surveyor value if more recent, indexing this to the balance sheet date using Nationwide UK house price indices and then making a further allowance for property dilapidation since the last revaluation date. This represents a change in approach since the previous period – which was based upon the latest valuation, indexed to the balance sheet date using the Office for National Statistics ("ONS") monthly index for the property's location, together with a separate allowance for potential underperformance of individual properties relative to the indexed valuation. Allowing for the change in approach used to calculate property values as at 31 December 2021, the value of the properties underlying the Group's LTM portfolio grew by 6% over the year which is 3% lower than had the Group not changed the basis of determining property values at the valuation date.

Although the COVID-19 pandemic has had a very significant impact on the UK economy during 2020 and 2021, the UK property market has exhibited strong growth over the period. The current level of price indices has been driven by high demand and a shortage of supply. While this imbalance may reduce, our view is that current market prices are sustainable and appropriate for valuation of the properties.

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% (2020: 3.3%), with a volatility assumption of 13% per annum (2020: 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 impact of Brexit on the UK property market. As noted above, the Group has considered the uncertainties in relation to the property market as a result of the COVID-19 pandemic. House price growth over 2021 has been strong, and there has been an increase in market-implied RPI and CPI inflation expectations too. However, the impact of the pandemic on long-term property prices is uncertain at the current time without consensus that the pandemic will alter 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 2020. 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 experience analyses and external benchmarking. The assumed redemption rate varies by duration and product line between 0.5% and 4.1% for loans in JRL (2020: 0.5% and 4.1%) and between 0.6% and 6.8% for loans in PLACL (2020: 0.6% and 6.8%). No changes are assumed with regard to the COVID-19 experience. Compared to the prior period, a separate provision for potential higher short-term experience arising from additional remortgaging activity is also allowed for.

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. Historically the liquidity premium has been set relative to LIBOR swap rates. Following the discontinuance of LIBOR from the end of 2021 SONIA has been adopted as the risk free index. The liquidity premium at 31 December 2021 has been adjusted such that the fair value of the loan is unchanged before and after this change in index. The average liquidity premium for loans held within JRL is 3.04% (2020: 2.87%) and for loans held within PLACL is 3.51% (2020: 3.20%). These average rates are relative to the risk free index used in each period. The movement over the period observed in both JRL and PLACL is therefore the effect of rebasing the liquidity premiums for the change in risk free rates, and 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
2021	**(6.5)**	**22.7**	**10.5**	**(114.6)**	**(82.3)**	**(53.2)**	**(5.2)**	**(78.0)**
2020	(5.9)	34.3	15.6	(136.1)	(103.7)	(64.5)	(13.2)	(93.1)

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

The 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 assumption 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.

Redemption and defaults

The redemption and default assumptions used in the valuation of loans secured by commercial mortgages are derived from the assumptions for the Group's bond portfolio. The impact of COVID-19 on the timing of future cash flows, and on expected defaults, has been taken into account in the calculation of fair value at 31 December 2021, with no significant impacts noted to fair values.

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
2021	**(25.0)**
2020	(25.2)

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 assumption 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.

Redemption and defaults

The redemption and default assumptions used in the valuation of loans secured by ground rents are derived from the assumptions for the Group's bond portfolio. The impact of COVID-19 on the timing of future cash flows, and on expected defaults, has been taken into account in the calculation of fair value at 31 December 2021, with no significant impacts noted to fair values.

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
2021	**(59.2)**
2020	(27.7)

Infrastructure loans

Infrastructure loans classified as Level 3 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.

Redemption and defaults

The redemption and default assumptions used in the valuation of Level 3 infrastructure loans are derived from the assumptions for the Group's bond portfolio. Due to the nature of these assets and the sectors in which they operate, being primarily local authorities, renewable energy generation and housing associations sectors, the Group has assessed that there is no significant impact from COVID-19 on the valuation at 31 December 2021.

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
2021	**(96.6)**
2020	(90.7)

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.

Redemption and defaults

The redemption and default assumptions used in the valuation of Level 3 loans are derived from the assumptions for the Group's bond portfolio. The impact of COVID-19 on expected defaults has been taken into account in the calculation of fair value at 31 December 2021, with no significant impacts noted to fair values.

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
2021	**(0.9)**
2020	(0.8)

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 contractual 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 2.73% (2020: 2.34%).

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 2.87% and 1.03% respectively (2020: 2.21% and 0.06% 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 219bps (2020: 205bps) 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	Interest rates +100bps
2021	**(72.4)**	**(196.1)**
2020	(80.1)	(218.6)

18 DEFERRED TAX

	2021			2020		
	Asset £m	**Liability £m**	**Total £m**	Asset £m	Liability £m	Total £m
Transitional tax	**–**	**(1.5)**	**(1.5)**	–	(4.2)	(4.2)
Intangible assets	**–**	**(17.0)**	**(17.0)**	–	(17.8)	(17.8)
Land and buildings	**–**	**(0.8)**	**(0.8)**	–	(0.8)	(0.8)
Other provisions	**–**	**14.0**	**14.0**	11.5	–	11.5
Total deferred tax	**–**	**(5.3)**	**(5.3)**	11.5	(22.8)	(11.3)

The transitional tax liability of £1.5m (2020: £4.2m) represents the adjustment arising from the change in the tax rules for life insurance companies which is amortised over ten years from 1 January 2013 and the transitional adjustments for tax purposes in adopting IFRS which is amortised over ten years from 1 January 2016.

Other provisions principally relate to temporary differences between the IFRS financial statements and tax deductions for statutory insurance liabilities.

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

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Net balance at 1 January	**(11.3)**	(14.8)
Recognised in profit or loss	**6.0**	3.4
Recognised in other comprehensive income	**–**	0.1
Net balance at 31 December	**(5.3)**	(11.3)

The Group has unrecognised deferred tax assets of £6.2m (2020: £5.3m).

19 INSURANCE AND OTHER RECEIVABLES

	2021 £m	2020 £m
Receivables arising from insurance and reinsurance contracts	**20.0**	21.0
Finance lease receivables	**2.3**	3.8
Other receivables	**13.1**	7.2
Total insurance and other receivables	**35.4**	32.0

Receivables arising from insurance and reinsurance contracts, and also Other receivables are accounted for at amortised cost, which approximates fair value. These balances are considered to have contractual terms which are solely payments of principal and interest ("SPPI"). There has been no change in fair value recognised in the Consolidated statement of comprehensive income in the period (2020: nil). The credit rating of these balances is disclosed in note 33.

Other than finance lease receivables of £0.7m (2020: £2.2m), insurance and other receivables of £nil (2020: £nil) are expected to be recovered more than one year after the Consolidated statement of financial position date.

20 CASH AND CASH EQUIVALENTS

	2021 £m	2020 £m
Cash available on demand	**510.2**	1,496.3
Units in liquidity funds[1]	**1,310.5**	1,128.5
Cash and cash equivalents in the Consolidated statement of cash flows	**1,820.7**	2,624.8

1 Units in liquidity funds are presented as a financial investment in note 16.

21 SHARE CAPITAL

The allotted, issued and fully paid ordinary share capital of Just Group plc at 31 December 2021 is detailed below:

	Number of £0.10 ordinary shares	Share capital £m	Share premium £m	Merger reserve £m	Total £m
At 1 January 2021	**1,038,128,556**	**103.8**	**94.5**	**597.1**	**795.4**
Shares issued 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**
At 1 January 2020	1,035,081,664	103.5	94.5	597.1	795.1
Shares issued in respect of employee share schemes	3,046,892	0.3	–	–	0.3
At 31 December 2020	1,038,128,556	103.8	94.5	597.1	795.4

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 in 2019 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 in 2016 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 2021 £m	Year ended 31 December 2020 £m
At 1 January	**294.0**	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**	294.0

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) has been recognised directly in equity.

During the year, interest of £25.2m (2020: £28.1m) was paid 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 commencing 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

	2021 £m	2020 £m
Gross insurance liabilities	**21,812.9**	21,118.4
Net reinsurance assets	**(2,533.5)**	(2,865.5)
Net insurance liabilities	**19,279.4**	18,252.9

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. There were particularly high rates in the spring of 2020, and the early part of 2021, which contributed significantly to positive mortality experience variances in the respective reporting periods.

Over the second half of 2021 there was a more modest but sustained elevation of mortality rates, relative to expected levels, for the UK population overall. However, the extent to which mortality rates will continue to be elevated is subject to considerable uncertainty.

The Group considers that it is still too early to judge the longer-term impact of COVID-19 on mortality and therefore no explicit allowance for the pandemic has been included in future mortality assumptions at 31 December 2021. Moreover, mortality assumptions for each future year have been maintained at the same level as assumed at 31 December 2020. The Group will continue to follow closely the actual and potential future impact of COVID-19 on mortality as further information becomes available, and will review its mortality assumptions should credible evidence emerge. In particular, the Group continues to analyse potential direct and indirect impacts of the pandemic, including the possibility there will be enduring influences on the longevity of customers.

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.

	2021	2020
Individually underwritten Guaranteed Income for Life Solutions (JRL)	**Unchanged from 2020**	Modified E&W Population mortality, with CMI 2019 model mortality improvements
Individually underwritten Guaranteed Income for Life Solutions (PLACL)	**Unchanged from 2020**	Modified E&W Population mortality, with CMI 2019 model mortality improvements
Defined Benefit (JRL)	**Unchanged from 2020**	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)	**Unchanged from 2020**	Modified E&W Population mortality, with CMI 2019 model mortality improvements
Care Plans and other annuity products (PLACL)	**Unchanged from 2020**	Modified PCMA/PCFA and with CMI 2019 model mortality improvements for Care Plans; Modified PCMA/PCFA or modified E&W Population mortality with CMI 2019 model mortality improvements for other annuity products
Protection (PLACL)	**Unchanged from 2020**	TM/TF00 Select

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

The long-term improvement rates in the CMI 2019 model are 2.0% for males and 1.75% for females (2020: 2.0% for males and 1.75% for females). The period smoothing parameter in the modified CMI 2019 model has been set to 7.00 (2020: 7.00). The addition to initial rates ("A") parameter in the model varies between 0% and 0.25% depending on product (2020: between 0% and 0.25% depending on product). All other CMI model parameters are the defaults (2020: 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 surrounding COVID-19 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 2021. The considerations around COVID-19 for property prices affecting the NNEG are as described in note 17.

Valuation discount rates – gross liabilities	**2021 %**	2020 %
Individually underwritten Guaranteed Income for Life Solutions (JRL)	**2.73**	2.34
Individually underwritten Guaranteed Income for Life Solutions (PLACL)	**2.87**	2.21
Defined Benefit (JRL)	**2.73**	2.34
Defined Benefit (PLACL)	**2.87**	2.21
Other annuity products (PLACL)	**1.03**	0.06
Term and whole of life products (PLACL)	**1.03**	0.28

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 64bps in JRL and 63bps in PLACL (2020: 69bps and 65bps 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 4.45% (2020: 3.85%) derived from the expected retail price and consumer price indices implied by inflation swap rates and an additional allowance for earnings inflation.

Inflation

Assumptions for annuity escalation are required for 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. This methodology is unchanged compared to the previous period.

(c) Movements

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

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**

Year ended 31 December 2020	Gross £m	Reinsurance £m	Net £m
At 1 January 2020	19,003.7	(3,732.0)	15,271.7
Change due to new premiums	1,803.0	14.1	1,817.1
Change due to new claims	(1,397.5)	323.9	(1,073.6)
Unwinding of discount	565.6	(103.0)	462.6
Changes in economic assumptions	1,360.3	(252.8)	1,107.5
Changes in non-economic assumptions	(142.2)	96.9	(45.3)
Other movements[1]	(74.5)	787.4	712.9
At 31 December 2020	21,118.4	(2,865.5)	18,252.9

1 Includes the impact of reinsurance recapture in 2020 (see note 29).

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 relates 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 purchases to support new business and trading for risk management purposes. For the year to 31 December 2021, changes in discount rates resulted in a net reduction of insurance liabilities of £813m (2020: £1,189m) which was largely due to increases in the risk-free rate and changes to the backing asset portfolio, in particular as a consequence of the LTM portfolio sale.

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 2021, 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 £348m (2020: £(81)m).

Non-economic assumption changes

The principal non-economic assumption changes impacting the movement in insurance liabilities during the year relate to maintenance expense 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.

Maintenance expenses

This item primarily reflects a decrease in maintenance expense assumptions, most notably for Defined Benefit business. For the year to 31 December 2021 this resulted in a net reduction in insurance liabilities of £10m (2020: £(19)m).

(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.

2021	Expected cash flows (undiscounted) Within 1 year £m	1-5 years £m	5-10 years £m	Over 10 years £m	Total £m	Carrying value (discounted) £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**

2020	Expected cash flows (undiscounted) Within 1 year £m	1-5 years £m	5-10 years £m	Over 10 years £m	Total £m	Carrying value (discounted) £m
Gross	1,356.5	5,139.3	5,893.8	15,250.4	27,640.0	21,118.4
Reinsurance	(211.6)	(766.6)	(818.8)	(1,815.6)	(3,612.6)	(2,865.5)
Net	1,144.9	4,372.7	5,075.0	13,434.8	24,027.4	18,252.9

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.

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
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)**
2020	Assets	(2,471.3)	2,955.9	(5.9)	35.3	15.6	(105.8)	(72.8)	(51.5)	(14.5)	–
	Liabilities	1,974.6	(2,369.9)	(50.5)	(149.6)	(109.4)	(88.0)	(83.8)	(43.9)	(83.8)	(150.6)
	Total	(496.7)	586.0	(56.4)	(114.3)	(93.8)	(193.8)	(156.6)	(95.4)	(98.3)	(150.6)

24 INVESTMENT CONTRACT LIABILITIES

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
At 1 January	**42.8**	54.0
Deposits received from policyholders	**1.1**	1.0
Payments made to policyholders	**(11.1)**	(14.0)
Change in contract liabilities recognised in profit or loss	**0.8**	1.8
At 31 December	**33.6**	42.8

(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.

(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. Economic uncertainty surrounding COVID-19 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 2021. The considerations around COVID-19 for property prices affecting the NNEG are as described in note 17.

Valuation discount rates	**2021 %**	2020 %
Investment contracts	**2.73**	2.34

25 LOANS AND BORROWINGS

	Carrying value		Fair value	
	2021 £m	2020 £m	**2021 £m**	2020[1] £m
£250m 9.0% 10 year subordinated debt 2026 (Tier 2) issued by Just Group plc	**249.2**	249.1	**323.5**	316.7
£125m 8.125% 10 year subordinated debt 2029 (Tier 2) issued by Just Group plc	**122.2**	121.8	**165.6**	144.2
£250m 7.0% 10.5 year subordinated debt 2013 non-callable 5.5 years (Green Tier 2) issued by Just Group plc	**248.4**	248.2	**287.2**	277.5
£230m 3.5% 7 year subordinated debt 2025 (Tier 3) issued by Just Group plc	**154.5**	154.4	**160.5**	155.9
Total loans and borrowings	**774.3**	773.5	**936.8**	894.3

1 The fair value disclosed for loans and borrowings for 2020 has been restated to correct the basis on which the fair value was determined. This resulted in a change across all loans from £802.0m to £894.3m.

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 £200m for general corporate and working capital purposes available until 15 May 2022. 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 2021 £m	Year ended 31 December 2020 £m
At 1 January	**773.5**	660.0
Proceeds from issue of Just Group plc Tier 2 subordinated debt	**–**	250.0
Issue costs	**–**	(1.9)
Repayment of Partnership Life Assurance Company Limited Tier 2 subordinated debt	**–**	(62.5)
Repayment of Just Group plc Tier 3 subordinated debt	**–**	(75.0)
Financing cash flows	**–**	110.6
Amortisation of issue costs	**0.8**	2.9
Non-cash movements	**0.8**	2.9
At 31 December	**774.3**	773.5

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 2021 £m	Year ended 31 December 2020 £m
At 1 January	**6.9**	12.4
Lease payments	**(3.7)**	(4.3)
Financing cash flows	**(3.7)**	(4.3)
Rent increase	**0.6**	–
Disposal	**–**	(1.5)
Interest	**0.1**	0.2
Non-cash movements	**0.7**	(1.3)
At 31 December	**3.9**	6.8

Lease liabilities are payable as follows:

	2021 £m	2020 £m
At 31 December 2021		
Less than one year	**3.0**	3.4
Between one and five years	**1.0**	3.6
	4.0	7.0
Interest	**(0.1)**	(0.2)
Total lease liability	**3.9**	6.8

27 OTHER FINANCIAL LIABILITIES

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

	Note	**2021 £m**	2020 £m
Derivative financial liabilities	(a)	**394.7**	512.7
Obligations for repayment of cash collateral received	(a)	**326.2**	377.4
Deposits received from reinsurers	(b)	**2,144.7**	2,415.0
Total other liabilities		**2,865.6**	3,305.1

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 £1,952.7m (2020: £2,213.4m).

(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: measurement and recognition. Deposits received from reinsurers 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.

28 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses various derivative financial instruments to manage its exposure to interest rates, counterparty credit risk, property risk, inflation and foreign exchange risk.

	2021			2020		
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	243.4	247.2	8,069.4	267.7	194.5	4,557.5
Interest rate swaps	169.9	44.9	9,117.7	484.3	76.8	6,798.5
Inflation swaps	**261.8**	**92.5**	4,580.0	25.6	228.2	3,238.4
Forward swaps	1.8	3.4	213.9	8.9	0.1	93.8
Total return swaps	5.8	5.8	–	9.9	9.8	–
Put option on property index (NNEG hedge)	8.5	0.9	**705.0**	3.6	3.3	730.0
Total	691.2	394.7	22,686.0	800.0	512.7	15,418.2

The Group's derivative financial instruments are not designated as hedging instruments and changes in their fair value are included in profit or loss.

All over-the-counter derivative transactions are conducted under standardised International Swaps and Derivatives Association Inc. master agreements, and the Group has collateral agreements between the individual Group entities and relevant counterparties in place under each of these market master agreements.

As at 31 December 2021, the Group had pledged collateral of £61.3m (2020: £97.8m) in respect of derivative financial instruments, of which £11.0m were gilts (2020: £nil) and had received cash collateral of £326.2m (2020: £377.4m).

Amounts recognised in profit or loss in respect of derivative financial instruments are as follows:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Movement in fair value of derivative instruments	9.2	298.7
Realised losses on interest rate swaps closed	120.5	29.0
Total amounts recognised in profit or loss	129.7	327.7

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.
- DB Partnering was reinsured at 100% for the first scheme completed in 2020.
- GIfL was reinsured at 90% during 2021 and 2020.
- Care new business was not reinsured in 2021 or 2020.

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.

During 2020 the Group increased the reinsurance on JRL GIfL business written between 1 January 2016 and 31 December 2019 from 75% to 100%. The increased cover was effective from 30 June 2020. Reinsurance on JRL DB in-force business is

100% for all schemes written between 1 January 2016 and 30 June 2019. Within JRL there were a number of quota share treaties with financing arrangements, which were originally entered into for the capital benefits under the old Solvency I regime (the financing formed part of available capital). The repayment of this financing was contingent upon the emergence of surplus under the Solvency I or IFRS valuation rules. These treaties also allowed JRL to recapture business once the financing loan from the reinsurer has been fully repaid. During 2020 the Group made additional repayments so as to fully repay all financing loans and trigger the recapture of all remaining financing treaties. In aggregate, recaptures during 2020 (including those occurring as a result of these additional repayments) resulted in a decrease of reinsurance assets of £940.0m and a reduction of equal amount in the deposits received from reinsurers recognised within other financial liabilities.

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.

	2021 £m	2020 £m
Deposits held in trust	**491.7**	492.0

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 2021, this reserve totalled £3.4m (2020: £3.6m).

30 INSURANCE AND OTHER PAYABLES

	2021 £m	2020 £m
Payables arising from insurance and reinsurance contracts	**22.0**	24.6
Other payables	**71.3**	67.0
Total insurance and other payables	**93.3**	91.6

Other payables includes unsettled investment purchases. Insurance and other payables due in more than one year are £nil (2020: £nil).

31 COMMITMENTS

Capital commitments

The Group had no capital commitments as at 31 December 2021 (2020: £nil).

32 CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2021 (2020: £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 writing of long-term insurance contracts exposes the Group to insurance risk. The Group's main insurance risk arises from adverse experience compared with the assumptions used in pricing products and valuing insurance liabilities, and in addition its reinsurance treaties may be terminated, not renewed, or renewed on terms less favourable than those under existing treaties.

Insurance risk arises through exposure to longevity, mortality and morbidity and exposure to factors such as withdrawal levels and management and administration expenses.

Individually underwritten GIfL 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 the sale of GIfL and DB business. In the event that early repayments 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 morbidity risk exposure as the contract ends when the customer moves into long-term care.

Management of insurance risk

Underpinning the management of insurance risk are:

- the development and use of medical information including PrognoSys™ for both pricing and reserving to provide detailed insight into longevity risk;
- adherence to approved underwriting requirements;
- controls around the development of suitable products and their pricing;
- review and approval of assumptions used by the Board;
- regular monitoring and analysis of actual experience;
- use of reinsurance to minimise volatility of capital requirement and profit; and
- monitoring of expense levels.

Concentrations of insurance risk

Concentration of insurance risk comes from improving longevity. Improved longevity arises from enhanced medical treatment and improved life circumstances. Concentration risk is managed by writing business across a wide range of different medical and lifestyle conditions to avoid excessive exposure.

(b) Market risk

Market risk is the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, 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. Significant market risk is implicit in the insurance business and arises from exposure to interest rate risk, property risk, inflation risk and currency risk. The Group is not exposed to any equity risk. Market risk represents both upside and downside impacts but the Group's policy to manage market risk is to limit downside risk. 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. Changes in the value of the Group's investment portfolio will also affect the Group's financial position.

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.

For each of the material components of market risk, described in more detail below, the market risk policy sets out the 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 through its impact on the value of, or income from, specific assets, liabilities or both. It seeks to limit its exposure through appropriate asset and liability matching and hedging strategies. The Group's strategy is to actively hedge the interest rate risk to which its Solvency II balance sheet is exposed; some exposure remains on an IFRS basis.

The Group's 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.

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
Investment property	–	–	–	69.6	–	69.6
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**	**9,607.4**	**7,422.8**	**24,751.3**

2020	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	1,128.5	–	–	–	–	1,128.5
Investment funds	37.0	139.1	–	–	–	176.1
Debt securities and other fixed income securities	789.3	1,823.4	2,322.7	6,126.0	–	11,061.4
Deposits with credit institutions	99.7	–	–	–	–	99.7
Derivative financial assets	11.1	35.0	84.9	669.0	–	800.0
Loans secured by residential mortgages	–	–	–	–	8,261.1	8,261.1
Loans secured by commercial mortgages	36.0	270.5	221.2	64.4	–	592.1
Loans secured by ground rents	–	–	–	114.9	–	114.9
Infrastructure loans	–	–	153.9	791.1	–	945.0
Other loans	0.4	81.7	3.2	5.7	–	91.0
Total	2,102.0	2,349.7	2,785.9	7,771.1	8,261.1	23,269.8

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 indirect exposure to the UK residential property market through the provision of lifetime mortgages. A substantial decline or sustained underperformance in UK residential property prices, against which the Group's lifetime mortgages are secured, could result in proceeds on sale being exceeded by the mortgage debt at the date of redemption. Demand may also reduce for lifetime mortgage products through reducing consumers' propensity to borrow and by reducing the amount they are able to borrow due to reductions in property values and the impact on loan-to-value limits.

The risk is mitigated by ensuring that the advance represents a low proportion of the property's value at outset and independent third party valuations are undertaken 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, additional LTM portfolio sales and further NNEG hedging.

A sensitivity analysis of the impact of 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 2021.

(iii) Inflation risk

Inflation risk is the risk of fluctuations in the value of, or income from, specific assets or liabilities or both in combination, arising from relative or absolute changes in inflation or in the volatility of inflation.

Exposure to inflation occurs in relation to the Group's own management expenses and its matching of index-linked Retirement Income products. Its impact is managed through the application of disciplined cost control over its management expenses and through matching its index-linked assets and index-linked liabilities for the inflation risk associated with its index-linked Retirement Income products.

(iv) Currency risk

Currency risk arises from fluctuations in the value of, or income from, assets denominated in foreign currencies, from relative or absolute changes in foreign exchange rates or in the volatility of exchange rates.

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 or 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 eliminate 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 where the main risks are default and market risk. 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. Market risk is the risk of bond prices falling as a result of concerns over the counterparty, or over the market or economy in which the issuing company operates. This leads to wider spreads (the difference between redemption yields and a risk-free return), the impact of which is mitigated through the use of a "hold to maturity" strategy. Concentration of credit risk exposures is managed by placing limits on exposures to individual counterparties and limits on exposures to credit rating levels.
- The Group also manages credit risk on its corporate bond portfolio through the appointment of specialist fund managers, who execute a diversified investment strategy, investing in investment grade assets and imposing individual counterparty limits. Current economic and market conditions are closely monitored, as are spreads on the bond portfolio in comparison with benchmark data.
- 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 – 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 engagements or recapture plans.
- 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 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:

2021	UK gilts £m	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
Investment property	–	–	–	69.6	–	–	–	69.6
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
Derivative financial assets	–	–	0.3	519.3	171.6	–	–	691.2
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
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	4,337.6	6,337.6	388.4	8,733.4	25,284.0

2020	UK gilts £m	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
Units in liquidity funds	–	1,123.2	–	–	–	5.3	–	1,128.5
Investment funds	–	–	–	–	–	–	176.1	176.1
Debt securities and other fixed income securities	205.6	838.8	1,519.3	3,030.5	5,124.4	342.8	–	11,061.4
Deposits with credit institutions	–	–	–	58.6	39.2	1.9	–	99.7
Derivative financial assets	–	–	–	594.2	205.8	–	–	800.0
Loans secured by residential mortgages	–	–	–	–	–	–	8,261.1	8,261.1
Loans secured by commercial mortgages	–	–	–	–	–	–	592.1	592.1
Loans secured by ground rents	–	–	–	–	–	–	114.9	114.9
Infrastructure loans	–	87.2	125.8	176.0	509.4	46.6	–	945.0
Other loans	–	–	–	–	–	11.8	79.2	91.0
Reinsurance	–	–	273.0	309.1	6.2	–	0.5	588.8
Insurance and other receivables	–	–	–	–	–	–	32.0	32.0
Total	205.6	2,049.2	1,918.1	4,168.4	5,885.0	408.4	9,255.9	23,890.6

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

The credit rating for Cash available on demand at 31 December 2021 was between a range of AA and BB (2020: between a range of AA and BB).

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

(d) Liquidity risk

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

Liquidity risk is the risk of loss because the Group, although solvent, either does not have sufficient financial resources available to it in order to meet its obligations as they fall due, or can secure them only at excessive cost.

Exposure to liquidity risk arises from:

- deterioration in the external environment caused by economic shocks, regulatory changes, reputational damage, or an economic shock resulting from the COVID-19 pandemic or from Brexit;
- 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;
- ensuring financial support can be provided across the Group; and
- maintaining and servicing collateral requirements arising from the changes in market value of financial derivatives used by the Group.

Liquidity risk is managed by ensuring that assets of a suitable maturity and marketability are held to meet liabilities as they fall due. The Group's short-term liquidity requirements are predominantly funded by advance Retirement Income premium payments, investment coupon receipts, and bond principal repayments out of which contractual payments need to be made. 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 liquidity and increasing the minimum cash and cash equivalent levels 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 up to and including one month.

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:

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**

2020	Within one year or payable on demand £m	One to five years £m	More than five years £m
Investment contract liabilities	9.8	31.1	2.8
Subordinated debt	66.2	674.9	595.8
Derivative financial liabilities	53.3	189.0	1,408.6
Obligations for repayment of cash collateral received	377.4	–	–
Deposits received from reinsurers	201.7	712.0	2,073.3

34 CAPITAL

Group capital position

The Group's estimated capital surplus position at 31 December 2021 was as follows:

	Solvency Capital Requirement		Minimum Group Solvency Capital Requirement	
	2021[1] £m	2020[2] £m	**2021 £m**	2020 £m
Eligible Own Funds	3,004	3,009	2,279	2,262
Solvency Capital Requirement	(1,836)[3]	(1,938)	(482)[3]	(476)
Excess Own Funds	1,168[3]	1,071	1,797[3]	1,786
Solvency coverage ratio	164%[3]	155%	472%[3]	475%

1 Estimated regulatory position. These figures reflect the estimated impact of a TMTP recalculation as at 31 December 2021. The LTMs that have been sold on 22 February 2022 were originally written to back the liabilities written pre the Solvency II regime and hence has contributed to the TMTP in the past. However, given the biennial reset of the TMTP as at 31 December 2021 and sale of these LTMs shortly after the valuation date, these LTMs have been excluded from the determination of the TMTP as at 31 December 2021.

2 This is the reported regulatory position as included in the Group's Solvency and Financial Condition Report as at 31 December 2020.

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 reasonable 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; and
- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.
- to generate capital from in-force business, excluding economic variances, management actions, and dividends, that is c.£36m greater than new business strain.

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

To improve resilience, we have significantly reduced the property risk exposure related to LTMs by selling two blocks of LTMs and transacting three no-negative equity guarantee ("NNEG") hedges. A third LTM sale completed subsequent to the year end as referred to in note 37. The Group will continue to assess options to reduce our balance sheet exposure to UK residential property, including, but not limited to increasing the level of NNEG hedges.

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 and the on-going impact of COVID-19 or changes to financial regulations should future circumstances or events differ from current assumptions. The review also considers mitigating actions available to the Group should a severe stress scenario occur, such as raising capital, varying the volumes of new business written and a scenario where the Group does not write new business.

Regulatory developments

The PRA approved the Group's major model change application on 1 December 2021. The updated model ensures that the model remains appropriate for the risk profile of the business and meets regulatory expectations in respect of the Effective Value Test ("EVT"), a diagnostic validation test, relating to the matching adjustment for liabilities that are matched with LTMs, and the requirement for it to be used in stress to validate the SCR from 31 December 2021. We are planning to apply to the PRA to approve further developments to our internal model to refine our credit risk model and to bring PLACL onto the internal model.

At 31 December 2021, Just passed the PRA EVT with a buffer of 0.75% (unaudited) over the current minimum deferment rate of 0.5% (allowing for volatility of 13%, in line with the requirement for the EVT). At 31 December 2020, the buffer was 0.63% (unaudited) compared to the minimum buffer for the phase-in period of 0%.

In June 2020, the government announced that it would review certain features of Solvency II. The PRA launched a Quantitative Impact Study ("QIS") in H2 2021 which the Group participated in. The key features for the Group that were considered in the QIS are the risk margin and the matching adjustment. We plan to engage with the PRA consultation, expected in 2022, on the potential changes to Solvency II.

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%
HUB Pension Solutions Limited[5]	Software development	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 Transfer Solutions Limited	Dormant	Reigate	100%
JRP Group Limited	Dormant	Reigate	100%
JRP Nominees Limited	Dormant	Reigate	100%
Just Annuities Limited	Dormant	Reigate	100%
Just Equity Release Limited	Dormant	Reigate	100%
Just Incorporated Limited	Dormant	Reigate	100%
Just Management Services (Proprietary) Limited	Dormant	South Africa	100%
Just Protection Limited	Dormant	Reigate	100%
Just Retirement Finance plc	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[5]	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]

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 have not been audited for the year ended 31 December 2021. 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:	Belfast office:	South Africa office:
Enterprise House	3rd Floor, Arena Building	Office G01, Big Bay Office Park
Bancroft Road	Ormeau Road	16 Beach Estate Boulevard, Big Bay
Reigate, Surrey RH2 7RP	Belfast BT7 1SH	Western Cape 7441

Jersey office:	Portsmouth office:
44 Esplanade	Building 3000, Lakeside North Harbour
St Helier	Portsmouth
Jersey JE4 9WG	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. 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. 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 2021 the Group's interest in unconsolidated structured entities, which are classified as investments held at fair value through profit or loss, are shown below:

	2021 **£m**	2020 £m
Loans secured by commercial mortgages	**677.8**	592.1
Loans secured by ground rents	**189.7**	114.9
Asset backed securities	**9.5**	10.8
Investment funds	**301.8**	176.1
Liquidity funds	**1,310.5**	1,128.5
Total	**2,489.3**	2,022.4

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 £0.1m.

The non-controlling interests of the minority shareholders of Spire Platform Solutions Limited of £(0.5)m have been recognised in the year. The non-controlling interests of the minority shareholders of HUB Pension Consulting (Holdings) Limited of £(0.3)m have been recognised to the date of acquisition by the Group.

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** **2021** **£m**	Year ended 31 December 2020 £m
Short-term employee benefits	**3.9**	3.6
Share-based payments	**1.5**	1.2
Total key management compensation	**5.4**	4.8
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

In February 2022, the Group completed the sale of a third LTM portfolio, with a current outstanding loan balance of £537m and an IFRS value as at 31 December 2021 of £772m. The LTM assets being sold form part of the investments used to back the insurance liabilities of the Group. The consideration is £687m, payable in cash. The proceeds received will be reinvested in a mixture of other fixed interest assets to back the insurance liabilities of the Group. The sale will result in an IFRS net of tax loss of c.£35m which includes the impact on the insurance liabilities resulting from the expected new asset mix.

Subsequent to 31 December 2021, the Directors proposed a final dividend for 2021 of 1.0 pence per ordinary share (2020: nil), amounting to £10m (2020: £nil) in total. Subject to approval by shareholders at the Company's 2022 AGM, the dividend will be paid on 17 May 2022 to shareholders on the register of members at the close of business on 22 April 2022, and will be accounted for as an appropriation of retained earnings in year ending 31 December 2022.

There are no other material post balance sheet events that have taken place between 31 December 2021 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 2021 of £1,168m.

The core surplus generation assumes that future property growth is in line with the best estimate assumption of 3.3%. 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, and return on surplus assets held or dividends from 31 December 2021.

Year	Core surplus generation £m	TMTP amortisation £m	Surplus generation £m
2022	259	(124)	135
2023	239	(124)	115
2024	232	(124)	108
2025	231	(124)	107
2026	234	(124)	110
2027	223	(124)	99
2028	221	(124)	97
2029	223	(124)	99
2030	210	(124)	86
2031	205	(124)	81
2032	192	–	192
2033	185	–	185
2034	181	–	181
2035	167	–	167
2036	169	–	169
2037	147	–	147
2038	143	–	143
2039	133	–	133
2040	124	–	124
2041	113	–	113
2042 – 2046	414	–	414
2047 – 2051	219	–	219
2052 – 2056	78	–	78

New business contribution

The table below shows the expected future emergence of Solvency II surplus arising from 2021 new business in excess of 100% of SCR over 35 years from the point of sale. It shows the initial Solvency II capital strain in 2021. The amounts are shown undiscounted.

Year	Surplus generation £m
Point of sale	(40.0)
Year 1	11.6
Year 2	11.3
Year 3	11.2
Year 4	11.1
Year 5	10.9
Year 6	11.3
Year 7	11.7
Year 8	11.8
Year 9	11.7
Year 10	11.8
Year 11	11.7
Year 12	11.5
Year 13	11.5
Year 14	11.1
Year 15	10.6
Year 16	10.3
Year 17	10.0
Year 18	9.5
Year 19	9.1
Year 20	8.8
Years 21 to 25	36.9
Years 26 to 30	22.3
Years 31 to 35	7.4

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	264	1.1	–	6	99	154	5	–
Communications and technology	1,430	5.8	122	153	198	920	37	–
Auto manufacturers	319	1.3	–	34	101	184	–	–
Consumer (staples including healthcare)	1,174	4.7	163	276	281	327	39	88
Consumer (cyclical)	187	0.7	–	6	16	139	–	26
Energy	633	2.6	–	219	131	212	71	–
Banks	1,192	4.8	58	91	392	460	152	39
Insurance	845	3.4	6	193	145	501	–	–
Financial – other	481	1.9	99	103	102	76	14	87
Real estate including REITs	661	2.7	39	28	230	325	39	–
Government	2,415	9.7	407	1,589	204	215	–	–
Industrial	920	3.7	–	88	115	577	22	118
Utilities	2,302	9.3	–	82	1,006	1,204	10	–
Commercial mortgages	678	2.7	33	203	281	161	–	–
Ground Rent	263	1.1	134	–	123	6	–	–
Infrastructure loans	1,474	6.0	82	124	398	825	45	–
Other	38	0.2	–	–	38	–	–	–
Corporate/government bond total	15,276	61.7	1,143	3,195	3,860	6,286	434	358
Lifetime mortgages	7,423	30.0						
Liquidity funds	1,311	5.3						
Derivatives and collateral	741	3.0						
Total	24,751	100.0						

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 adjusted operating profit after attributed tax, rather than IFRS profit before tax. This measure is calculated by dividing adjusted 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 after attributed tax – the adjusted operating profit before tax APM reduced for the standard tax rate (19% for 2021).

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).

Auto-enrolment – new legal duties being phased in that require employers to automatically enrol workers into a workplace pension.

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.

Flexi-access drawdown – the option introduced in April 2015 for DC pension savers who have taken tax-free cash to take a taxable income directly from their remaining pension with no limit on withdrawals.

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 Guidance – see Pensions Wise.

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 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 economic variances, regulatory adjustments, capital raising or repayment and 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 & Choice/Pension Reforms – the UK government's pension reforms, implemented in April 2015.

Pensions Wise – the free and impartial service introduced in April 2015 to provide "Guaranteed Guidance" to defined contribution pension savers considering taking money from their pensions.

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.

Return on equity – an APM and one of the Group's KPIs. Return on equity is adjusted 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 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 on-going 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 on-going 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

FPP – Flexible Pension Plan

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

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

PILON – payment in lieu of notice

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

RICS – The Royal Institution of Chartered Surveyors

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