NEWS RELEASE
15 August 2023

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JUST GROUP PLC
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

STRONG GROWTH, CONTINUED MOMENTUM

Just Group plc (the "Group", "Just") announces its results for the six months ended 30 June 2023.

Profitable and sustainable growth[1]

- **Underlying operating profit[2] is up 154% to £173m** (H1 22: £68m), driven by significantly higher new business profits.
- **Retirement Income sales[2] have more than doubled to £1.9bn** (H1 22: £0.9bn), which has driven a 112% increase in new business profits to £161m (H1 22: £76m), with a consistently strong new business margin of 8.5% (H1 22: 8.6%).
- **Momentum continues into H2 23.** Both the DB and retail markets remain buoyant, with a record pipeline of DB business.

Strong Solvency II and IFRS[1]

- **Capital coverage ratio has further strengthened to 204%[3]** (31 December 2022: 199%[3]). The interest rate sensitivity has been significantly reduced, by largely locking-in interest rate gains, while the property sensitivity has further reduced.
- **New business strain[2] of 1.6%** (H1 22: 1.3%) is well within our target of below 2.5%. Positive underlying capital generation of £18m (H1 22: £33m) after £30m of new business strain. Capital generation before new business strain improved to £48m (H1 22: £44m).
- **Adjusted profit before tax[2] was £246m** (H1 22: adjusted loss before tax £185m), driven by strong growth in underlying operating profit, and investment and economic profits. Of this £246m, £129m of profit is deferred to CSM[4] in the balance sheet, leaving an **IFRS profit before tax of £117m** (H1 22: IFRS loss before tax of £237m).
- **Improved return on equity[2] to annualised 13.0% and tangible net assets per share[2] to 204p** (H1 22: 5.4% and 31 December 2022: 190p respectively).

Rewarding shareholders

- **Interim dividend of 0.58p per share – 15% growth** and one third of 2022 full year dividend, in line with stated policy.
- **Given the very strong profit growth in the first half of 2023, we are highly confident of comfortably exceeding 15% growth in underlying operating profits[2] for the full year.** Our delivery so far in 2023 and positive outlook further supports our confidence in Just's ability to deliver 15% growth in underlying operating profit per annum, on average over the medium term.

David Richardson, Group Chief Executive Officer, said:
"We have delivered another impressive set of results and we are highly confident that we will comfortably exceed our 15% profit growth pledge this year.

Our DB business is going from strength to strength and I am delighted that our retail business has returned to growth. We are growing sustainably and are exceptionally well positioned to continue benefiting from the positive drivers and favourable demographics supporting both of our principal markets.

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

Over the last four years, our performance has consistently exceeded the commitments we have made and we're more optimistic than ever about the future for Just."

Notes

1 All comparatives throughout the document are restated under IFRS 17 and IFRS 9.

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

3 These figures include the estimated impact of a TMTP recalculation for 30 June 2023. At 31 December 2022 the Solvency II figures include a formal TMTP recalculation.

4 Contractual Service Margin.

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

For those analysts who have registered, a presentation will take place today at 1 Angel Lane, London, EC4R 3AB, commencing at 08:30 am. The presentation will also be available via a live webcast.

FINANCIAL CALENDAR	DATE
Ex-dividend date for interim dividend	24 August 2023
Record date for interim dividend	25 August 2023
Payment of interim dividend	4 October 2023

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

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

Forward-looking statements disclaimer:

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

By their nature, the statements concerning the risks and uncertainties facing the Company and its subsidiaries (the "Group") in this announcement involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. This announcement contains, and we may make other statements (verbal or otherwise) containing, forward-looking statements in relation to the current plans, goals and expectations of the Group relating to its or their future financial condition, performance, results, strategy and/or objectives. 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; 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

DELIVERING SUSTAINABLE GROWTH

I am very pleased to present my Chief Executive Officer's Statement for the first six months of 2023, during which we have further demonstrated the strength and potential of our business model. We are growing sustainably and are exceptionally well positioned to continue benefiting from the positive drivers and favourable demographics supporting both of our principal markets.

RETIREMENT SALES GROWTH

The rise in interest rates during 2022 and 2023 has a positive effect on both the Defined Benefit ("DB") and retail Guaranteed Income for Life ("GIfL") markets.

Sales have more than doubled in the first six months of 2023 to £1.9bn with DB sales, up 149% to £1.4bn (H1 2022: £0.6bn) and retail sales, up 54% to £0.5bn (H1 22: £0.3bn). This positive momentum has continued into the second half and we expect another very busy period.

DEFINED BENEFIT BUSINESS

Our DB business is going from strength to strength. During the first six months of the year, we completed 35 transactions of which 32 were less than £100m (of these, 22 were less than £10m). We have written our largest (£513m) and smallest (£0.6m) deals to date, and have a sizeable ongoing pipeline of new business opportunities for the second half. Our bulk quotation service continues to grow in popularity, with over 200 schemes from 19 EBCs[1] onboarded. The service is providing a steady source of smaller deal completions as EBCs and trustees increasingly benefit from regular insurer price monitoring and a streamlined transaction process.

As well as expanding our leadership position in the smaller transaction size segment, we will also drive growth by securing a greater number of larger transactions. We have written almost 350 DB transactions since entering the market in 2013 and through these, have gained significant pricing and deal experience to now regularly quote on larger transactions. Our participation in the larger transaction segment is supported by the flexibility provided by our stronger capital position and our expanded panel of reinsurance partners. Combined with the strong outlook for the market in 2023, we expect our participation in the larger deal segment to increase further.

In DB, LCP[2] estimate that c.1,000 DB pension schemes are already fully funded on an insurer buyout basis. As a result, 2023 and 2024 industry volumes are expected to significantly exceed the record £44bn written in 2019. We welcome the Chancellor's confirmation, in his recent speech, of the important role played by insurers offering buy-outs.

RETAIL BUSINESS

I am delighted that the GIfL market has returned to strong growth and has had its busiest six month period since Pensions Freedoms were announced in 2014. The open market, where Just competes, has achieved particularly strong growth, and is providing us with increased opportunity to utilise our medical underwriting expertise to risk select.

Higher interest rates have stimulated both customer and adviser demand. The findings from the FCA's thematic review into retirement income advice, are likely to increase the importance of considering guaranteed solutions to help customers achieve their objectives. We believe this will be supported further by the expectations created by Consumer Duty, which came into effect on 31st July.

EXPANDING OUR INVESTMENTS IN TANDEM

In order to take advantage of these growth opportunities, we are continuing to expand our investment capabilities to support new business pricing and deliver reliable and secure returns for our shareholders. Our "manager of managers" model approach gives us the flexibility to source assets providing attractive risk reward characteristics across a range of asset classes, sectors and geographies. I am pleased to note that we have sourced £0.8bn of other illiquid investments[3] in the first six months of the year and that we continue to find opportunities to support the UK economy.

As the government's Solvency UK agenda takes shape over the next two years, we expect this will unlock additional opportunities to grow our investment in illiquid assets.

CUSTOMERS AND OUR PURPOSE

The volatility in investment markets witnessed by our customers during the final quarter of 2022 and the current unpredictable economic outlook in the UK creates uncertainty and worry for many who have investments in equities and fixed interest bonds. We provide a guaranteed income for life to customers, and as interest rates have risen, the amount of retirement income we are able to pay customers has increased significantly. This secure income is often purchased to cover the essential expenditure of the household and in these uncertain times, our solutions provide much sought reassurance to customers.

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

SUSTAINABILITY

We achieve our goals responsibly and are committed to a sustainable strategy that protects our communities and the planet we live on. I am very proud that over the last three years we have reduced our operational carbon intensity per employee by 81%. However, the most material impact we can make to reduce carbon emissions will be achieved through the decisions we take with our £21bn investments portfolio.

Last year we completed our full £575m green and sustainability bond investment commitments well ahead of schedule. In the first six months of 2023 we have continued to invest in environmental, social, and corporate governance ("ESG") related assets with over £300m invested in social housing, the renewable energy industry and facilities at NHS University Hospital Southampton.

OUR PEOPLE

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

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

We are investing to develop the skills of our colleagues, attract new talent into Just and build high performing teams. We have continued to maintain excellent levels of colleague engagement, with a key priority to build a diverse and inclusive workforce.

FINANCIAL PERFORMANCE

In the first six months of 2023, underlying operating profit, now measured under IFRS 17, is up 154% to £173m, driven by the strong sales performance. We expect sales activity in the second half of the year to be in line with or above the first half of the year. Our first half performance has led to a return on equity of 13%.

Investment and economic profits were £71m, and combined with a number of smaller non-operating items lead to an adjusted profit before tax[4] of £246m for the first six months of 2023 (first six months of 2022: adjusted loss before tax £185m). Of this £246m, £129m of profit is deferred to the CSM reserve in the balance sheet, leaving a profit before tax of £117m.

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

We will pay an interim dividend of 0.58 pence per share, in line with our stated policy, which represents 15% growth over last year's interim dividend.

IN CONCLUSION

We expect the current macro-economic and political concerns to have a negligible effect on the Group's business model, with sustained higher long term interest rates continuing to drive demand for our products. We are exceptionally well positioned to continue benefiting from the positive structural growth drivers and demographics supporting both of our principal markets. Our ability to take advantage of these trends have further increased our confidence in Just's ability to deliver 15% growth in underlying operating profit per annum, on average over the medium term.

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

DAVID RICHARDSON

Group Chief Executive Officer

1 Employee benefit consultant ("EBC")
2 Lane, Clark, Peacock ("LCP"), an employee benefit consultant.
3 In addition to £789m of other illiquid assets originated during the first six months of 2023, Just also originated £75m of internally funded lifetime mortgage assets.
4 Alternative performance measure (APM), see glossary for definition. See the business review for explanation of the use of APM's and reconciliation to statutory results.

STRONG GROWTH, CONTINUED MOMENTUM

The Group is well positioned in attractive markets with strong and structural growth drivers. This enables us to benefit from the significant boost in demand for our products due to the significant rise in long term interest rates over the past 18 months. We innovate, risk select and price with discipline, ensuring our business model delivers long-term value for customers and shareholders.

The Business Review presents the results of the Group for the six months ended 30 June 2023, including unaudited IFRS and Solvency II information. These are the first reported results under IFRS 17, which has prompted some modification of the Group's key performance indicators, as set out below.

The growth and success of the business during the first half of 2023 is built on the foundation of a transformed, low capital intensity new business model, supported by our strong and resilient capital base. We continue to maintain cost control across the business whilst specifically targeting our investment in proposition development, and to enable the business to scale efficiently. We continue to diversify the asset portfolio by originating a greater proportion of illiquid assets to back the new business in line with our investment strategy.

We entered 2023 with very strong momentum in the DB business, as rising interest rates over the past 18 months have accelerated the closure of scheme funding gaps. During the first six months of 2023, we wrote a record amount of DB new business for a first half, £1.4bn from 35 transactions (H1 22: £0.6bn, 14 transactions) in a buoyant market estimated by Hymans Robertson at £25bn (H1 22: £12bn). LCP forecast that up to £60bn of DB buy-in/buy-out transactions could occur in 2023, and therefore the DB market is well on track to substantially exceed the previous record of £44bn in 2019. Just enters the second half of 2023 with a record pipeline of active quotations, and we expect to maintain sales in line with, or above our first half level. Strong pricing discipline is contributing to further optimising returns from our new business capital budget. We expect the positive trend to persist as schemes continue their preparatory work to be transaction ready for 2024. We estimate that less than 15% of the £1.4tn DB market opportunity has executed thus far, with LCP forecasting c.£600bn of DB buy-in/buy-out transactions over the decade to 2032, of which over £200bn could transact over the next three years. Around one in five, (c.1,000) of all DB schemes are already fully funded on an insurer buyout basis, with the remaining c.4,000 progressively working towards full funding over the next decade and beyond.

Our GIfL business is also buoyant, boosted by strong growth in the Open Market, where Just operates. Higher interest rates directly increase the customer rate on offer, increasing the attractiveness of a guaranteed income. The customer rate can be further improved through individual medical underwriting, in which Just is a market leader, with a substantial uplift, especially for those customers with medical conditions. Quote activity remains elevated, following the rise in rates post September 2022's mini-budget. During the six months to 30 June 2023, we wrote £470m of GIfL business, up 54% year on year (H1 22: £305m). The introduction of the FCA's Consumer Duty in July and findings later this year from the thematic review into retirement income advice are likely to lead to increased advisor conversations on the importance of considering guaranteed solutions to help customers achieve their objectives.

For the first six months of the year, underlying operating profit was up 154% at £173m (H1 22: £68m), a position that leads us to being very confident of meeting or exceeding our target to deliver 15% growth in underlying operating profit per annum, on average over the medium term. Retirement Income[2] sales of £1,899m were more than double the H1 22 level (£879m), as both DB and GIfL sales markedly increased, which led to a new business profit of £161m (H1 22: £76m). New business margin was pleasing at 8.5% (H1 22: 8.6%) as buoyant markets supported active risk selection, whilst maintaining pricing and cost discipline. In-force profit at £92m (H1 22: £72m) reflected an increased return on surplus assets in addition to a growing book of in-force business. Finance costs have reduced following the November 2022 tender offer and subsequent cancellation of £76m tier 2 debt.

Total investment and economic variances of £71m combined with other items to drive an adjusted profit before tax for the first six months of £246m. Of this £246m, £129m of profit is deferred to the CSM reserve in the balance sheet, leaving a profit before tax of £117m.

Long dated cashflows from assets and liabilities on the balance sheet are closely cashflow matched and not exposed to movements in long term interest rates. Historically, hedges to protect interest rate exposure in our Solvency II position have created volatility in IFRS profit before tax as interest rates moved. However, a revised hedging strategy during 2022 and H1 23, including the purchase of £2bn of long dated gilts held at amortised cost under IFRS has removed[1] the IFRS exposure whilst significantly containing our Solvency II sensitivity to future interest rate movements. The key sensitivities of the Group's capital and financial position to future economic and demographic factors are set out below and in notes 11 and 14 of these financial statements.

The Group's Solvency II capital position[1] has further strengthened to 204%[2] (31 December 2022: 199%) helped in part by a continued rise in long term interest rates. Underlying organic capital generation for the first half of 2023 was healthy at £18m (H1 22: £33m) with the £30m capital strain from writing the increased volume of new business maintained at a low 1.6% of premium (H1 22: £11m and 1.3% of premium). This low new business strain, materially inside our 2.5% target, reflects strong pricing discipline, risk selection, and business mix. Lower finance costs also contributed. We continue to closely monitor and prudently manage our risks, including interest rates, inflation, currency, residential property and credit. The Solvency II sensitivities are set out below.

The recent Financial Services and Markets Act contains new powers to set the direction for financial services following the UK's exit from the European Union, including reforms to the Solvency II capital regime. As part of the proposed new Solvency UK regime, in June, HM Treasury and the PRA set out their proposals to implement the more straightforward items, including simplification measures and a 65% reduction in risk margin for life insurance business by the end of 2023. The risk margin reduction is estimated to improve our current solvency ratio by over 5 percentage points. A consultation paper on the more complex changes to matching adjustment ("MA") rules and the associated investment flexibility is expected to be launched in September, with reforms to take effect in 2024. We expect these MA changes to support the role HM Treasury is expecting from the industry, whereby appropriate reforms could increase investment by tens of billions of pounds in long-term finance to the broader economy, including infrastructure, decarbonisation, social housing and increased investment in science and technology.

At this time, the outlook for the economy continues to evolve, reflecting macro-economic and political concerns including the trajectory of central bank rates to reduce and control inflation, and a UK election by the end of 2024. The interest rate increases are predicted to lead to a possible shallow recession later in 2023, followed by a gradual recovery in 2024. We expect these macro forces to have a negligible effect on the Group's business model, with sustained higher long term interest rates continuing to drive demand for our products. We have a strong and resilient capital base, with a low strain business model that is generating sufficient capital on an underlying basis to fund our ambitious growth plans, whilst also paying a shareholder dividend that is expected to grow over time.

1 See note 14 for interest rate sensitivities, with a 100 bps increase in interest rates resulting in an increase in pretax profit of £4.1m and a 100 bps decrease in interest rates resulting in an increase in pretax profit of £8.3m.
2 Solvency II capital coverage ratios as at 30 June 2023 includes a notional recalculation of TMTP. and 31 December 2022 includes a formal recalculation of TMTP.
3 Alternative performance measure, see glossary for definition.

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.

Just Group has been growing strongly for a number of years and regards the writing of profitable new business contracts as a key objective for management. As a result, in management's view, the use of an alternative performance measure which includes the value of profits deferred for recognition in future periods is a more meaningful measure than IFRS profits excluding the value of new business sales.

The APMs used by the Group are: return on equity, underlying operating profit, new business profit, Retirement Income sales, underlying organic capital generation, organic capital generation, new business strain, in-force operating profit, adjusted profit before tax, adjusted earnings, adjusted earnings per share and tangible net asset value per share. The Directors have concluded that the principles used as a basis for the calculation of the APMs remain appropriate, although due to the adoption of new accounting standards the reconciliation from APMs' to IFRS reported results has changed. Further information on our APMs can be found in the glossary, together with a reference to where the APM has been reconciled to the nearest statutory equivalent.

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

The Group's KPIs are shown below:

	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 £m (restated)	Change %
Return on equity[1]	**13.0%**	5.4%	7.6pp
Underlying operating profit[1]	**173**	68	154
New business profit[1]	**161**	76	112
Retirement Income sales[1]	**1,899**	879	116
IFRS profit/(loss) before tax	**117**	(237)	149
Underlying organic capital generation[1]	**18**	33	(45)
New business strain[1]	**1.6%**	1.3%	0.3pp

	30 June 2023	31 December 2022	Change
Solvency II capital coverage ratio[2]	**204%**	199%	5pp
Tangible net asset value per share[1]	**204p**	190p[3]	-

[1] Alternative performance measure, see glossary for definition.
[2] Solvency II capital coverage ratios as at 30 June 23 includes a notional recalculation of TMTP and 31 December 2022 includes a formal recalculation of TMTP.

TANGIBLE NET ASSETS / RETURN ON EQUITY

The return on equity in the six months to 30 June 2023 was 13.0% (30 June 2022: 5.4%), using annualised underlying operating profit after attributed tax of £132m (30 June 2022: £55m) arising on average tangible net assets of £2,033m (30 June 2022: £2,020m). The 7.6pp movement was driven by increased underlying operating profit, driven by new business volumes that more than doubled during the period. Tangible net assets are reconciled to IFRS total equity as follows:

	30 June 2023 £m	30 June 2022 £m (restated)
IFRS total equity attributable to ordinary shareholders	**850**	979
Less intangible assets	**(45)**	(46)
Tax on amortised intangible assets	**3**	3
Add back contractual service margin	**1,740**	1,336
Adjust for tax on contractual service margin	**(432)**	(331)
Tangible net assets	**2,116**	1,941
Tangible net assets per share	**204p**	187p
Return on equity % (underlying)	**13.0%**	5.4%

UNDERLYING OPERATING PROFIT

Underlying operating profit is the core performance metric on which we have based our 15% growth target, per annum, on average, over the medium term. Underlying operating profit captures the performance and running costs of the business including interest on the capital structure, but excludes operating experience and assumption changes, which by their nature are unpredictable and can vary substantially from period to period. For the first six months of 2023, underlying operating profit grew by 154% to £173m, which is a strong foundation, and provides strong confidence in achieving our full year ambitions.

	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 £m (restated)	Change %
New business profit	**161**	76	112
CSM amortisation	**(29)**	(26)	12
Net underlying CSM increase	**132**	50	164
In-force operating profit	**92**	72	28
Other Group companies' operating results	**(8)**	(7)	14
Development expenditure	**(10)**	(9)	11
Finance costs	**(33)**	(38)	(13)
Underlying operating profit[1]	**173**	68	154

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

NEW BUSINESS PROFIT

New business profit more than doubled during the six months to £161m (H1 22: £76m) driven by a 116% increase in Retirement Income sales to £1.9bn (H1 22: £0.9bn). The new business margin was maintained at 8.5% (H1 22: 8.6%) reflecting continued pricing discipline and risk selection in buoyant markets.

CSM AMORTISATION

IFRS 17 introduces two new concepts, the Contractual Service Margin and the Risk Adjustment to the statement of financial position. CSM amortisation represents the release from the CSM reserve into profit as services are provided, net of accretion (unwind of discount) on the CSM reserve balance (see below). £29m of net CSM amortisation represents a £56m release of CSM into profit, offset by £27m of interest accreted to the CSM.

The CSM release into profit was £56m (H1 22: £42m), which represents an annualised 6.2% (H1 22: 6.3%) of the CSM balance immediately prior to release. The increase during the period represents growth in the CSM reserve from an additional year of deferred new business profit and the longevity assumption change at 31 December 2022 which was also deferred to CSM.

Accretion on the CSM balance amounted to £27m (H1 22: £16m) represents an annualised 3.1% (H1 22: 2.3%) of the opening plus new business CSM balance. CSM accretion is calculated using locked-in discount rates. The increase during the period reflects the higher interest rates applicable through the forward rates locked in at 31 December 2021 for new business written pre 2022 as well as higher interest rates applicable to the new business written since the end of 2021 and the increase in the CSM balance following the FY22 longevity assumption change.

NET UNDERLYING CSM INCREASE

This represents the net underlying increase in deferred profit in CSM over the period before allowing for transfers to CSM in respect of operating experience and assumption changes recognised in the current year. The new business profit to CSM in-force release multiple of 3 times reflects the strong growth of the insurance portfolio.

IN-FORCE OPERATING PROFIT

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

	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 £m (restated)	Change %
Investment return earned on surplus assets	**45**	28	61
Release of allowances for credit default	**14**	14	-
CSM amortisation	**29**	26	12
Release of risk adjustment for non-financial risk / Other	**4**	4	-
In-force operating profit[1]	**92**	72	28

The in-force operating profit increased by 28% to £92m (H1 22: £72m), driven by a significant increase in investment return, as a result of higher interest rates, on a higher amount of surplus assets.

OTHER GROUP COMPANIES' OPERATING RESULTS

The operating result for other Group companies was a loss of £8m in the six months ended 30 June 2023 (six months ended 30 June 2022: loss of £7m). These costs arise from the holding company, Just Group plc, and the HUB group of businesses.

DEVELOPMENT EXPENDITURE

Development expenditure of £10m for the six months ended 30 June 2023 (six months ended 30 June 2022 £9m), relates mainly to product development, proposition enhancement and new initiatives. It also includes investment in distribution improvements such as online capability and digital access.

FINANCE COSTS

Finance costs have decreased by 13% to £33m for the six months ended 30 June 2023 (six months ended 30 June 2022: £38m). These include the coupon on the Group's Restricted Tier 1 notes, as well as the interest payable on the Group's Tier 2 and Tier 3 notes. Finance costs have reduced following the November 2022 tender offer and subsequent cancellation of £76m tier 2 debt.

Today, we are launching an open market repurchase facility (the "OMR Facility") under which Just Group plc may from time to time, seek to repurchase on a first come first serve basis, a limited amount up to and not exceeding

£24.027m in aggregate nominal amount of its outstanding 2026 tier 2 subordinated notes (ISIN XS1504958817) (the "Notes"). The price paid for the Notes will be subject to market pricing and conditions at the time, and at the sole discretion of Just Group plc. The rationale for the OMR Facility is to optimise the capital structure and debt profile of the Group, while offering to holders of the Notes the opportunity to sell them to Just Group plc. Morgan Stanley & Co International plc have been appointed as sole agent to execute the OMR Facility. The OMR Facility will expire on 31 October 2023. Any Notes purchased by Just Group plc will subsequently be cancelled.

RETIREMENT INCOME SALES

	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 £m	Change %
Defined Benefit De-risking Solutions ("DB")	**1,429**	574	149
Guaranteed Income for Life Solutions ("GIfL")[1]	**470**	305	54
Retirement Income sales	**1,899**	879	116

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

The structural drivers and trends in our markets underpin our confidence that we can continue to deliver attractive returns and growth rates over the long term. Higher interest rates stimulate further demand for our products, and we are well positioned to take advantage of the growth opportunities available in our chosen markets. Over the past 18 months, rising interest rates have accelerated the closure of DB scheme funding gaps, and therefore more schemes are able to begin the process to be 'transaction ready', accelerating business into our short/medium term pipeline that previously would have been expected to transact in the second half of the decade. The retail GIfL business had its busiest six month period since 2014, with the Open market, where Just competes showing particularly strong growth. Higher interest rates directly increase the customer rate we can offer, further improved through individual medical underwriting. This increases the value of the guarantee to customers, relative to other forms of retirement income.

DB sales at £1,429m (H1 22: £574m) were up 149%, reflecting heightened activity, during the first six months of the year. In February, we closed our largest DB transaction to date at £513m. In total, we completed 35 deals, of which 32 were below £100m in size, as we maintained our leadership presence in the <£100m segment. These activity levels are well ahead of the 56 transactions for the whole of 2022, when Just wrote over a quarter of all transactions in the market, representing 10% share by market value. Our bulk quotation service continues to grow in popularity with over 200 DB schemes from 19 EBCs onboarded, and is providing a steady source of completions as EBCs and trustees increasingly benefit from price monitoring and a streamlined transaction process. Recent examples include our smallest DB transaction to date at £0.6m, and a £2m scheme that had been price monitored since 2019. We continue to develop the service to allow us to significantly increase our onboarding capacity. As part of our proposition to EBCs, trustees, and scheme sponsors, we are always available to quote for any size transaction. We expect less seasonality in 2023 new business levels than in previous years.

GIfL sales for the six months to 30 June 2023 were £470m (six months to 30 June 2022: £305m), 54% higher year on year. This strong foundation provides us with opportunity to utilise our market leading medical underwriting to risk select more profitable and niche segments of the market in the second half. Furthermore, we estimate that since 2014, more than £130bn of cumulative retirement savings have moved to drawdown on platform, often without a decumulation strategy. Due to the higher customer rates now on offer, we expect that advisers and customers will re-examine the role of guaranteed income in retirement. The introduction of the FCA's Consumer Duty in July and the findings later this year from the thematic review into retirement income advice are also likely to increase the importance of considering guaranteed solutions to help customers achieve their objectives.

ADJUSTED EARNINGS PER SHARE

Adjusted EPS (based on underlying operating profit after attributed tax) has increased to 12.9 pence for the current period from 5.3 pence for the 6 months ended 30 June 2022.

	Six months ended 30 June 2023	Six months ended 30 June 2022 (restated)
Adjusted earnings (£m)	**132**	55
Weighted average number of shares (million)	**1,029**	1,036
Adjusted EPS[1] (pence)	**12.9**	5.3

1 Alternative performance measure, see glossary for definition.

EARNINGS PER SHARE

	Six months ended 30 June 2023	Six months ended 30 June 2022 (restated)
Earnings (£m)	**76**	(187)
Weighted average number of shares (million)	**1,029**	1,036
EPS (pence)	**7.3**	(18.1)

Earnings per share has increased to 7.3 pence for the current period from (18.1) pence for the six months ended 30 June 2022.

RECONCILIATION OF UNDERLYING OPERATING PROFIT AND ADJUSTED OPERATING PROFIT

	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 £m (restated)
Underlying operating profit[1]	**173**	68
Operating experience and assumption changes	**1**	(4)
Adjusted operating profit before tax	**174**	64
Investment and economic movements	**71**	(255)
Strategic expenditure	**(7)**	(3)
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	**8**	9
Adjusted profit before tax[1]	**246**	(185)
Deferral of profit in CSM	**(129)**	(52)
Profit/(loss) before tax	**117**	(237)

1 Alternative performance measure, see glossary for definition.

OPERATING EXPERIENCE AND ASSUMPTION CHANGES

Operating experience and assumption changes represent continued positive mortality experience, partially offset by some minor data and modelling refinements.

STRATEGIC EXPENDITURE

Strategic expenditure was £7m for the six months ended 30 June 2023 (six months ended 30 June 2022: £3m). This included the transformation to IFRS 17, in addition to a greater investment in the development of our robo-advice Destination Retirement proposition.

INVESTMENT AND ECONOMIC MOVEMENTS

	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 £m (restated)
Change in interest rates	**(6)**	(257)
(Wider)/narrower credit spreads	**7**	(32)
Property growth experience	**38**	38
Asset timing variance	**10**	4
Other	**22**	(8)
Investment and economic movements	**71**	(255)

Investment and economic movements for the six months ended 30 June 2023 were positive at £71m (six months ended 30 June 2022: £255m loss). The Group takes an active approach to hedging its interest rate exposure. In the second half of 2021 and across 2022, as rates rose and the solvency position strengthened, we gradually reduced the interest rate hedging to a broadly economically neutral position, albeit still incurred £257m of losses in relation to interest rate hedging in the first half of 2022 (£536m loss for FY 2022, due to rising interest rates). In 2023, the continued increase in risk free rates has a negligible effect following the implementation of a revised interest rate hedging strategy during 2022 and the first half of 2023, including the purchase of £2bn of long dated gilts held at amortised cost under IFRS. This approach has removed[1] the IFRS exposure whilst significantly containing our Solvency II sensitivity to future interest rate movements (see estimated Group Solvency II sensitivities below).

Furthermore, during the first six months of 2023, credit spreads have narrowed, leading to a £7m positive movement (H1 22: credit spreads widened leading to a negative movement of £32m). The LTM portfolio property growth was c.4% during the first six months of 2023, with our diversified portfolio outperforming the long-term property growth assumption of 1.65% for the six months (3.3% annual property growth assumption). Other includes positives from corporate bond default experience and inflation.

1 See note 14 for interest rate sensitivities, with a 100 bps increase in interest rates resulting in an increase in pretax profit of £4.1m and a 100 bps decrease in interest rates resulting in an increase in pretax profit of £8.3m.

CAPITAL MANAGEMENT

The Group's capital coverage ratio was estimated to be 204% at 30 June 2023, including a notional recalculation of transitional measures on technical provisions ("TMTP") (31 December 2022: 199% including a formal recalculation of TMTP). The Solvency II capital coverage ratio is a key metric and is considered to be one of the Group's KPIs.

	30 June 2023[1] £m	31 December 2022[2] £m
Own funds	**2,698**	2,757
Solvency Capital Requirement	**(1,323)**	(1,387)
Excess own funds	**1,375**	1,370
Solvency coverage ratio[1]	**204%**	199%

1 Solvency II capital coverage ratios as at 30 June 23 includes a notional recalculation of TMTP and 31 December 2022 includes a formal recalculation of TMTP.
2 This is the reported regulatory position as included in the Group's Solvency and Financial Condition Report as at 31 December 2022.

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

MOVEMENT IN EXCESS OWN FUNDS[1]

The table below analyses the movement in excess own funds, in the six months to 30 June 2023.

(Not covered by PwC's independent review opinion)	**At 30 June 2023[2] £m**	At 30 June 2022 £m (restated)
Excess own funds at 1 January	**1,370**	1,168
Operating		
In-force surplus net of TMTP amortisation	**84**	87
New business strain[2]	**(30)**	(11)
Finance cost	**(24)**	(32)
Group and other costs	**(12)**	(11)
Underlying organic capital generation	**18**	33
Management actions and other items	**(4)**	3
Total organic capital generation[3]	**14**	36
Non-operating		
Strategic expenditure	**(5)**	(2)
Dividend	**(13)**	(10)
Economic movements	**9**	57
Excess own funds	**1,375**	1,249

1 All figures are net of tax, and include a notional recalculation of TMTP where applicable.
2 New business strain calculated based on pricing assumptions.
3 Organic capital generation includes surplus from in-force, new business strain, overrun and other expenses, interest and other operating items. It excludes economic variances, regulatory changes, dividends and capital issuance.

UNDERLYING ORGANIC CAPITAL GENERATION AND NEW BUSINESS STRAIN

In the first six months of 2023, we have delivered £18m of underlying organic capital generation (six months ended 30 June 2022: £33m).

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

Underlying organic capital generation ("UOCG") has benefitted from the ongoing focus across the business on minimising new business capital strain. In the first six months of 2023, due to writing £1.9bn of new business (H1 22: £0.9bn), new business strain increased by £19m to £30m, which represents 1.6% of new business premium (six months ended 30 June 2022: 1.3% of premium), well within our target of below 2.5% of premium. This continued outperformance is driven by continued pricing discipline and risk selection, together with a high proportion of small and medium transactions within the DB sales mix as part of our origination strategy. UOCG before new business strain improved by 9% to £48m (H1 22: £44m).

In-force surplus after TMTP amortisation was down 3% to £84m, primarily due to higher interest rates which reduces the amount of capital available (via lower SCR and risk margin) to release. Group and other costs including development and non-life costs were £12m (six months ended 30 June 2022: £11m). Finance costs at £24m were lower, which reflected the interest savings following a tender offer and subsequent cancellation of £76m tier 2 debt in November 2022. Management actions and other items reduced the capital surplus by £4m, leading to a total of £14m from organic capital generation.

NON-OPERATING ITEMS

Other economic movements summed to £9m in the capital surplus. The effect from higher interest rates (10 year gilts rose by rose by 55bps during the period) was negligible at £(3)m in the surplus as Own Funds and SCR both reduced, although this provided a boost to the ratio. Property price growth, supported by our regular individual property valuation refresh, of c.4% (compared to our six monthly 1.65% long term growth assumption) led to an £18m increase in capital surplus, offset by £6m of Other. Payment of the 2022 final dividend in May cost £13m and strategic expenses reduced the capital surplus by a further £5m.

ESTIMATED GROUP SOLVENCY II SENSITIVITIES[1,5]

The property sensitivity has remained stable at 11% (31 December 2022: 12%). We expect that reduced LTM origination and backing ratio on new business will contain the Solvency II sensitivity to house prices to at or below this level over time. The credit quality step downgrade sensitivity has slightly reduced due to credit spreads narrowing during the period, which decreases the cost of trading the 10% of our credit portfolio assumed to be downgraded back to their original credit rating.

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

	At 30 June 2023 %	At 30 June 2023 £m
Solvency coverage ratio/excess own funds at 30 June 2023[2]	**204**	1,375
-50bps fall in interest rates (with TMTP recalculation)	**(6)**	22
+50bps increase in interest rates (with TMTP recalculation)	**5**	(28)
+100bps credit spreads (with TMTP recalculation)	**12**	74
Credit quality step downgrade[3]	**(8)**	(106)
+10% LTM early redemption	**1**	15
-10% property values (with TMTP recalculation)[4]	**(11)**	(123)
-5% mortality	**(10)**	(132)

1 In all sensitivities the Effective Value Test ("EVT") deferment rate is allowed to change subject to the minimum deferment rate floor of 3% as at 30 June 2023 (2.0% as at 31 December 2022) except for the property sensitivity where the deferment rate is maintained at the level consistent with base balance sheet.
2 Sensitivities are applied to the reported capital position which includes a notional TMTP recalculation.
3 Credit migration stress covers the cost of an immediate big letter downgrade (e.g. AAA to AA or A to BBB) on 10% of all assets where the capital treatment depends on a credit rating (including corporate bonds, ground rents/income strips; but lifetime mortgage senior notes are excluded). Downgraded assets are assumed to be traded to their original credit rating, so the impact is primarily a reduction in Own Funds from the loss of value on downgrade. The impact of the sensitivity will depend upon the market levels of spreads at the balance sheet.
4 After application of NNEG hedges.
5 The results do not include the impact of capital tiering restriction.

RECONCILIATION OF IFRS EQUITY TO SOLVENCY II OWN FUNDS

	30 June 2023 £m	31 December 2022 £m (restated)
Shareholders' net equity on IFRS basis	**1,169**	1,103
CSM	**1,740**	1,611
Goodwill	**(34)**	(34)
Intangibles	**(11)**	(13)
Solvency II risk margin	**(440)**	(456)
Solvency II TMTP[1]	**731**	874
Other valuation differences and impact on deferred tax	**(977)**	(884)
Ineligible items	**(65)**	(50)
Subordinated debt	**600**	619
Group adjustments	**(15)**	(13)
Solvency II own funds[1]	**2,698**	2,757
Solvency II SCR[1]	**(1,323)**	(1,387)
Solvency II excess own funds[1]	**1,375**	1,370

1 Solvency II capital coverage ratios as at 30 June 2023 include a notional recalculation of TMTP and 31 December 2022 includes a formal recalculation of TMTP.

HIGHLIGHTS FROM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The table below presents the Condensed consolidated statement of comprehensive income for the Group.

	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 £m (restated)
Insurance revenue	**753**	639
Insurance service expenses	**(682)**	(583)
Net expenses from reinsurance contracts	**(17)**	(9)
Insurance service result	**54**	47
Net investment return	**-**	(3,408)
Net finance income/(expense) from insurance and reinsurance contracts	**144**	3,197
Net change in investment contract liabilities	**(1)**	–
Net investment result	**143**	(211)
Other income	**12**	6
Other operating expenses	**(51)**	(50)
Other finance costs	**(39)**	(29)
Share of results of associates	**(2)**	–
Profit/(loss) before tax	**117**	(237)
Income tax	**(35)**	56
Profit/(loss) after tax	**81**	(181)

Insurance revenue

Insurance revenue includes the recognition of revenue earned associated with the expected value of claims and expenses of both new and in-force business. Insurance revenue also includes the release of risk adjustment as contracts run off, and the value of release into profit of contractual service margin. In the six months to 30 June 2023, insurance revenue increased by £114m (18%) to £753m (six months to 30 June 2022: £639m) as the premiums during the period further increases the number of annuitants the Group serves.

The origination of £1,899m of Retirement Income new business sales written during the first six months of 2023 is initially recognised in the contractual service margin and will be released to insurance revenue over the term of the associated insurance contracts.

Insurance service expenses

Insurance service expenses represents the actual value of claims and expenses of both new and in-force business. During the first six months of 2023, insurance service expenses increased by 17% to £682m (H1 22: £583m) due to the increased volume of business.

Net expenses from reinsurance contracts

Net expenses from reinsurance contracts represent the difference between the values of expected and actual reinsurance claims and expenses, together with the release of reinsurance risk adjustment as contracts run off, and the release of reinsurance contractual service margin. The reinsurance contractual service margin represents the cost of reinsurance which is spread over the duration of the reinsurance contracts. During the six months to 30 June 2023, net expenses from reinsurance contracts increased by £8m to £17m reflecting a higher release of reinsurance CSM (cost) following an increase to the CSM balance attributable to the mortality basis change at FY22.

Net investment return

The main components of net investment return are interest earned and changes in fair value of the Group's corporate bond, mortgage and other fixed income assets. Although there has been an increase in risk-free rates during the period, a revised hedging strategy during 2022 and H1 23 has removed[1] the IFRS exposure whilst significantly containing our Solvency II sensitivity to future interest rate movements. We closely match our assets and liabilities, hence fluctuations in interest rates will cause similar movements on both sides of the IFRS balance sheet. During the first half of 2023, the Group purchased long term-gilts held on an amortised cost basis in IFRS, fair value basis in Solvency II to reduce the Group's Solvency II capital exposure to interest rate movements.

Net finance income/(expense) from insurance and reinsurance contracts

Finance costs from insurance and reinsurance contracts represent the net cost of the unwind of the discounting of reserves, and the net gain or loss from changes in discount rates. The net income in the current period reflected a benefit from the increase in discount rates on the value of best estimate and risk adjustment reserves, partly offset by the net cost of unwind of reserves. Long dated cashflows from assets and liabilities on the balance sheet are closely cashflow matched and not exposed to movements in long term interest rates, particularly since the change in the interest rate hedging strategy explained above.

[1] See note 14 for interest rate sensitivities, with a 100 bps increase in interest rates resulting in an increase in pretax profit of £4.1m and a 100 bps decrease in interest rates resulting in an increase in pretax profit of £8.3m.

Other operating expenses

Other operating expenses are broadly stable at £51m in the current period and are in line with £50m for the six months ended 30 June 2022, as we maintained strong cost control in the business, despite an inflationary environment.

Other finance costs

The Group's overall finance costs increased to £39m (six months to 30 June 2022: £29m). Finance costs have increased due to interest charged on repurchase agreements used to fund the new gilts investment portfolio in relation to the new interest rate hedging strategy, which was implemented in the first half of 2023. Within the KPIs, interest on repurchase agreements is excluded from finance costs as it is included within the return on surplus within in-force operating profit alongside the gilt income.

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 period ended 30 June 2023 was £35m (six months ended 2022: credit of £56m). The effective tax rate of 30% (2022: 24%) is higher than the standard 23.5% corporation tax rate. This is principally due to tax on a prior year adjustment.

HIGHLIGHTS FROM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	30 June 2023 £m	31 December 2022 £m (restated)
Assets		
Financial investments	**26,161**	23,351
Reinsurance contract assets	**719**	776
of which CSM	*80*	*107*
Other assets	**1,323**	1,285
Total assets	**28,203**	25,412
Share capital and share premium	**199**	199
Other reserves	**945**	938
Accumulated profit and other adjustments	**(294)**	(354)
Total equity attributable to ordinary shareholders of Just Group plc	**850**	783
Tier 1 notes	**322**	322
Non-controlling interest	**(3)**	(2)
Total equity	**1,169**	1,103
Liabilities		
Insurance contract liabilities	**20,606**	19,648
of which CSM	*2,047*	*1,943*
Reinsurance contract liabilities	**103**	121
of which CSM	*(227)*	*(225)*
Other financial liabilities	**5,354**	3,669
Other liabilities	**971**	871
Total liabilities	**27,034**	24,309
Total equity and liabilities	**28,203**	25,412

Total Net Contractual Service Margin included above	**1,740**	1,611
Net Contractual Service Margin net of deferred tax	**1,308**	1,212

Financial investments

During the period, financial investments increased by £2.8bn to £26.2bn (2022: £23.4bn). Excluding the derivatives and collateral, and gilts purchased in relation to the interest rate hedging, during the first half of 2023, the core Investments portfolio increased by 5% to £21.3bn. Over the past 18 months, central banks and governments are withdrawing accommodative stimulus in response to the pandemic, while at the same time, central banks are rapidly raising base rates from their historical low levels to counteract the effect of inflation and prevent it becoming embedded in the economy. Increases in risk-free rates during the period reduce the value of the assets (and matched liabilities), but this was more than offset by investment of the Group's £1.9bn of new business premiums. Credit spreads also tightened during the period. The credit quality of the corporate bond portfolio remains resilient, with 51% of the Group's corporate bond and gilts portfolio rated A or above (31 December 2022: 52%), with a reduction due to a slightly lower weighting to Government investments. Our diversified portfolio continues to grow and is well balanced across a range of industry sectors and geographies.

We continue to position the portfolio with a defensive bias, and year to date have experienced positive ratings performance as 9% of the Group's bond portfolio (excluding gilts) was upgraded, offset by 4% being downgraded. The Group continues to have very limited exposure to those sectors that are most sensitive to structural change or macroeconomic conditions, such as auto manufacturers, consumer (cyclical) and basic materials. The Group has increased its ground rent (primarily commercial) investments, and selectively added to consumer and banks investments. The BBB-rated bonds are weighted towards the most defensive sectors including utilities, communications and technology, and infrastructure. We have broadened the BBB exposure towards ground rents, which offer the security of a first charge over the asset, with reduced exposure from the heavier weighted sectors.

The Group continues to have ample liquidity. We prudently manage the balance sheet by hedging all foreign exchange and inflation exposure, and have implemented a revised interest rate hedging strategy during the first half of 2023. This involved the purchase of £2bn of long dated gilts, which are held at amortised cost under IFRS. The effect is to significantly reduce the Solvency II sensitivity to future interest rate movements, without the associated volatility on the IFRS position.

Other illiquid assets and lifetime mortgages

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

To date, Just has invested £3.9bn in other illiquid assets, representing 18% of the investments portfolio (31 December 2022: 16%), spread across more than 300 investments, both UK and abroad. We have invested in our in-house credit team as we have broadened the illiquid asset origination, and work very closely with our specialist asset managers on structuring to enhance our security, with a right to veto on each asset. We anticipate that the upcoming Solvency II reforms, when implemented, will increase the investment opportunities available to us through wider matching adjustment eligibility criteria, such as callable bonds, or assets with a construction phase, where the commencement of cashflows is not entirely certain. A PRA consultation paper on the more complex changes to matching adjustment ("MA") rules and the associated investment flexibility is expected to be launched in September, with reforms to take effect in 2024. We expect these MA changes to support the role HM Treasury is expecting from the industry, whereby appropriate reforms could increase investment by tens of billions of pounds in long-term finance that underpins UK economic growth and productivity.

In the first six months of the year, we funded £789m of other illiquid assets (35 investments), which represented a 42% new business backing ratio. Other illiquid assets are originated via a panel of 15 specialist external asset managers, each carefully selected based on their particular area of expertise. Our "manager of managers" approach allows us to efficiently scale origination of new investments, and to flex allocations between sectors depending on market conditions and risk adjusted returns.

In addition, during the first half of 2023, internally funded lifetime mortgages were £75m (H1 22, £274m), primarily due to a quieter LTM market, which more than halved to £1.4bn, and our ongoing pricing discipline. LTMs remain an attractive asset class, however, in a higher interest rate environment, the initial loan-to-value available to customers is reduced. 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. The loan-to-value ratio of the in-force lifetime mortgage portfolio was 36.5% (31 December 2022: 37.3%), reflecting continued performance across our geographically diversified portfolio, which offsets the interest roll-up. Lifetime mortgages at £5.2bn represent 24% of the investments portfolio, which we expect to drift lower over time as we originate less new LTMs and diversify the portfolio with other illiquid assets. The 11% Solvency II capital coverage ratio impact for an immediate 10% fall in UK house prices remains at a level we are comfortable with.

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

	30 June 2023 £m	30 June 2023 %	31 December 2022 £m (restated)	31 December 2022 % (restated)
AAA[1]	**2,235**	**8**	1,939	8
AA[1,3] and gilts	**4,140**	**17**	1,993	8
A[1,2,3]	**6,398**	**24**	5,989	26
BBB[1,2,3]	**6,851**	**26**	6,441	28
BB or below[1,2]	**655**	**2**	793	3
Unrated[1,3]	**865**	**3**	930	4
Lifetime mortgages	**5,177**	**20**	5,306	23
Total[1,2,3]	**26,321**	**100**	23,391	100

1 Includes units held in liquidity funds, derivatives and collateral and gilts (interest rate hedging).
2 Includes investment in trusts which holds ground rent generating assets which are included in investment properties and investments accounted for using the equity method in the IFRS consolidated statement of financial position.
3 The comparative has been restated to re-allocate ground rents and certain SME investment and other funds to the appropriate rating.

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.

	30 June 2023 £m	30 June 2023 %	31 December 2022 £m (restated)	31 December 2022 % (restated)
Basic materials	**207**	**1.0**	270	1.3
Communications and technology	**1,289**	**6.1**	1,327	6.6
Auto manufacturers	**180**	**0.8**	250	1.2
Consumer (staples including healthcare)	**1,245**	**5.9**	1,012	5.0
Consumer (cyclical)	**245**	**1.2**	125	0.6
Energy	**424**	**2.0**	535	2.7
Banks	**1,374**	**6.5**	1,120	5.5
Insurance	**660**	**3.1**	607	3.0
Financial – other	**1,123**	**5.3**	956	4.7
Real estate including REITs	**510**	**2.4**	437	2.2
Government	**1,412**	**6.6**	1,596	7.9
Industrial	**599**	**2.8**	622	3.1
Utilities	**2,216**	**10.4**	2,266	11.2
Commercial mortgages	**629**	**3.0**	584	2.9
Ground rents[1]	**847**	**4.0**	291	1.4
Infrastructure	**1,868**	**8.8**	1,702	8.5
Other	**42**	**0.2**	42	0.2
Corporate / government bond total	**14,870**	**69.9**	13,742	68.0
Lifetime mortgages	**5,177**	**24.4**	5,306	26.2
Liquidity funds	**1,205**	**5.7**	1,174	5.8
Investments portfolio	**21,252**	**100.0**	20,222	100.0
Derivatives and collateral	**3,099**		3,169	
Gilts (interest rate hedging)	**1,970**		-	
Total[1]	**26,321**		23,391	

1 Includes direct ground rents and where applicable, investment in trusts which holds ground rent generating assets which are included in investment properties and investments accounted for using the equity method in the IFRS consolidated statement of financial position.

Reinsurance contract assets and liabilities

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

Reinsurance assets decreased to £719m at 30 June 2023 (31 December 2022: £776m) as the reinsurance quota share treaties gradually run-off.

Other assets
Other assets remained consistent at £1.3bn at 30 June 2023 (31 December 2022: £1.3bn). These assets mainly comprise cash and intangible assets. The Group holds significant amounts of assets in cash, so as to protect against liquidity stresses.

Insurance contract liabilities
Insurance contract liabilities increased to £20.6bn at 30 June 2023 (31 December 2022: £19.6bn). The increase in liabilities reflects the increase in new business premiums written offset by an increase to the valuation rate of interest and policyholder payments over the period.

Other liabilities
Other liability balances decreased to £971m at 30 June 2023 (31 December 2022: £871m) due to the reductions in the deferred tax liability and accruals.

IFRS net assets
The Group's total equity at 30 June 2023 was £1.2bn (31 December 2022: £1.1bn). Total equity includes the Restricted Tier 1 notes of £322m (after issue costs) issued by the Group in September 2021. The total equity attributable to ordinary shareholders increased to £850m (31 December 2022: £783m).

NEW BUSINESS PROFIT RECONCILIATION

New business profit is deferred on the balance sheet under IFRS 17. It is the equivalent of the previous new business profit KPI under IFRS 4 and is determined in a similar manner, but uses risk parameters updated for IFRS 17. The effect of these changes is detailed in the reconciliation table at the end of this section.

In addition IFRS 17 introduces clarification regarding the economic assumptions to be used at the point of recognition of contracts for accounts purposes. Just recognises contracts based on their completion dates for IFRS 17, but bases its assessment of new business profitability for management purposes based on the economic parameters prevailing at the quote date for GIfL business. IFRS 17 also introduces a requirement to include the reinsurance CSM in respect of business to be written after the reporting date up until the end of reinsurance treaty notice periods.

	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 £m (restated)
New business CSM on gross business written	**158**	88
Reinsurance CSM	**(10)**	(5)
Net new business CSM	**148**	83
Impact of using quote date for profitability measurement	**13**	(7)
New business profit	**161**	76

DEFERRAL OF PROFIT IN CSM

As noted above, underlying operating profit is the core performance metric on which we have based our 15% growth target, per annum, on average, over the medium term. This includes new business profits deferred in CSM that will be released in future. When reconciling the underlying operating profit with the statutory IFRS profit it is necessary to adjust for the value of the net deferral of profit in CSM.

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

	Six months ended 30 June 2023			Six months ended 30 June 2022		
	Gross insurance contracts £m	**Reinsurance contracts £m**	**Total £m**	Gross insurance contracts £m	Reinsurance contracts £m	Total £m
CSM balance at 1 January	**1,943**	**(332)**	**1,611**	1,489	(205)	1,284
New Business initial CSM recognised	**158**	**(10)**	**148**	88	(5)	83
Accretion of interest on CSM	**34**	**(7)**	**27**	18	(2)	16
Changes to future cash flows at locked-in economic assumptions	**(21)**	**31**	**10**	(23)	18	(5)
Amortisation of CSM	**(67)**	**11**	**(56)**	(49)	7	(42)
Net transfers to CSM	**104**	**25**	**129**	34	18	52
CSM balance at 30 June	**2,047**	**(307)**	**1,740**	1,523	(187)	1,336

RESTATEMENT OF ALTERNATIVE PERFORMANCE MEASURES

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

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

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

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

Dividends

The Board has declared an interim dividend of 0.58 pence per share (£6m) (HY2022 interim dividend 0.5 pence per share £5m). This is in line with our stated policy for the interim dividend to be one-third of the equivalent prior year full year dividend of 1.73 pence per share.

ANDY PARSONS

Group Chief Financial Officer

RISK MANAGEMENT

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

PURPOSE

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

RISK FRAMEWORK

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

RISK EVALUATION AND REPORTING

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

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

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

Quantification of the financial impact of climate risk is subject to significant uncertainty. Risks arising from the transition to a lower carbon economy are heavily dependent on government policy developments, social responses to these developments and market trends. Just's initial focus has been on the implementation of strategies to reduce the likely exposure to this risk. Just will continue to adapt its view of climate risk as more data and methodologies emerge.

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

OWN RISK AND SOLVENCY ASSESSMENT

The Group's Own Risk and Solvency Assessment ("ORSA") process embeds comprehensive risk reviews into our Group management activities. Our annual ORSA report is a key part of our business risk management cycle. . It summarises work carried out in assessing the Group's risks related to its strategy and business plan, supported by a variety of quantitative scenarios, and integrates findings from recovery and run-off analysis. The report provides an opinion on the viability and sustainability of the Group and informs strategic decision making. Updates are provided to the GRCC each quarter, including factors such as key risk limit consumption as well as conduct, and operational and market risk developments, to keep the Board appraised of the Group's evolving risk profile.

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

PRINCIPAL RISKS AND UNCERTAINTIES

STRATEGIC PRIORITIES

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

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

ONGOING PRINCIPAL RISKS

Risk	How we manage or mitigate the risk
A **Market risk** arises from changes in interest rates, residential property prices, credit spreads, inflation, and exchange rates, which affect, directly or indirectly, the level and volatility of market prices of assets and liabilities. The Group is not exposed to any material levels of equity risk. Some very limited equity risk exposure arises from investment into credit funds which have a mandate which allows preferred equity to be held. **Strategic priorities** 1, 3	• Premiums invested into assets matching liability cash flows as closely as practicable; • Market risk exposures managed within pre-defined limits aligned to risk appetite for individual risks; • Exposure managed using regulatory and economic metrics to achieve desired financial outcomes; • Balance sheet managed by hedging exposures including currency and inflation where cost effective to do so; and • Interest rate hedging is in place to manage both Solvency II capital coverage and IFRS equity positions.
B **Credit risk** arises if another party fails to perform its financial obligations to the Group, including failing to perform them in a timely manner. **Strategic priorities** 1, 3, 4	• Investments are restricted to permitted asset classes and concentration limits; • Credit risk exposures monitored in line with credit risk framework, driving corrective action where required; • External events that could impact credit markets are tracked continuously; • Credit risks from reinsurance balances mitigated by the reinsurer depositing back premiums ceded and through collateral arrangements or recapture plans; and • The external fund managers we use are subject to Investment Management Agreements and additional credit guidelines.
C **Insurance risk** arises through exposure to longevity, mortality, morbidity risks and related factors such as levels of withdrawal from lifetime mortgages and management and administration expenses. **Strategic priorities** 1, 3, 4	• Controls maintained over insurance risks related to product development and pricing; • Adherence to approved underwriting requirements; • Medical information developed and used for pricing and reserving to assess longevity risk; • Reinsurance used to reduce longevity risk, with oversight by Just of overall exposures and the aggregate risk ceded; • Group Board review and approval of assumptions used; and • Regular monitoring, control and analysis of actual experience and expense levels.
D **Liquidity risk** is the risk of insufficient suitable assets available to meet the Group's financial obligations as they fall due. **Strategic priorities** 1, 3, 4	• Utilise stress and scenario testing and analysis: including collateral margin stresses, asset eligibility and haircuts under stress; • Utilise corporate bond collateral capacity to reduce liquidity demands and improve our liquidity stress resilience; • Risk assessment reporting and risk event logs inform governance and enable effective oversight; and • Contingency funding plan maintained with funding options and process for determining actions.
E **Conduct and operational risks** arise from inadequate internal processes, people and systems, or external events including changes in the regulatory environment.	• Implementation of policies, controls, and mitigating activities to keep risks within appetite; • GRCC oversight of risk status reports and any actions needed to bring risks back within appetite;

Such risks can result in harm to our customers, the markets in which we do business or our regulatory relationships as well as direct or indirect loss, or reputational impacts. **Strategic priorities** 1, 2, 3, 4, 5	• Scenario-based assessment to establish the level of capital needed for conduct and operational risks; • Monitoring conduct risk indicators and their underlying drivers prompting action to protect customers; • Risk management training and other actions to embed regulatory changes; and • Ensuring data subjects can exercise their GDPR rights including their right to be forgotten and subject access requests to obtain their data held by Just.
F **Strategic risk** arises from the choices the Group makes about the markets in which it competes and the environment in which it competes. These risks include the risk of changes to regulation, competition, or social changes which affect the desirability of the Group's products and services. **Strategic priorities** 1, 2, 3, 4, 5	• The Group operates an annual strategic review cycle; • Information on the strategic environment, which includes both external market and economic factors and those internal factors which affect our ability to maintain our competitiveness, is regularly analysed to assess the impact on the Group's business models; • Engagement with industry bodies supports our information gathering; and • The Group responds to consultations through trade bodies where appropriate.

RISK OUTLOOK

How this risk affects Just	Just's exposure to the risk	Outlook and how we manage or mitigate the risk
1 **Political and regulatory** Changes in regulation and/or the political environment can impact the Group's financial position and its ability to conduct business. The financial services industry continues to see a high level of regulatory activity. **Strategic priorities** 1, 3, 4, 5 **Trend** Uncertain	Just monitors and assesses regulatory developments on an ongoing basis. We seek to actively participate in all regulatory initiatives which may affect or provide future opportunities for the Group. Our aims are to implement any changes required effectively and deliver better outcomes for our customers and a competitive advantage for the business. We develop our strategy by giving consideration to planned political and regulatory developments and allowing for contingencies should outcomes differ from our expectations.	HM Treasury continues to review the future regulatory framework for financial services, which includes the Solvency II review. Both reviews could impact the amount of capital our businesses are required to hold. The HM Treasury response in November 2022 set out the Government's final reform package for Solvency UK, including: • a reduction in the Risk Margin; • an enhancement in the Fundamental Spread risk sensitivity although its underlying design will be unchanged; and • a broadening of eligibility requirements for the Matching Adjustment, the inclusion of assets with 'highly predictable' cash flows, and other changes including increased flexibility in the associated processes. The Solvency II review is now being implemented. The Group continues to monitor and assess the changes proposed and engage with the PRA and industry representatives. The PRA has published the first of three consultations (CP12/23). Matching Adjustment and Risk Margin reform are of key importance to Just's business model. The FCA's rules for a new Consumer Duty ("Duty") (PS22/9 published July 2022) have set higher and clearer standards for consumer protection across financial services and require firms to put customers' needs first. Firms are required to apply the Duty to new and existing products and services that are open to sale (or renewal) from 31 July 2023, and from 31 July 2024 to apply the Duty to products and services in closed books. The Group has achieved substantive compliance by the 31 July 2023 deadline. Work is now progressing on continuation of

		embedding the Duty as well as delivery of plans to meet the July 2024 deadline. New PRA and FCA regulations on operational resilience took effect in March 2022. The Regulators expect firms to be operationally resilient to ensure customers are not at a financial disadvantage or placed at risk of financial harm. Firms must identify its most important business services and set impact tolerances for each, with regular scenario testing and an annual Self-Assessment for Board approval. To comply, Just Group identified 15 Important Business Services ("IBS") and set Impact Tolerances ("ITOL") for each IBS in March 2022. These were reviewed and approved by the Board as part of our annual Self-Assessment, most recently in March 2023. The change in insurance accounting standard to IFRS 17 has been implemented and reported in this interim statement. In July 2023 we published an IFRS 17 restatement for FY22 and HY22.
2 **Climate and ESG** Climate change could impact our financial position by impacting the value of residential properties in our lifetime mortgage portfolio and the yields and default risk of our investment portfolios. Just's reputation could also be affected by missed emissions targets or inadequate actions on sustainability issues. **Strategic priorities** 1, 2, 3, 4, 5 **Trend** Increasing	Our TCFD disclosures (pages 36 to 43 of the Just Group plc Annual Report and Accounts 2022) explains how climate-related risks and opportunities are embedded in Just's governance, strategy and risk management, with metrics to show the potential financial impacts on the Group. The metrics reflect the stress-testing capabilities developed to date to assess the potential impact of climate risk on the Group's financial position. The value of properties on which lifetime mortgages are secured can be affected by: (i) transition risk – such as potential government policy changes related to the energy efficiency of residential properties; (ii) physical risks – such as increased flooding due to severe rainfall, or more widespread subsidence after extended droughts. A shortfall in property sale price against the outstanding mortgage could lead to a loss due to the no-negative equity guarantee given to customers. The lifetime mortgage lending policy will be kept under review in light of climate risk and adjustments made as required. For corporate bond and illiquid investment portfolios, the impact of climate risk on assets or business models may affect the ability of corporate bond issuers and commercial borrowers to service their liabilities. Yields available from corporate bonds may also be affected by any litigation or reputational risks associated with the issuers' environmental policies or adherence to emissions targets.	Just is proactive in pursuing its sustainability responsibilities and recognises the importance of its social purpose. We have set sustainability targets for our operations to be carbon net zero by 2025 and for emissions from our investment portfolio, properties on which lifetime mortgages are secured and supply chain to be net zero by 2050, with a 50% reduction in these emissions by 2030. A transition plan has been published and a second iteration is being developed. Evidence is emerging that markets are beginning to differentiate the price of assets based on their ESG position and the Board expects this to continue. We will continue to develop stress testing capabilities to support the monitoring of potential climate change impact on our investment and LTM portfolios with a particular focus on refining the quality of input data. Under Just's Responsible Investment Framework, the ESG characteristics are considered during the investment decision making process. Risks arising from flooding, coastal erosion and subsidence are taken into account in lifetime mortgage lending decisions.
3 **Cyber and technology** IT systems are key to serving customers and running the business. These systems may not operate as expected or may be subject to cyber-attack to steal	Our IT systems are central to conducting our business from delivering outstanding customer service to the financial management of the business. We maintain a framework of operational resilience and disaster recovery capabilities so that we can continue to operate the business in adverse circumstances. Protecting the personal information of our customers and colleagues is a key priority. Internal controls and our people are integral to protecting	The cyber threat to firms is expected to continue at a high level in the coming years with evolving sophistication. We will continue to closely monitor evolving external cyber threats to ensure our information security measures remain fit for purpose. 2023 is seeing further investments in cyber-attack countermeasures, to enable consistent delivery of required security standards. Just's new Chief Information Security Officer is

or misuse our data or for financial gain. Any system failure affecting the Group could lead to costs and disruption, adversely affecting its business and ability to serve its customers, as well as reputational damage. **Strategic priorities** 1, 2, 3, 4, 5 **Trend** Stable	the integrity of our systems, with our multi-layered approach to information security supported by training, embedded company policies and governance. We continue to invest in strategic technologies to strengthen data security and overall resilience. In 2023, we are continuing to make enhancements to network architecture. Our email system has been made more resilient to malicious attacks, including emerging types of ransomware. A specialist Security Operations Centre monitors all our externally facing infrastructure and services, with threat analysis, incident management and response capabilities. The Group's cyber defences are subject to regular external penetration tests to drive enhancements to our technology infrastructure. The development of in-house systems and our use of third-party systems is tightly controlled by technical teams following established standards and practices.	implementing a revised information security team structure and approach.
4 **Insurance risk** In the long-term, the rates of mortality suffered by our customers may differ from the assumptions made when we priced the contract. **Strategic priorities** 1, 3, 4 **Trend** Stable	A high proportion of longevity risk on new business Just writes is reinsured, with the exception of Care business for which the risk is retained in full. Most of the financial exposure to the longevity risks that are not reinsured relate to business written prior to 2016. Reinsurance treaties include collateral to minimise exposure in the event of a reinsurer default. Analysis of collateral arrangements can be found in Notes 27 and 29 of the Just Group plc Annual Report and Accounts. Mortality experience continues to be volatile and significantly above pre-pandemic levels.	Experience and insights emerging since mid-2021 indicate that COVID-19 and the aftermath of the pandemic, will have a material and enduring impact on mortality for existing and future policyholders. Our current assumption about these changes has been incorporated into Just's pricing across our Retirement Income and Lifetime Mortgage products and will be updated as more information becomes available.
5 **Market and credit risk** Fluctuations in interest rates, residential property values, credit spreads, inflation and currency may result, directly or indirectly, in changes in the level and volatility of market prices of assets and liabilities. Investment credit risk is a result of investing to generate returns to meet our obligations to policyholders. Global factors have led to high inflation, increased interest rates and significant volatility in financial markets.	Financial market volatility leads to changes in the level of market prices of assets and liabilities. Our business model and risk management framework have been designed to remain robust against market headwinds. Our policy is to manage market risk within pre-defined limits. Investment in fixed income investments involves default, credit rating downgrade and concentration risks. Other credit risk exposures arise due to the potential default by counterparties we use to: • provide reinsurance to manage longevity risk and to fund new business. • provide financial instruments to mitigate interest rate and currency risk exposures. • holding our cash balances. All over-the-counter derivative transactions are conducted under standardised International Swaps and Derivatives Association master agreements. The Group has collateral agreements with relevant counterparties under each master agreement. Credit risk on cash assets is managed by imposing restrictions over the credit ratings of third parties with whom cash is deposited.	Tightening fiscal and monetary policy are expected to weaken global growth significantly in 2023, with a sustained recession possible in the UK. Financial markets are likely to remain volatile during this period. Our investment assets may experience increased movements in downgrade and/or default experience in 2023. Residential property price falls may increase the Group's exposure to the risk of shortfalls in expected repayments due to no-negative equity guarantee within its portfolio of lifetime mortgages. Any commercial property price falls would reduce the value of collateral held within our commercial mortgage portfolio. The Group is selective in lending in order to limit exposure to marginal properties which are more likely to suffer significant falls in value in a recession. Credit exposures to derivative and deposit counterparties are monitored and actively managed to reduce concentration risk. Our balance sheet sensitivities to these risks can be found in Note 11.

Strategic priorities 1, 3, 4 **Trend** Increasing		
6 **Liquidity risk** Having sufficient liquidity to meet our financial obligations as they fall due requires ongoing management and the availability of appropriate liquidity cover. The liquidity position is stressed in extremely volatile conditions such as those seen in September 2022. **Strategic priorities** 1, 3, 4 **Trend** Increasing	Exposure to liquidity risk arises from: • short term cash flow volatility leading to mismatches between cash flows from assets and liabilities, particularly servicing collateral requirements of financial derivatives and reinsurance agreements; • the liquidation of assets to meet liabilities during stressed market conditions; • higher-than-expected funding requirements on existing LTM contracts, lower redemptions than expected; and • liquidity transferability risk across the Group. Financial markets continue to experience volatility. Just was not directly affected by the Liability Driven Investment ("LDI") crisis last year however whilst the market turmoil seen has reduced volatility remains. Future calls on liquidity are managed within the Group's existing liquidity risk management framework which reserves.	Financial markets are expected to remain volatile into the foreseeable future with an increased level of liquidity risk. At the same time (partly as a result of the LDI crisis) Just is experiencing strong market demand for defined benefit de-risking solutions from pension schemes. Just's use of derivative positions is planned to increase in proportion to its planned growth. Throughout any period of heightened volatility, Just maintains robust liquidity stress testing and holds a high level of liquidity coverage above stressed projections.
7 **Strategic risk** The choices we make about the markets in which we compete and the demand for our product and service offering may be affected by external risks including changes to regulation, competition, or social changes. **Strategic priorities** 1, 2, 3, 4, 5 **Trend** Stable	Risks to the Group's strategy arise from regulatory change as the Group operates in regulated markets and has partners and distributors who are themselves regulated. Actions by regulators may change the shape and scale of the market or alter the attractiveness of markets or demand for the Group's products. Changes in the nature or intensity of competition may impact the Group and increase the risk the business model is not able to be maintained. The actions of our competitors may increase the exposure to the risk from regulation should they fail to maintain appropriate standards of prudence.	Regulation changes, such as Solvency II reform set out in Risk 1, are subject to consultation. It is likely the Group's regulators will not make further significant changes until these have been implemented. There is a risk that pension scheme regulation may change as a result of schemes' own exposures. The FPC has published its assessment of the minimum liquidity resilience requirement for pension schemes which may alter schemes propensity to transfer liabilities to insurers. The UK government is discussing a wide range of potential reforms to aspects of retirement provision that could change the strategic landscape. Demand for de-risking solutions is expected to remain strong having increased after the LDI crisis. Competition for schemes may increase from both existing and potential new competitors. Demand for Lifetime Mortgages has reduced as a result of higher interest rates and may remain subdued until these fall.

The Group's strategic priorities are explained in more detail on pages 16 and 17 of the Just Group plc Annual Report and Accounts 2022.

Statement of Directors' responsibilities

Each of the Directors of the Company confirms that to the best of their knowledge:

- the Condensed consolidated financial statements have been prepared in accordance with UK-adopted IAS 34: Interim financial reporting, as adopted by the UK Endorsement Board;
- the interim results statement includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7, namely important events that have occurred during the period and their impact on the Condensed consolidated financial statements, as well as a description of the principal risks and uncertainties faced by the Company and the undertakings included in the Condensed consolidated financial statements taken as a whole for the remaining six months of the financial period; and
- the interim results statement includes a fair review of material related party transactions and any material changes in the related party transactions described in the last annual report as required by Disclosure and Transparency Rule 4.2.8.

By order of the Board:

DAVID RICHARDSON
Group Chief Executive Officer
14 August 2023

Independent review report to Just Group plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Just Group plc's condensed consolidated interim financial statements (the "interim financial statements") in the interim results of Just Group plc for the 6 month period ended 30 June 2023 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the condensed consolidated statement of financial position as at 30 June 2023;
- the condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim results of Just Group plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The interim results, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the interim results, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the interim results based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

Chartered Accountants

London

14 August 2023

Condensed consolidated statement of comprehensive income
for the period ended 30 June 2023

	Note	**Six months ended 30 June 2023 £m**	Six months ended 30 June 2022 £m (restated)	Year ended 31 December 2022 £m (restated)
Insurance revenue	2	**753.3**	639.3	1,325.3
Insurance service expenses	3	**(682.4)**	(583.0)	(1,196.4)
Net expenses from reinsurance contracts		**(17.3)**	(9.4)	(29.8)
Insurance service result		**53.6**	46.9	99.1
Net investment gain/(loss) on financial assets measured at fair value through profit and loss	4	**(11.1)**	(3,408.2)	(5,188.8)
Interest income on financial assets measured at amortised cost	4	**11.0**	-	-
Investment return		**(0.1)**	(3,408.2)	(5,188.8)
Net finance income/(expense) from insurance contracts	5	**150.5**	3,274.3	4,823.1
Net finance (expense)/income from reinsurance contracts		**(6.9)**	(77.3)	(90.7)
Movement in investment contract liabilities		**(0.7)**	0.4	2.6
Net investment result		**142.8**	(210.8)	(453.8)
Other income		**12.4**	6.3	14.1
Other operating expenses		**(51.2)**	(50.8)	(92.7)
Other finance costs		**(39.0)**	(29.0)	(57.6)
Share of results of associates accounted for using the equity method		**(1.9)**	-	(2.9)
Profit/(loss) before tax		**116.7**	(237.4)	(493.8)
Income tax	7	**(35.4)**	56.7	132.0
Profit/(loss) for the period		**81.3**	(180.7)	(361.8)
Other comprehensive income/(loss):				
Items that will not be reclassified subsequently to profit or loss:				
Revaluation of land and buildings		**-**	(0.2)	0.2
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations		**1.0**	0.7	(0.3)
Other comprehensive income/(loss) for the period, net of income tax		**1.0**	0.5	(0.1)
Total comprehensive income/(loss) for the period		**82.3**	(180.2)	(361.9)
(Loss)/profit attributable to:				
Equity holders of Just Group plc		**81.6**	(180.4)	(361.2)
Non-controlling interest		**(0.3)**	(0.3)	(0.6)
Profit/(loss) for the period		**81.3**	(180.7)	(361.8)
Total comprehensive income/(loss) attributable to:				
Equity holders of Just Group plc		**82.6**	(179.9)	(361.3)
Non-controlling interest		**(0.3)**	(0.3)	(0.6)
Total comprehensive income/(loss) for the period		**82.3**	(180.2)	(361.9)
Basic earnings/(loss) per share (pence)	7	**7.34**	(18.09)	(36.30)
Diluted earnings/(loss) per share (pence)	7	**7.17**	(18.09)	(36.30)

The notes are an integral part of these financial statements.

Condensed consolidated statement of changes in equity
for the period ended 30 June 2023

Six months ended 30 June 2023	**Share capital and share premium £m**	**Other reserves £m**	**Accumulated loss[1] £m**	**Total shareholders' equity £m**	**Tier 1 notes £m**	**Total owners' equity £m**	**Non-controlling interest £m**	**Total £m**
At 1 January 2023	**198.6**	**938.3**	**(353.5)**	**783.4**	**322.4**	**1,105.8**	**(2.5)**	**1,103.3**
Profit for the period	**–**	**–**	**81.6**	**81.6**	**–**	**81.6**	**(0.3)**	**81.3**
Other comprehensive income/(loss) for the period, net of income tax	**–**	**–**	**1.0**	**1.0**	**–**	**1.0**	**–**	**1.0**
Total comprehensive income/(loss) for the period	**–**	**–**	**82.6**	**82.6**	**–**	**82.6**	**(0.3)**	**82.3**
Contributions and distributions								
Shares issued	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Dividends	**–**	**–**	**(12.8)**	**(12.8)**	**–**	**(12.8)**	**–**	**(12.8)**
Interest paid on Tier 1 notes (net of tax)	**–**	**–**	**(6.1)**	**(6.1)**	**–**	**(6.1)**	**–**	**(6.1)**
Share-based payments	**–**	**6.7**	**(4.1)**	**2.6**	**–**	**2.6**	**–**	**2.6**
Total contributions and distributions	**–**	**6.7**	**(23.0)**	**(16.3)**	**–**	**(16.3)**	**–**	**(16.3)**
At 30 June 2023	**198.6**	**945.0**	**(293.9)**	**849.7**	**322.4**	**1,172.1**	**(2.8)**	**1,169.3**

Year ended 31 December 2022	Share capital and share premium £m	Other reserves £m	Accumulated loss[1] £m	Total shareholders' equity £m	Tier 1 notes £m	Total owners' equity £m	Non-controlling interest £m	Total £m
At 1 January 2022 – previously reported	198.5	944.0	977.0	2,119.5	322.4	2,441.9	(1.9)	2,440.0
Impact of adoption of new accounting standards	–	–	(943.6)	(943.6)	–	(943.6)	–	(943.6)
At 1 January 2022 – restated	198.5	944.0	33.4	1,175.9	322.4	1,498.3	(1.9)	1,496.4
Loss for the year	–	–	(361.2)	(361.2)	–	(361.2)	(0.6)	(361.8)
Other comprehensive income/(loss) for the year, net of income tax	–	0.2	(0.3)	(0.1)	–	(0.1)	–	(0.1)
Total comprehensive income/(loss) for the year	–	0.2	(361.5)	(361.3)	–	(361.3)	(0.6)	(361.9)
Contributions and distributions								
Shares issued	0.1	–	–	0.1	–	0.1	–	0.1
Dividends	–	–	(15.6)	(15.6)	–	(15.6)	–	(15.6)
Interest paid on Tier 1 notes (net of tax)	–	–	(13.6)	(13.6)	–	(13.6)	–	(13.6)
Share-based payments	–	(5.9)	3.8	(2.1)	–	(2.1)	–	(2.1)
Total contributions and distributions	0.1	(5.9)	(25.4)	(31.2)	–	(31.2)	–	(31.2)
At 31 December 2022	198.6	938.3	(353.5)	783.4	322.4	1,105.8	(2.5)	1,103.3

Six months ended 30 June 2022	Share capital and share premium £m	Other reserves £m	Accumulated loss[1] £m	Total shareholders' equity £m	Tier 1 notes £m	Total owners' equity £m	Non-controlling interest £m	Total £m
At 1 January 2022	198.5	944.0	977.0	2,119.5	322.4	2,441.9	(1.9)	2,440.0
Impact of adoption of new accounting standards	–	–	(943.6)	(943.6)	–	(943.6)	–	(943.6)
At 1 January 2022 - restated	198.5	944.0	33.4	1,175.9	322.4	1,498.3	(1.9)	1,496.4
Loss for the period	–	–	(180.4)	(180.4)	–	(180.4)	(0.3)	(180.7)
Other comprehensive income/(loss) for the period, net of income tax	–	(0.2)	0.7	0.5	–	0.5	–	0.5
Total comprehensive income/(loss) for the period	–	(0.2)	(179.7)	(179.9)	–	(179.9)	(0.3)	(180.2)
Contributions and distributions								
Shares issued	0.1	–	–	0.1	–	0.1	–	0.1
Dividends	–	–	(10.4)	(10.4)	–	(10.4)	–	(10.4)
Interest paid on Tier 1 notes (net of tax)	–	–	(7.0)	(7.0)	–	(7.0)	–	(7.0)
Share-based payments	–	0.6	(0.4)	0.2	–	0.2	–	0.2
Total contributions and distributions	0.1	0.6	(17.8)	(17.1)	–	(17.1)	–	(17.1)
At 30 June 2022	198.6	944.4	(164.1)	978.9	322.4	1,301.3	(2.2)	1,299.1

[1] Includes currency translation reserve of £0.1m (31 December 2022: £1.1m, 30 June 2022: £0.9m).

The notes are an integral part of these financial statements.

Condensed consolidated statement of financial position
as at 30 June 2023

	Note	30 June 2023 £m	31 December 2022 £m (restated)	30 June 2022 £m (restated)
Assets				
Intangible assets		**45.4**	47.1	45.6
Property, plant and equipment		**21.1**	22.4	12.7
Investment property		**39.7**	40.3	50.1
Financial investments	10	**26,160.8**	23,351.4	22,788.6
Investments accounted for using the equity method		**161.6**	194.3	-
Reinsurance contract assets	14	**718.6**	776.4	599.0
Deferred tax assets	7	**418.2**	449.2	363.5
Current tax assets		**-**	5.7	14.1
Prepayments and accrued income		**16.8**	10.8	9.9
Other receivables		**48.1**	32.7	22.5
Cash available on demand		**572.8**	482.0	544.4
Total assets		**28,203.1**	25,412.3	24,450.4
Equity				
Share capital and share premium	12	**198.6**	198.6	198.6
Other reserves		**945.0**	938.3	944.4
Accumulated loss		**(293.9)**	(353.5)	(164.1)
Total equity attributable to shareholders of Just Group plc		**849.7**	783.4	978.9
Tier 1 notes	13	**322.4**	322.4	322.4
Total equity attributable to owners of Just Group plc		**1,172.1**	1,105.8	1,301.3
Non-controlling interest		**(2.8)**	(2.5)	(2.2)
Total equity		**1,169.3**	1,103.3	1,299.1
Liabilities				
Insurance contract liabilities	14	**20,605.6**	19,647.5	19,559.4
Reinsurance contract liabilities	14	**103.1**	120.7	145.9
Investment contract liabilities		**29.3**	32.5	29.8
Loans and borrowings	15	**709.9**	699.3	774.7
Other financial liabilities	16	**5,354.1**	3,668.9	2,497.4
Other provisions		**1.0**	1.1	0.8
Current tax liabilities		**0.8**	–	–
Accruals and deferred income		**32.3**	42.9	33.0
Other payables		**197.7**	96.1	110.3
Total liabilities		**27,033.8**	24,309.0	23,151.3
Total equity and liabilities		**28,203.1**	25,412.3	24,450.4

The notes are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 14 August 2023 and were signed on its behalf by:

ANDY PARSONS
Director

Condensed consolidated statement of cash flows
for the period ended 30 June 2023

	Note	**Six months ended 30 June 2023 £m**	Six months ended 30 June 2022 £m (restated)	Year ended 31 December 2022 £m (restated)
Cash flows from operating activities				
Profit/(loss) before tax		**116.7**	(237.4)	(493.8)
Property revaluation loss		-	-	0.5
Depreciation of property, plant and equipment		**1.7**	1.7	3.3
Share of results from associates		**1.9**	-	2.9
Amortisation of intangible assets		**1.4**	0.3	2.6
Share-based payments		**2.0**	(0.5)	(3.4)
Interest income		**(497.6)**	(309.5)	(637.9)
Interest expense		**39.0**	28.7	58.0
Net purchases, sales, realised and unrealised gains and losses on financial investments		**(2,635.0)**	2,668.1	2,766.0
Decrease/(increase) in net reinsurance contracts		**76.2**	136.0	(29.5)
Increase in prepayments and accrued income		**(6.0)**	(3.9)	(4.8)
Decrease/(increase) in other receivables		**13.5**	(2.0)	(12.6)
Increase/(decrease) in insurance contract liabilities		**958.1**	(3,527.1)	(3,439.3)
Decrease in investment contract liabilities		**(3.2)**	(3.8)	(1.1)
(Decrease)/increase in accruals and deferred income		**(0.2)**	(9.9)	1.4
Increase in other creditors		**1,694.2**	787.2	1,339.6
(Decrease)/increase in other payables		**(45.9)**	31.4	307.2
Interest received		**480.6**	192.0	401.9
Interest paid		**(36.0)**	(37.7)	(74.7)
Taxation received		**5.9**	16.0	16.0
Net cash inflow/(outflow) from operating activities		**167.3**	(270.4)	202.3
Cash flows from investing activities				
Additions to internally generated intangible assets		**-**	(0.8)	(4.6)
Acquisition of property and equipment		**(0.3)**	(0.2)	(3.5)
Disposal of property		**-**	3.1	3.1
Acquisition of subsidiaries		**-**	-	(197.3)
Net cash (outflow)/inflow from investing activities		**(0.3)**	2.1	(202.3)
Cash flows from financing activities				
Issue of ordinary share capital (net of costs)	12	**-**	0.1	0.1
Decrease in borrowings (net of costs)		**-**	-	(76.5)
Dividends paid	9	**(12.8)**	(10.4)	(15.6)
Coupon paid on Tier 1 notes	9	**(8.1)**	(8.7)	(16.9)
Interest paid on borrowings		**(24.4)**	(28.4)	(57.1)
Payment of lease liabilities – principal		**(0.9)**	(1.9)	(2.9)
Payment of lease liabilities – interest		**-**	-	(0.1)
Net cash outflow from financing activities		**(46.2)**	(49.3)	(169.0)
Net increase/(decrease) in cash and cash equivalents		**120.8**	(317.6)	(169.0)
Foreign exchange differences on cash balances		**1.2**	-	4.7
Cash and cash equivalents at start of period		**1,656.4**	1,820.7	1,820.7
Cash and cash equivalents at end of period		**1,778.4**	1,503.1	1,656.4
Cash available on demand		**572.8**	544.4	482.0
Units in liquidity funds		**1,205.6**	958.7	1,174.4
Cash and cash equivalents at end of period		**1,778.4**	1,503.1	1,656.4

The notes are an integral part of these financial statements.

Notes to the Condensed consolidated financial statements

1. BASIS OF PREPARATION

These Condensed interim financial statements comprise the Condensed consolidated financial statements of Just Group plc ("the Company") and its subsidiaries, together referred to as "the Group", as at, and for the six-month period ended, 30 June 2023.

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2023 has been prepared in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority..

These Condensed interim financial statements need to be read in conjunction with the Annual Report and Accounts for the year ended 31 December 2022 which were 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.

These Condensed interim financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The results for the year ended and position as at 31 December 2022 have been taken from the Group's 2022 Annual Report and Accounts and restated for the adoption of IFRS 17 'Insurance Contracts', and IFRS 9 'Financial Instruments', as explained in note 1.2. The Group's 2022 Annual Report and Accounts was approved by the Board of Directors on 7 March 2023 and delivered to the Registrar of Companies. The report of the auditor on those accounts was (i) unqualified, (ii) did not contain any statement under section 498 (2) or (3) of the Companies Act 2006, and (iii) did not contain an emphasis of matter paragraph. The results for the six-month period ended 30 June 2022 have been taken from the Group's Interim Results for the six months to 30 June 2022 and are also restated for the adoption of IFRS 17 and IFRS 9. The previously reported Statements of financial position at 31 December 2021 (the transitional balance sheet presented on 1 January 2022 for the cumulative impacts of the adoption of new accounting standards) and 31 December 2022 and 30 June 2022 (the comparative balance sheets) have been restated. All restated figures resulting from the adoption of IFRS 17 and IFRS 9 are unaudited.

1.1. 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 Condensed interim financial statements.

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

The Group has a robust liquidity framework designed to withstand a range of "worst case" to 1-in-200 year historic liquidity events. The Group liquid resources includes an undrawn revolving credit facility of up to £300m for general corporate and working capital purposes. The borrowing facility is subject to covenants that are measured biannually in June and December, being the ratio of consolidated net debt to the sum of net assets and consolidated net debt not being greater than 45%. The ratio on 30 June 2023 was 25.4% (31 December 2022: 14.6%). The Group's business plan indicates that liquidity headroom will be maintained above the Group's borrowing facilities and financial covenants will be met throughout the period.

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

The resilience of the solvency capital position has been tested under a range of adverse scenarios, before and after management actions within the Group's control, which considers the possible impacts on the Group's business, including stresses to UK residential property prices, house price inflation, the credit quality of assets, mortality, and risk-free rates, together with a reduction in new business levels. In addition, the results of extreme property stress tests were considered, including a property price fall of over 40%. Eligible own funds exceeded the minimum capital requirement in all stressed scenarios described above.

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

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

The Directors' assessment concluded that it remains appropriate to value assets and liabilities on the assumption that there are adequate resources to continue in business and meet obligations as they fall due for the foreseeable future, being at least 12 months from the date of signing this report. Accordingly, the going concern basis has been adopted in the valuation of assets and liabilities.

1.2. New accounting standards and new material accounting policies

The Group has applied UK-adopted IFRS for the preparation of these financial statements. Other than the adoption of the new IFRS 9 and IFRS 17 accounting standards described below, the accounting policies applied in the preparation of these consolidated financial statements are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2022.

1.2.1. Adoption of new and amended accounting standards

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

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

  IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4, 'Insurance Contracts'.

- IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments: Recognition and Measurement' and is effective for accounting periods beginning on or after 1 January 2018. However, the Group previously met the relevant criteria and has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023, the date at which IFRS 17 becomes effective. Consequently, the Group has applied IFRS 9 commencing 1 January 2023, with comparative periods restated. The classification overlay approach permitted by IFRS 17 on transition of IFRS 9 together with IFRS 17 is applied to derecognised financial statements.

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

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

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

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

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

The change in tax law enabling spreading of the tax recovery of the deferred tax asset created at implementation of IFRS17 over a period of 10 years was enacted on 10 November 2022. The deferred tax asset at the transition date, based on the tax rules effective at that date, has been deemed fully recoverable based on projections of future business activity.

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

- IAS 1, Presentation of financial statements – Amendments in respect of disclosures of accounting policies;
- IAS 8, Accounting policies – Amendments in respect of the definition of accounting estimates;
- IAS 12, Income taxes – Amendments in respect of deferred tax related to assets and liabilities arising from a single transaction.

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

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

1.2.2. Impact of adoption of new accounting standards

Statement of financial position

The previously reported Statements of financial position at 31 December 2021 (the transitional balance sheet presented on 1 January 2022 for the cumulative impacts of the adoption of new accounting standards) and 31 December 2022 and 30 June 2022 (the comparative balance sheets) have been restated as follows:

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

Statement of financial position

	31 December 2021 (previously reported) £m	Reclassification adjustments £m	Measurement adjustments £m	1 January 2022 (restated) £m
Assets				
Intangible assets	119.7	–	(74.6)	45.1
Property, plant and equipment	14.2	–	–	14.2
Financial investments measured at fair value through profit and loss	24,681.7	–	–	24,681.7
Reinsurance contract assets (previously reinsurance assets)	2,808.2	(2,128.1)	36.1	716.2
Deferred tax assets		(5.3)	309.7	304.4
Current tax assets	30.2	–	–	30.2
Prepayments and accrued income	75.6	(69.9)	–	5.7
Other receivables (previously insurance and other receivables)	35.4	(13.7)	(1.0)	20.7
Other assets	582.9	–	–	582.9
Total assets	**28,347.9**	**(2,217.0)**	**270.2**	**26,401.1**
Equity				
Share capital	103.9	–	–	103.9
Share premium	94.6	–	–	94.6
Other reserves	944.0	–	–	944.0
Accumulated profit	977.0	–	(943.6)	33.4
Total equity attributable to shareholders of Just Group plc	**2,119.5**	**–**	**(943.6)**	**1,175.9**
Tier 1 notes	322.4	–	–	322.4
Total equity attributable to owners of Just Group plc	**2,441.9**	**–**	**(943.6)**	1,498.3
Non-controlling interests	(1.9)	–	–	(1.9)
Total equity	**2,440.0**	**–**	**(943.6)**	**1,496.4**
Liabilities				
Insurance contract liabilities (previously Insurance liabilities)	21,812.9	(57.0)	1,330.3	23,086.2
Reinsurance contract liabilities (previously reinsurance liabilities)	274.7	6.5	(116.5)	164.7
Investment contract liabilities	33.6	–	–	33.6
Other financial liabilities	2,865.6	(2,144.7)	–	720.9
Deferred tax liabilities	5.3	(5.3)	–	
Other payables (previously insurance and other payables)	93.3	(12.6)	–	80.7
Other liabilities	822.5	(3.9)	–	818.6
Total liabilities	**25,907.9**	**(2,217.0)**	**1,213.8**	**24,904.7**
Total equity and liabilities	**28,347.9**	**(2,217.0)**	**270.2**	**26,401.1**

Restatement of the comparative Statement of financial position at 30 June 2022

Statement of financial position

	30 June 2022 (previously reported) £m	Reclassification adjustments £m	Measurement adjustments £m	30 June 2022 (restated) £m
Assets				
Intangible assets	111.3	–	(65.7)	45.6
Property, plant and equipment	12.7	–	–	12.7
Financial investments measured at fair value through profit and loss	22,788.6	–	–	22,788.6
Reinsurance contract assets (previously reinsurance assets)	2,372.4	(1,803.9)	30.5	599.0
Deferred tax assets	66.8	–	296.7	363.5
Current tax assets	14.1	–	–	14.1
Prepayments and accrued income	34.2	(24.3)	–	9.9
Other receivables (previously insurance and other receivables)	381.8	(358.3)	(1.0)	22.5
Other assets	594.5	–	–	594.5
Total assets	**26,376.4**	**(2,186.5)**	**260.5**	**24,450.4**
Equity				
Share capital	103.9	–	–	103.9
Share premium	94.7	–	–	94.7
Other reserves	944.4	–	–	944.4
Accumulated profit	734.0	–	(898.1)	(164.1)
Total equity attributable to shareholders of Just Group plc	**1,877.0**	**–**	**(898.1)**	**978.9**
Tier 1 notes	322.4	–	–	322.4
Total equity attributable to owners of Just Group plc	**2,199.4**	**–**	**(898.1)**	**1,301.3**
Non-controlling interests	(2.2)	–		(2.2)
Total equity	**2,197.2**	**–**	**(898.1)**	**1,299.1**
Liabilities				
Insurance contract liabilities (previously Insurance liabilities)	18,652.7	(368.5)	1,275.2	19,559.4
Reinsurance contract liabilities (previously reinsurance liabilities)	258.6	3.9	(116.6)	145.9
Investment contract liabilities	29.8	–	–	29.8
Other financial liabilities	4,307.4	(1,810.0)	–	2,497.4
Deferred tax liabilities	–	–	–	–
Other payables (previously insurance and other payables)	120.2	(9.9)	–	110.3
Other liabilities	810.5	(2.0)	–	808.5
Total liabilities	**24,179.2**	**(2,186.5)**	**1,158.6**	**23,151.3**
Total equity and liabilities	**26,376.4**	**(2,186.5)**	**260.5**	**24,450.4**

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

	31 December 2022 (previously reported) £m	Reclassification adjustments £m	Measurement adjustments £m	31 December 2022 (restated) £m
Assets				
Intangible assets	103.8	–	(56.7)	47.1
Property, plant and equipment	22.4	–	–	22.4
Financial investments measured at fair value through profit and loss	23,477.2	(125.8)	–	23,351.4
Investments accounted for using the equity method	194.3	–	–	194.3
Reinsurance contract assets (previously reinsurance assets)	2,286.9	(1,596.9)	86.4	776.4
Deferred tax assets	93.2	–	356.0	449.2
Current tax assets	5.7	–	–	5.7
Prepayments and accrued income	85.0	(74.2)	–	10.8
Other receivables (previously insurance and other receivables)	322.8	(289.0)	(1.1)	32.7
Other assets	522.3	–	–	522.3
Total assets	**27,113.6**	**(2,085.9)**	**384.6**	**25,412.3**
Equity				
Share capital	103.9	–	–	103.9
Share premium	94.7	–	–	94.7
Other reserves	938.3	–	–	938.3
Accumulated profit	721.0	–	(1,074.5)	(353.5)
Total equity attributable to shareholders of Just Group plc	**1,857.9**	**–**	**(1,074.5)**	783.4
Tier 1 notes	322.4	–	–	322.4
Total equity attributable to owners of Just Group plc	2,180.3	–	(1,074.5)	1,105.8
Non-controlling interests	(2.5)	–		(2.5)
Total equity	**2,177.8**	**–**	**(1,074.5)**	**1,103.3**
Liabilities				
Insurance contract liabilities (previously Insurance liabilities)	18,332.9	(336.1)	1,650.7	19,647.5
Reinsurance contract liabilities (previously reinsurance liabilities)	305.8	6.5	(191.6)	120.7
Investment contract liabilities	32.5	–	–	32.5
Other financial liabilities	5,250.2	(1,581.3)	–	3,668.9
Deferred tax liabilities	–	–	–	–
Other payables (previously insurance and other payables)	262.5	(166.4)	–	96.1
Other liabilities	751.9	(8.6)	–	743.3
Total liabilities	**24,935.8**	**(2,085.9)**	**1,459.1**	**24,309.0**
Total equity and liabilities	**27,113.6**	**(2,085.9)**	**384.6**	**25,412.3**

The reclassification adjustments are:

- the inclusion of insurance receivables and payables balances as cash flows in the measurement of insurance and reinsurance contracts;
- the offsetting of reinsurance deposit backed liabilities against reinsurance contract assets, previously recognised in 'Other financial liabilities';
- the presentation of reinsurance contracts as an asset / liability based on the net position of all contracts within a portfolio, rather than the previous IFRS 4 treatment which was recognised on an individual contract basis;
- in addition to the reclassifications as a result of adopting IFRS 17 and IFRS 9, a further reclassification of £126m has been made in respect of future funding commitments as a derivative forward which was incorrectly accounted for previously. There is no impact on net assets of this revised classification. The impact on 1 January 2022 and 30 June 2022 is not material.

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

- for insurance and reinsurance contracts principally:
    - discount rates, which include allowance for expected and unexpected credit default risks instead of the prudent allowance for credit default risk in IFRS 4;

  - risk adjustment for non-financial risk, a new concept required by IFRS 17 compared to the prudent margins required by IFRS 4; and
  - contractual service margin, which is a significant conceptual change from IFRS 4, whereby profits are recognised over the term of insurance and reinsurance contracts rather than at point of sale.
- The derecognition of present value in force business intangible assets.
- Accounting for the associated tax impacts of the measurement adjustments.

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

Impact on Statement of comprehensive income

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

Notes 2, 3 and 5 are newly required by the adoption of IFRS 17.

Impact on Earnings per share

The loss per share for 31 December 2022 (both basic and diluted) has been restated to 36.30 pence per share from 23.70 pence per share as a result of the adoption of the standards (30 June 2022: 18.09 pence per share from 22.51 pence per share).

1.3. Adoption of IFRS 17

1.3.1. Insurance and reinsurance contracts – determination of transitional amounts

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

a) fully retrospective approach - the contractual service margin at inception is calculated based on initial assumptions when groupings of contracts were incepted, and rolled forward to the date of transition as if IFRS 17 had always been applied; or the
b) fair value approach - the fair value CSM is calculated as the difference between the fair value of the insurance (or reinsurance contracts) and the value of the fulfilment cash flows at the date of transition.

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

	31 December 2021 (previously reported) £m	Reclassifications £m	Transitional adjustment £m	1 January 2022 (restated) £m
Insurance contract liabilities				
- Fully Retrospective Approach (1.3.3)	2,283.7	(7.5)	335.2	2,611.4
- Fair Value Approach (1.3.4)	19,529.2	(49.5)	995.1	20,474.8
Total insurance contracts	**21,812.9**	**(57.0)**	**1,330.3**	**23,086.2**
Reinsurance contracts				
Reinsurance contract assets - Fair Value Approach	(2,808.2)	2,128.2	(36.2)	(716.2)
Total reinsurance contract assets	**(2,808.2)**	**2,128.2**	**(36.2)**	**(716.2)**
Reinsurance contract liabilities				
- Fully Retrospective Approach (1.3.3)	32.6	–	(32.4)	0.2
- Fair Value Approach (1.3.4)	242.1	6.5	(84.1)	164.5
Total reinsurance contract liabilities	**274.7**	**6.5**	**(116.5)**	**164.7**
Net reinsurance contracts (assets)	**(2,533.5)**	**2,134.7**	**(152.7)**	**(551.5)**

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

1.3.2.1. Determination of best estimate and risk adjustment

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

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.

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

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

1.3.2.2. Discount rates

All cash flows were discounted using investment yield curves adjusted to allow for expected and unexpected credit risk (refer to 1.5 and Note 14(b)).

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

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

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

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

1.3.3. Fully retrospective approach

On transition to IFRS 17, the Group has applied the fully retrospective approach unless it has concluded it is impracticable (see sections 1.3.4 and 1.3.5). The Group has applied the fully retrospective approach on transition for all insurance contracts issued on or after 1 January 2021 and prior to the 1 January 2023 effective date.

For all contracts issued after 1 January 2021, the Group has applied the accounting policies (see Note 1.5) for the measurement and recognition of insurance and reinsurance contracts and used the quantitative inputs described in Note 1.3.2 to determine the best estimate and risk adjustment.

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

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

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

1.3.4. Fair value approach

Where the Group has concluded that the fully retrospective approach is impracticable, it has applied the fair value approach on transition for all groups of insurance and associated reinsurance contracts. For each legal entity, fair value basis cohorts have been grouped across multiple underwriting years into a single unit for each product type and reinsurance treaty for measurement purposes, which is the unit of account applied.

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

1.3.5. Impracticability assessment

IFRS 17 requires firms to apply the Standard fully retrospectively, unless it is impracticable to do so, in which case either a modified retrospective approach or fair value approach may be taken. For insurance and reinsurance contracts where the effective date of the contract was prior to 1 January 2021, the Group concluded that it would be impracticable to apply the standard on a fully retrospective basis due to the inability of determining the risk adjustment, a new requirement in terms of IFRS 17, in earlier years without the application of hindsight. Guidance contained in the IAS 8 accounting standard 'Accounting Policies, Changes in Accounting Estimates and Errors' requires that hindsight should not be applied in the application of an accounting standard on a retrospective basis.

Impracticability of application of Risk Adjustment on the fully retrospective approach (insurance contracts)

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

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

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

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

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

Impracticability assessment for reinsurance contracts held

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

Approach adopted

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

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

1.4. Determination of fair value

1.4.1. Fair value principles

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

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

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

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

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

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

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

1.4.2. Aggregation of contracts for the determination of fair value

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

All insurance contracts which are valued at the date of transition using the fair value transition method have been allocated to the 'any remaining contracts' profitability grouping (see note 1.5).

1.4.3. Overview of the fair value approach applied

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

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

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

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

1.4.4. Principal inputs used to determine fair value

1.4.4.1. Best estimate and risk margin

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

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

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

1.4.4.2. Solvency capital ratio ("SCR")

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

1.4.4.3. Return on capital – weighted average cost of capital ("WACC")

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

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

1.4.5. Summary of fair value results

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

	Fair value £m	Estimate of present value of future cashflows £m	Risk adjustment £m	Contractual service margin £m
Insurance contract liabilities	20,474.8	18,342.9	905.1	1,226.8
Reinsurance contract assets	716.2	546.3	115.7	54.2
Reinsurance contract liabilities	(164.5)	(677.6)	394.7	118.4
Net reinsurance contracts (asset)	*551.7*	*(131.3)*	*510.4*	*172.6*
Insurance contract liabilities – net of reinsurance	**19,923.1**	**18,474.2**	**394.7**	**1,054.2**

The amounts previously reported under IFRS 4 on 1 January 2022 for insurance contract liabilities and net reinsurance contracts, where the fair value approach to transition has been adopted was £19,529.2m and £2,566.1m respectively. Disclosure of the fair value component of the transition approach can be found in Note 1.3.1.

1.4.6. Sensitivities

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

	Insurance contract liabilities £m (increase)/decrease	Reinsurance contract (net) £m increase/(decrease)	Insurance contract liabilities net of reinsurance £m (increase)/decrease
Reported balances	20,474.8	(551.7)	19,923.1
Solvency coverage ratio			
+10%	103.4	(25.2)	78.2
-10%	(103.3)	25.1	(78.2)
Return on capital			
+1%	177.2	(60.0)	117.2
-1%	(201.3)	68.4	(132.9)
Matching Adjustment			
+10bps	(49.2)	2.4	(46.8)
-10bps	50.0	(2.4)	47.6

1.5. IFRS 17 Accounting policies

The Group uses the General Measurement Model to measure all insurance and reinsurance contracts and consequently does not apply the Variable Fee Approach or the Premium Allocation Approach to the measurement of any of its liabilities. IFRS 17 is only applied to insurance and reinsurance contracts and not to any other ancillary agreements which represent the provision of distinct non-insurance services.

1.5.1. Level of aggregation

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

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

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

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

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

Reinsurance treaties are allocated to portfolios depending on whether they transfer longevity and financial (inflation and / or investment) risk or longevity risk alone. Reinsurance CSM is computed separately for each reinsurance treaty for each underwriting year.

1.5.2. Recognition

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

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

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

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

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

1.5.3. Contract boundaries

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

1.5.4. Initial measurement

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

(a) the fulfilment cash flows; and
(b) the CSM, if a positive value.

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

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

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

The detailed policies and methodologies used for the determination of the discount rate and the risk adjustment are included within Note 14.

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

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

1.5.5. Subsequent measurement

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

(a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods, and
(b) any remaining CSM at that date.

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

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

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

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

- the CSM of any new contracts that are added to the group in the period;
- interest accreted on the carrying amount of the CSM during the period, measured at the discount rates determined on initial recognition of the group of contracts;
- changes in fulfilment cash flows that relate to future services, except to the extent that:
  - any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised as a loss in the profit or loss account and creates a loss component; or
  - any decreases in the fulfilment cash flows are allocated to the loss component, reversing losses previously recognised in profit or loss account;
  - the changes are due to financial risk in policyholder cash flows compared with expectations, for example inflation,
- the amount recognised as insurance revenue in respect of services provided in the period.

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

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

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

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

The Group provides the following services to customers:

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

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

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

1.5.6. Reinsurance contracts

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

The risk adjustment for non-financial risk represents the amount of the risk transferred by the Group to the reinsurer. Allowance for non-performance risks of reinsurers is made within the future cash flows.

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

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

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

- the CSM of reinsurance ceded in the period;
- interest accreted on the CSM during the period, measured at the discount rates determined on initial recognition;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, except to the extent that a change results from a change in fulfilment cash flows allocated to a group of underlying insurance contracts that does not adjust the CSM of the group of underlying contracts, in which case the change is recognised in profit or loss;
- any reinsurance recovery, or reversal thereof, recognised in connection with a loss component on underlying contracts calculated based on the reinsurance quota share; and
- the amount representing either the cost or gain of services received from reinsurance in the period.

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

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

1.5.7. Derecognition and contract modification

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

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

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

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

1.5.8. Presentation

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

The Group holds proportional reinsurance cover that is designed to be similar in longevity risk profile to the underlying contracts. The proportional reinsurance cover is reported in separate portfolios depending on whether treaties transfer financial risk. Aggregated reinsurance portfolio balances may be either assets or liabilities in the statement of financial position.

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

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

1.5.8.1. Insurance revenue

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

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

The proportion of the CSM account balance recognised as insurance revenue in each period is based on the proportion of insurance contract service margin provided in the period compared with the value of services expected to be provided in future periods. The proportion of CSM is based on 'coverage units' which represent the quantity of insurance coverage provided by the contracts in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage duration. Further information on the calculation of CSM is given in Notes 2 and 14.

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

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

1.5.8.2. Insurance service expenses

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

1.5.8.3. Loss component

The Group establishes a loss component of the liability for remaining coverage for onerous groups of insurance contracts, if any. The Group writes only single premium contracts which are generally profitable, and hence loss components are not expected to occur. The loss component represents the amount of fulfilment cash outflows that exceed the premium income, and hence are excluded from insurance revenue. Loss components are recognised in the statement of comprehensive income within insurance service expenses when they occur. The balance sheet disclosures in notes 14 present the allocation between the loss component and the liability for remaining coverage excluding the loss component, if any. This run off of the loss component element of the liability for remaining coverage is determined based on coverage units (as used for CSM amortisation) such that the loss component is nil at the end of the contracts.

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

1.6. IFRS 9 Financial instruments

1.6.1. Summary of impact of adoption of IFRS 9

1.6.1.1. Financial assets

The Group's business model is to manage the financial assets and liabilities which back its net insurance contract fulfilment cash flows on a fair value basis. The Group will therefore adopt the approach allowed within the standard to continue to measure the majority of its financial assets at fair value through profit or loss. On the adoption of the standards (IFRS17 and IFRS 9) the Group will continue to classify the Lifetime Mortgages as financial investments at fair value through profit and loss.

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

During 2023, the Group has acquired a portfolio of sovereign gilts which it has classified at amortised cost due to the Group's intention to collect solely payments of principal and interest. Further details have been provided in Note 10 Financial Investments.

1.6.1.2. Financial liabilities

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

1.6.1.3. Hedge accounting

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

1.6.1.4. Classification of financial assets and financial liabilities

The following table shows the original measurement category and carrying amount under IAS 39 and the new measurement category and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 31 December 2022. There has been no significant change in the measurement basis (either fair value or amortised cost) as a result of the adoption of IFRS 9. There is no change to the carrying about of financial instruments for the opening balance sheet presented for the 1 January 2022.

2022	Original classification under IAS 39	New classification under IFRS 9	Carrying amount under IAS 39 £m	New carrying amount under IFRS 9 £m
Financial assets				
Financial investments fair value through profit and loss				
- **Derivative assets**	FVTPL (held for trading)	FVTPL (mandatory)	2,277.0	2,277.0
- **Residential mortgages**	FVTPL (designated)	FVTPL (mandatory)	5,305.9	5,305.9
- **All other financial investments**	FVTPL (designated)	FVTPL (business model)	15,768.5	15,768.5
Other receivables	Loans & receivables	Amortised cost	33.7	32.7
Cash available on demand	Loans & receivables	Amortised cost	482.0	482.0
Financial liabilities				
Investment contracts	FVTPL (designated)	FVTPL (accounting mismatch)	32.5	32.5
Loans and Borrowings	Amortised cost	Amortised cost	699.3	699.3
Other financial liabilities	Amortised cost	Amortised cost	623.1	623.1
- **Derivative liabilities**	FVTPL (held for trading)	FVTPL (mandatory)	3,000.6	3,000.6
Other payables	Amortised cost	Amortised cost	96.1	96.1

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

1.6.2. Classification of financial assets and financial liabilities

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

1.6.2.1. Business model – measurement of financial investments at Fair Value Through Profit and Loss

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

The Groups' investment in Lifetime Mortgages, which contain No Negative Equity Guarantees, are included in financial investments measured at fair value through profit and loss.

1.6.2.2. Derivative instruments

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

1.6.2.3. Amortised cost

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

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

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

1.6.3. Recognition and derecognition

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

Loans secured by residential mortgages, 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.

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 to the contractual cash flows expire, or it is deemed that substantially all the risks and rewards of ownership have been transferred. Where non-cash collateral pledged continues to be recognised by the Group but the counterparty is permitted to sell or re-pledge the collateral, the non-cash collateral assets are classified separately within the Financial instruments note. In the current year these include the new portfolio of amortised cost gilts (See note 10).

1.6.4. 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.

1.6.4.1. 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 11 on the basis of the lowest level of inputs that are significant to the fair value measurement of the financial investment concerned.

1.6.5. Financial assets measured at amortised cost

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

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

Expected credit losses are based on the historic levels of loss experienced for the relevant financial assets, with due consideration given to forward-looking information. The most significant categories of financial assets held at amortised cost for the Group are its portfolio of investments in sovereign gilts and cash available on demand, (see note 10). Investments are reclassified from performing to under-performing when coupons become more than 30 days past due, in line with the presumption set out in IFRS 9, Financial Instruments, or when the financial institution is no longer considered to be investment grade by the rating agents. Due to the nature of the investment in sovereign gilts, it is assumed that these investments are low credit risk and there has been no significant deterioration in credit risk in the investments.

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

The preparation of financial statements requires the Group to select accounting policies and make estimates and assumptions that affect items reported in the Statement of comprehensive income, Statement of financial position, other primary statements and Notes to the financial statements. The adoption of IFRS 17 and IFRS 9 by the Group has resulted in changes to significant accounting estimates and judgements and the major areas of judgement used as part of accounting policy application are summarised below.

Note	Item involving judgement	Critical accounting judgement
1.3	Method of transition in the adoption of IFRS 17	The Group has concluded that is impracticable to apply the fully retrospective approach to all insurance and reinsurance contracts prior to 1 January 2021 and has elected to adopt the fair value approach to these contracts.
1.5	Determination of whether the insurance contracts share similar risks and are managed together.	The Group has concluded that each entity holds a single portfolio of insurance contracts as all contracts share similar risks, primarily relating to longevity and financial risk, and are managed together as a single portfolio. The Group has also concluded that both JRL and PLACL hold portfolios of reinsurance contracts that transfer only longevity risk, and that JRL holds a portfolio that transfers longevity risk and financial risks.
1.5	Selection of method to determine the discount rate for insurance and reinsurance contracts	The Group has elected to apply the top-down approach to determine the discount rate. The discount rate will be determined based on a reference portfolio of assets and allow for deductions for credit risk (both expected and unexpected).
1.6	Selection of recognition and measurement basis of Lifetime Mortgages, including the No Negative Equity Guarantees	The Group has elected to apply the option contained in paragraph 8A in IFRS 17, Insurance Contracts to recognise and measure Lifetime Mortgages, including the No Negative Equity Guarantee component, as financial instruments in terms of IFRS 9, Financial Instruments.
1.6	Classification of financial assets held at fair value	The Group has assessed its business model for the management of investments backing the insurance contract fulfilment cash flows as fair value as it manages those financial assets on a fair value basis.
1.6	Classification of financial assets held at amortised cost	The Group has invested in a portfolio of sovereign gilts during 2023 that should be measured at amortised cost as it intends to collect solely payments of principal and interest. The Group has concluded that it has the ability and intention to collect solely payments of principal and interest, after due consideration of the liquidity requirements of the Group.
1.6.4	Financial assets – valuation method	Assessment of fair value hierarchy for financial investments, which considers the market observability of valuation inputs. Where the market is not active, such as for illiquid assets including commercial mortgages, infrastructure loans and ground rents, management applies judgement in selecting the appropriate valuation technique.
1.6	The selection of an appropriate measurement model to determine the fair value of loans secured by residential mortgages which includes the no-negative equity guarantees clauses (judgement unchanged by changes in accounting policies)	The Group has selected and used a variant of the Black Scholes option pricing formula with real world assumptions to determine the fair value of the no-negative equity guarantee component of the fair value of loans secured by residential mortgages. The Group has selected to use real world assumptions instead of risk neutral assumptions due to the lack of relevant observable market inputs to support a risk neutral valuation approach This selected measurement approach is in line with common industry practice and there does not appear to be an alternative approach that is widely supported in the industry. We acknowledge that there has been significant recent academic and market debate concerning the valuation of no-negative equity guarantees and we intend to continue to actively monitor this debate.

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.

The table below sets out those items the Group considers susceptible to changes in critical estimates and assumptions together with the relevant accounting policy.

Note	Item involving estimates and assumptions	Critical estimates and assumptions
1.4	Determination of the fair value of insurance and reinsurance contracts issued prior to 1 January 2021.	The Group has determined the fair value of these insurance contracts on 1 January 2022. The critical assumptions used as part of the determination of fair value have included the selection of an appropriate weighted average cost of capital, the appropriate level of solvency capital required, and the selection of the asset portfolio to determine the discount rate. A comprehensive description of the approach applied, and the inputs used in the determination of fair value can be found in note 1.4.
11	Measurement of fair value of loans secured by residential mortgages, including measurement of the no-negative equity guarantees (estimate unchanged by changes in accounting policies)	The critical estimates used in valuing loans secured by residential mortgages include the projected future receipts of interest and loan repayments, future house prices, and the future costs of administering the loan portfolio. The key assumptions used as part of the valuation calculation include future property prices and their volatility, mortality, the rate of voluntary redemptions and the liquidity premium added to the swap curve and used to discount the mortgage cash flows. Further details can be found in note 11 under 'Loans secured by residential mortgages'.
1.5, 14	Measurement of insurance contract liabilities – present value of future cash flows	The critical estimates used in measuring insurance liabilities include the projected future annuity payments and the cost of administering payments to policyholders. The Group considers any expenses to be directly attributable if they are required to be incurred to enable the insurance entities to continue to operate as insurance companies selling and maintaining the contracts in force. The key assumptions used in the determination of future cash flows are the mortality and annuity escalations assumptions and the level and inflation of costs of administration. Mortality assumptions are derived from the appropriate standard mortality tables, adjusted to reflect the future expected mortality experience of the policyholders. Maintenance expenses are determined from expense analyses and are assumed to inflate at market-implied rates. Further detail can be found in note 14. The present value of future cash flows are discounted based on discount rates as at the valuation date.
1.5, 14	Determination of discount rate for insurance and reinsurance contracts	Discount rates for gross insurance contract liabilities are based on the yield of a reference portfolio after deducting allowances for expected and unexpected credit default losses. The reference portfolio consisting of the actual asset portfolio backing the net of reinsurance best estimate liabilities and risk adjustment and is adjusted in respect of new contracts incepting in the period to allow for a period of transition from the actual asset holdings to the target portfolio where necessary. No adjustment for liquidity differences between the reference portfolio and the liabilities is made. For calculation of the CSM at the inception of contracts, discount rates are based on the yields from a reference portfolio assumed to be represented by the current target portfolio mix based on the latest investment strategy. A weighted average discount rate curve is used for accreting interest on the CSM and for calculating movements in the CSM due to changes in fulfilment cash flows relating to future service. This separate 'locked-in' discount rate curve is determined for each annual cohort at the end of the cohort's first year and then does not change throughout the remainder of life of the group of contracts.
1.5, 14	Calibration of risk adjustment for insurance contract liabilities	IFRS 17 requires that the future cashflows are adjusted by the risk adjustment for non-financial risk. The risk adjustment for non-financial risks reflects the adjustment to the best estimate cash flows required to provide a 70% level of confidence that longevity, expense and insurance contract specific operational risks will be covered by the liabilities when viewed over the lifetime of the contracts. This represents the level of compensation that Just requires for bearing the uncertainty regarding the amount and timing of the cash flows that arises from non-financial risk and is used as a core parameter within Just's pricing framework when assessing the profitability of new business.
1.5, 14	Measurement of the fulfilment cash flows arising from reinsurance arrangements	The critical estimates used in measuring the value of reinsurance assets and liabilities include the projected future cash flows arising from reinsurers' share of the Group's insurance liabilities including the risk adjustment. The key assumptions used in the valuation include discount rates and mortality experience, as described above, and assumptions around the reinsurers' ability to meet their claims obligations. In instances where reinsurance cover is in place when underlying contracts are written, consistent discount rates are used for calculation of reinsurance CSM as used for the underlying business. In instances where reinsurance is transacted subsequently to the

Note	Item involving estimates and assumptions	Critical estimates and assumptions
		underlying business being written, the reinsurance CSM is calculated using discount rates as at the start date of the reinsurance treaty. Allowance is made for reinsurer credit default risk within the expected cash flows based on the net balance held with the reinsurer after allowing for collateral arrangements. The reinsurance risk adjustment, represents the extent to which non-financial risks are transferred to reinsurers and is measured using the same calibrations as applied to the underlying contracts.
1.5, 14	Subsequent measurement of contractual service margin (CSM) for insurance contracts	The CSM is recognised at point of sale based on the value of the fulfilment cash flows, including directly attributable acquisition expenses. The CSM is recognised in profit and loss over the terms of services provided to policyholders (coverage units). Coverage units will vary depending on the type of service provided. The Group uses the probability of the policy being in force in each time period for weighting the disparate types of coverage unit. This weighting reflects management's view that the value of services provided to policyholders is broadly equivalent across the different phases in the life of contracts. These weightings are applied to the coverage units which are defined as follows: • In the deferred phase of Defined Benefit policies, investment return service coverage units are represented by the return on the funds backing the future cash flow liability in this accumulation phase. Insurance service in this phase is considered insignificant; • In the guaranteed phase of Defined Benefit and Guaranteed Income for Life policies, when payments outwards are being made regardless of any insurance event, investment return service is represented by the payments to annuitants; and • In the life contingent phase of all policies, insurance service is represented by payments to annuitants, as confirmed by the IASB Interpretation Committee ("IFRIC") during 2022.
7	Recoverability of deferred tax	The adoption of IFRS 17 has created tax losses on transition which can be offset against future taxable profits. The Group has assessed that these tax losses will be fully recoverable based on the Group's five-year business plan and projection thereafter.

2. INSURANCE REVENUE

	30 June 2023 £m	30 June 2022 £m
Contractual service margin recognised for services provided	**67.3**	49.3
Change in risk adjustment for non-financial risk for risks expired	**6.7**	7.4
Expected incurred claims and other insurance service expenses	**671.0**	579.3
Recovery of insurance acquisition cash flows	**8.3**	3.3
Total insurance revenue	**753.3**	639.3

Contractual service margin recognised

The contractual service margin ("CSM") release of £67.3m (HY22 £49.3m) is based on the coverage units, at cohort level, representing services provided in the year as a proportion of current and future coverage units.

The CSM release represents 6.4% annualised (HY 22 6.3% annualised) of the CSM reserve balance immediately prior to release. The six months 2023 release includes the effects of the deferral in CSM of the demographic assumption changes made at 31 December 2022 and the new business written in 2022.

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

The risk adjustment release of £6.7m (HY22 £7.4m) represents the value of the release from risk as insurance coverage expires.

Expected incurred claims and other insurance service expenses

This amount represents the expected claims and maintenance expenses cash flows in the period based on the assumptions within the opening liability for future cash flows, reduced to exclude the value of investment components (and other non-insurance) cash flows.

The increase in the value of expected claims and expenses in the period to £671.0m (HY22 £579.3m) reflects the growth and maturity of the business. In the current period 16% of payments to annuitants were still within the guarantee period compared with 22% in the same period in 2022. This decline reflects the run-off of historically longer guarantee periods in GIfL and the change in the mix of business towards DB.

Recovery of insurance acquisition cash flows

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

The significant growth in the value in the six months to £8.3m (HY22 £3.3m) reflects the inclusion of an additional new business cohort. Only the cohorts measured on a fully retrospective basis at transition to IFRS 17 and cohorts of business written since transition (i.e. underwriting years 2021 onwards) have insurance acquisition cash flows. The recovery percentage recognised in the period is consistent with the CSM release percentages.

3. INSURANCE SERVICE EXPENSE

	30 June 2023 £m	30 June 2022 £m
Incurred expenses		
Claims	**652.2**	563.2
Commission	**14.5**	26.8
Personnel expenses	**59.0**	49.6
Other costs	**83.3**	37.1
IFRS 17 treatment of acquisition costs		
Amounts attributable to insurance acquisition cash flows	**(83.7)**	(46.2)
Amortisation of insurance acquisition cash flows	**8.3**	3.3
	733.6	633.8
Represented by:		
Actual claims and maintenance expenses	**674.1**	579.7
Amortisation of insurance acquisition cash flows	**8.3**	3.3
Insurance service expenses	**682.4**	583.0
Other operating expenses	**51.2**	50.8
	733.6	633.8

The actual claims and expenses in the six months of £674.1m (HY22 £579.7m) compare with an expected value of £671.0m (HY22 £579.3m). The difference of £3.1m (HY22 £0.4m) is not considered significant. Claims exclude investment components and other non-insurance cash flows as noted above for insurance revenue. The fall in commission and increase in investment expenses (included in other costs) reflects the switch in investment strategy from LTMs towards more other illiquid investments.

The removal of insurance acquisition cash flows incurred in the period represents costs that have been deferred on the balance sheet as part of the new business CSM. Acquisition costs deferred are the incremental costs of writing new business and relate to the costs associated with writing insurance policies and related overheads. Amounts are amortised over the term of the insurance policies, in line with the service provided (coverage units).

The other operating expenses of £51.2m (HY 2022: £50.8m) include the portion of investment acquisition expenses of £10.4m which are not allocated to new business sales, project and other one-off costs of £16.5m, and £17.3m of costs in the non-life companies.

4. NET INVESTMENT GAINS/(LOSSES) FROM FINANCIAL ASSETS

	30 June 2023 £m	30 June 2022 £m
Interest income:		
Assets at fair value through profit or loss	**486.6**	309.5
Assets at amortised cost	**11.0**	–
Movement in fair value:		
Financial assets and liabilities designated on initial recognition at fair value through profit and loss	**(642.5)**	(3,129.7)
Derivative financial instruments	**143.6**	(588.0)
Movement in amortised cost assets	**1.2**	–
Total net investment (expense)/revenue	**(0.1)**	(3,408.2)

The investment return is £0.1m loss (HY22: £3,408.2m loss). In the current period, interest income and favourable movements on derivatives entirely offset the fair value losses experienced on revaluation of the fixed-income portfolio. Whereas in HY22, the £3.4bn loss was mainly driven by interest rate increases reducing mark to market values offset by higher interest income from the assets and increase in value of inflation swaps).

Interest income of £486.6m (HY22: £309.5m) mainly relates to corporate bonds which have increased due to new business investment. Since June 2022, the Group has invested £0.9m in purchases of debt and other fixed income securities; the fair value of the portfolio at 30 June 2023 is £1.8bn (HY 2022 £1.4bn.)

A new amortised cost portfolio was created with £2.0bn of gilts during the period as a means of backing the IFRS 17 CSM and shareholder funds reserves with investments that do not expose the IFRS balance sheet to interest rate movements. This portfolio is valued on a market value basis for Solvency II reporting, where it is available to back the solvency capital requirement which is interest rate sensitive. The income on this portfolio was £11.0m.

Movements in fair values of £(642.5)m (HY22: £(3,129.7)m) reflect the continued increases in interest rates into the first half of 2023.

Net gains on derivatives of £143.6m (HY22 loss of £588.0m) primarily reflected the increase in inflation. The prior year loss primarily relates to FX swaps. The Group purchases non-GBP denominated assets to diversify and maximise investment opportunities. As our liabilities are GBP denominated we hedge the resulting foreign exchange exposure. The changes to the underlying investment due to foreign exchange movement is therefore broadly offset by the change in derivative value.

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

	30 June 2023 £m	30 June 2022 £m
Interest accreted	**(603.6)**	(261.2)
Effect of changes in interest rates and other financial assumptions	**752.0**	3,537.7
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	**2.1**	(2.2)
Total net finance (expense)/income from insurance contracts	**150.5**	3,274.3

Interest accreted

Interest accreted of £603.6m (HY22 £261.2m) represents the effect of unwinding of the discount rates on the future cash flow and risk adjustment components of the insurance contract liabilities and the effect of interest accretion on the CSM. The more than doubling of accretion in the current period compared with the first six months of 2022 reflects the impact of higher discount rates at the start of 2023 compared with the start of 2022, combined with growth in the size of the insurance portfolio.

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

Effect of changes in interest rates and other financial assumptions

The principal economic assumption changes favourably impacting the movement in insurance liabilities during the period of £752.0m (HY22 £3,537.7m gain) relate to discount rates and inflation. The CSM is held at locked-in discount rates and benefit inflation, and hence the effect of the increase in interest rates experienced in the period applies only to the future cash flows and risk adjustment.

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

The difference in the measurement of changes in estimates relating to future coverage at current discount rates compared to locked-in rates, is recognised within net finance expenses. Significant assumption changes are usually made at year end and therefore the impact at HY23 and HY22 is small (£2.1m gain and £2.2m loss respectively).

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 and Care Plans – and invests the premiums received from these contracts in debt and other fixed income securities, gilts, liquidity funds and lifetime mortgage advances and other illiquid assets.

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.

Underlying operating profit

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

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

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

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

Segmental reporting and reconciliation to financial information

	Six months ended 30 June 2023			Six months ended 30 June 2022 (restated)		
	Insurance £m	**Other £m**	**Total £m**	Insurance £m	Other £m	Total £m
New business profits	**161.3**	**–**	**161.3**	76.2	–	76.2
CSM amortisation[1]	**(28.7)**	**–**	**(28.7)**	(26.6)	–	(26.6)
Net underlying CSM increase[2]	**132.6**	**–**	**132.6**	49.6	–	49.6
In-force operating profit[3]	**88.8**	**3.2**	**92.0**	70.2	1.4	71.6
Other Group companies' operating results	**–**	**(8.5)**	**(8.5)**	–	(7.5)	(7.5)
Development expenditure	**(8.8)**	**(0.8)**	**(9.6)**	(7.3)	(1.4)	(8.7)
Finance costs	**(42.2)**	**8.7**	**(33.5)**	(44.4)	6.8	(37.6)
Underlying operating profit	**170.4**	**2.6**	**173.0**	68.1	(0.7)	67.4
Operating experience and assumption changes[4]	**1.3**	**–**	**1.3**	(3.6)	–	(3.6)
Adjusted operating profit/(loss) before tax	**171.7**	**2.6**	**174.3**	64.5	(0.7)	63.8
Investment and economic movement	**63.7**	**6.0**	**69.7**	(255.6)	0.8	(254.8)
Strategic expenditure	**(4.3)**	**(2.4)**	**(6.7)**	(2.8)	–	(2.8)
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	**14.0**	**(5.9)**	**8.1**	14.0	(5.3)	8.7
Amortisation of acquired intangibles	**–**	**(0.1)**	**(0.1)**	–	(0.1)	(0.1)
Adjusted profit/(loss) before tax	**245.1**	**0.2**	**245.3**	(179.9)	(5.3)	(185.2)
Deferral of profit in CSM[5]	**(128.6)**	**–**	**(128.6)**	(52.2)	–	(52.2)
Profit/(loss) before tax	**116.5**	**0.2**	**116.7**	(232.1)	(5.3)	(237.4)

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

2: Net underlying CSM increase excludes the impact of using quote date for profitability measurement.

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

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

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

	Year ended 31 December 2022 (restated)		
	Insurance £m	Other £m	Total £m
New business profits	265.9	-	265.9
CSM amortisation	(60.6)	-	(60.6)
Net CSM increase	205.3	-	205.3
In-force operating profit	152.7	3.0	155.7
Other Group companies' operating results	-	(16.0)	(16.0)
Development expenditure	(13.5)	(1.4)	(14.9)
Financing costs	(87.5)	14.2	(73.3)
Underlying operating profit	257.0	(0.2)	256.8
Operating experience and assumption changes	104.4	-	104.4
Adjusted operating profit/(loss) before tax	361.4	(0.2)	361.2
Investment and economic movement	(557.0)	19.3	(537.7)
Strategic expenditure	(6.4)	-	(6.4)
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	27.3	(11.3)	16.0
Amortisation of acquired intangibles	-	(0.1)	(0.1)
Adjusted profit/(loss) before tax	(174.7)	7.7	(167.0)
Deferral of profit in CSM	(326.8)	-	(326.8)
Profit/(loss) before tax	(501.5)	7.7	(493.8)

The reconciliation of the new business profit non-IFRS measure to the new business contractual service margin (IFRS measure) is included in the Business review.

Additional analysis of segmental profit or loss

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

Product information analysis

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

	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Defined Benefit De-risking Solutions ("DB")	**1,429.3**	573.6	2,566.9
Guaranteed Income for Life contracts ("GIfL")[1]	**470.1**	305.5	563.8
Retirement Income sales	**1,899.4**	879.1	3,130.7
Defined Benefit De-risking partnering ("DB partnering")	**-**	-	258.6
Net change in premiums receivable	**202.5**	(358.4)	(274.7)
Premium cash flows (note 14(c))	**2,101.9**	520.7	3,114.6

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

7. INCOME TAX

	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 (restated) £m	Year ended 31 December 2022 (restated) £m
Current taxation			
Current year tax on current year profits	**2.0**	-	–
Adjustments in respect of prior periods	**-**	1.7	8.5
Total current tax	**2.0**	1.7	8.5
Deferred taxation			
Deferred tax recognised for losses in the current period	**-**	(42.7)	(128.5)
Deferred tax asset not recognised	**-**	-	0.2
Origination and reversal of temporary differences	**9.4**	0.2	(5.0)
Adjustments in respect of prior periods	**6.2**	-	(8.4)
Tax relief on the transitional adjustment on IFRS 17 implementation	**16.0**	-	–
Remeasurement of deferred tax – change in UK tax rate	**1.8**	(15.9)	1.2
Total deferred tax	**33.4**	(58.4)	(140.5)
Total income tax recognised in profit or loss	**35.4**	(56.7)	(132.0)

The deferred tax assets and liabilities at 30 June 2023 have been calculated based on the rate at which they are expected to reverse. On 3 March 2021, the Government announced an increase in the rate of corporation tax to 25% from 1 April 2023.

A deferred tax asset of £341.0m has been recognised on the adoption of IFRS 17 Insurance Contracts on 1 January 2023, which is fully recoverable, and deferred tax has been recognised at 25%, reflecting the rate at which the deferred tax asset is expected to unwind.

Reconciliation of total income tax to the applicable tax rate

	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 (restated) £m	Year ended 31 December 2022 (restated) £m
Profit/(loss) on ordinary activities before tax	**116.7**	(237.4)	(493.8)
Income tax at 23.5% (30 Jun 2022: 19.0%, 31 Dec 2022: 19%)	**27.4**	(45.1)	(93.8)
Effects of:			
Expenses not deductible for tax purposes	**–**	0.8	1.4
Remeasurement of deferred tax – change in UK tax rate	**1.8**	1.2	1.2
Impact of future tax rate on tax losses	**–**	(14.1)	(33.9)
Adjustments in respect of prior periods	**6.2**	0.1	0.1
Deferred tax asset not recognised	**–**	–	0.2
Other	**–**	0.4	(7.2)
Total income tax recognised in profit or loss	**35.4**	(56.7)	(132.0)

Income tax recognised directly in equity

	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Current taxation			
Relief on Tier 1 interest	**–**	(1.7)	–
Relief on cost of redeeming RT1	**–**	–	–
Other	**–**	–	–
Total current tax	**–**	(1.7)	–
Deferred taxation			
Relief on Tier 1 interest	**(2.0)**	–	(3.2)
Relief in respect of share-based payments	**(0.3)**	(0.7)	(1.3)
Total deferred tax	**(2.3)**	(0.7)	(4.5)
Total income tax recognised directly in equity	**(2.3)**	(2.4)	(4.5)

8. 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 period. 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.

	Six months ended 30 June 2023			Six months ended 30 June 2022 (restated)		
	Earnings £m	**Weighted average number of shares million**	**Earnings per share pence**	Earnings £m	Weighted average number of shares million	Earnings per share pence
Profit/(loss) attributable to equity holders of Just Group plc	**81.6**	**–**	**–**	(180.4)	–	–
Coupon payments in respect of Tier 1 notes (net of tax)	**(6.1)**	**–**	**–**	(7.0)	–	–
Profit/(loss) attributable to ordinary equity holders of Just Group plc (basic)	**75.5**	**1,029.0**	**7.34**	(187.4)	1,035.7	(18.09)
Effect of potentially dilutive share options[1]	**–**	**23.8**	**(0.17)**	–	–	–
Diluted profit/(loss) attributable to ordinary equity holders of Just Group plc	**75.5**	**1,052.8**	**7.17**	(187.4)	1,035.7	(18.09)

[1] The weighted-average number of share options for the six months ended 30 June 2022 and year ended 31 December 2022 that could have potentially diluted basic earnings per share in the future but are not included in diluted EPS because they would be antidilutive was 22.2 million and 23.3 million share options respectively.

	Year ended 31 December 2022 (restated)		
	Earnings £m	Weighted average number of shares million	Earnings per share pence
Loss attributable to equity holders of Just Group plc	(361.2)	–	–
Coupon payments in respect of Tier 1 notes (net of tax)	(13.6)	–	–
Loss attributable to ordinary equity holders of Just Group plc	(374.8)	1,032.4	(36.30)
Effect of potentially dilutive share options[1]	–	–	–
Diluted (loss)/profit attributable to ordinary equity holders of Just Group plc	(374.8)	1,032.4	(36.30)

9. DIVIDENDS AND APPROPRIATIONS

Dividends and appropriations paid were as follows:

	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Final dividend			
Final dividend in respect of prior year end	**12.8**	10.4	10.4
Interim dividend in respect of current year	**–**	–	5.2
Total dividends paid	**12.8**	10.4	15.6
Coupon payments in respect of Tier 1 notes[1]	**8.1**	8.7	16.9
Total distributions to equity holders in the period	**20.9**	19.1	32.5

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

Dividends are paid out of the reserves of Just Group plc, the Company, who at 30 June 2023 had total reserves of £459.7m. Distributions by the Company are not impeded by the accumulated loss reflected in the consolidated financial statements.

In addition to the amounts recognised in the Interim financial statements above, subsequent to 30 June 2023, the Directors approved an interim dividend for 2023 of 0.58 pence per ordinary share (2022: 0.5 pence), amounting to £6m (2022: £5.2m) in total, which will be paid on 4 October 2023.

10. FINANCIAL INVESTMENTS

The Group's financial investments that are measured at fair value through the profit or loss, are either managed within a fair value business model or mandatorily measured at fair value.

The Group's financial investments that are measured at amortised cost are held within a business model where the intention of holding the instruments is to collect solely payments of principal and interest.

In the current year, the Group acquired UK sovereign gilts with a total invested value of £2.0bn that act as an economic hedge to liabilities and components of equity that are not sensitive to interest rate movements. At the point of investment, these investments had contractual maturities of between 14 and 30 years, with an average invested yield of 4.1%. The Group has financed the purchase of these gilts through a series of repurchase ("repo") agreements whereby a fixed amount is repayable at a certain date. At the inception of these agreements they had tenors of between 12 and 21 months.

30 June 2023	Amortised cost £m	Fair value Mandatory £m	Fair value Designated £m	Total £m
Cash available on demand	**572.8**	**–**	**–**	**572.8**
Financial investments – fair value	**–**	**7,542.3**	**16,647.9**	**24,190.2**
Financial investments – amortised cost	**1,970.6**	**–**	**–**	**1,970.6**
Other receivables	**48.1**	**–**	**–**	**48.1**
Total financial assets	**2,591.5**	**7,542.3**	**16,647.9**	**26,781.7**
Underlying assets				
- Investment contracts	**–**	**–**	**29.3**	**29.3**
- Other	**2,591.5**	**7,542.3**	**16,618.6**	**26,752.4**
Total financial assets	**2,591.5**	**7,542.3**	**16,647.9**	**26,781.7**
Investment contract liabilities	**–**	**–**	**29.3**	**29.3**
Loans and borrowings	**709.9**	**–**	**–**	**709.9**
Other financial liabilities	**2,640.8**	**2,713.3**	**–**	**5,354.1**
Other payables	**197.7**	**–**	**–**	**197.7**
Total financial liabilities	**3,548.4**	**2,713.3**	**29.3**	**6,291.0**

31 December 2022	Amortised cost £m	Fair value Mandatory £m	Fair value Designated £m	Total £m
Cash available on demand	482.0	–	–	482.0
Financial investments	–	7,582.9	15,768.5	23,351.4
Other receivables	32.7	–	–	32.7
Total financial assets	514.7	7,582.9	15,768.5	23,866.1
Underlying assets				
- Investment contracts	–	–	32.5	32.5
- Other	514.7	7,582.9	15,736.0	23,833.6
Total financial assets	514.7	7,582.9	15,768.5	23,866.1
Investment contract liabilities	–	–	32.5	32.5
Loans and borrowings	699.3	–	–	699.3
Other financial liabilities	623.1	3,045.8	–	3,668.9
Other payables	96.1	–	–	96.1
Total financial liabilities	1,418.5	3,045.8	32.5	4,496.8

30 June 2022	Amortised cost £m	Fair value Mandatory £m	Fair value Designated £m	Total £m
Cash available on demand	544.4	–	–	544.4
Financial investments	–	7,577.4	15,211.2	22,788.6
Other receivables	22.5	–	–	22.5
Total financial assets	566.9	7,577.4	15,211.2	23,355.5
Underlying assets				
- Investment contracts	–	–	29.8	29.8
- Other	566.9	7,577.4	15,181.4	23,325.7
Total financial assets	566.9	7,577.4	15,211.2	23,355.5
Investment contract liabilities	–	–	29.8	29.8
Loans and borrowings	774.7	–	–	774.7
Other financial liabilities	480.0	2,017.4	–	2,497.4
Other payables	110.3	–	–	110.3
Total financial liabilities	1,365.0	2,017.4	29.8	3,412.2

Analysis of financial investments

	30 June 2023 £m	31 December 2022 (restated) £m	30 June 2022 £m
Units in liquidity funds	**1,205.6**	1,174.4	958.7
Investment funds	**439.8**	421.0	315.1
Debt securities and other fixed income securities	**11,780.4**	11,352.9	11,238.7
Deposits with credit institutions	**749.4**	907.6	750.5
Loans secured by residential mortgages	**5,176.7**	5,305.9	5,897.3
Loans secured by commercial mortgages	**629.2**	583.7	616.0
Loans secured by ground rents	**647.1**	246.9	236.6
Infrastructure loans	**1,057.0**	947.8	968.8
Other loans	**139.4**	134.2	126.8
Derivative financial assets	**2,365.6**	2,277.0	1,680.1
Total investments measured at fair value through profit and loss	**24,190.2**	23,351.4	22,788.6
Gilts - subject to repurchase agreements	**1,970.6**	–	–
Total investments measured at amortised cost	**1,970.6**	–	–
Total financial investments	**26,160.8**	23,351.4	22,788.6

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 short dated liquid assets.

Deposits with credit institutions with a carrying value of £733.5m (31 December 2022: £892.4m / 30 June 2022: £750.5m) have been pledged as collateral in respect of the Group's derivative financial instruments. Amounts pledged as collateral are deposited with the derivative counterparty.

11. FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

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

(a) Determination of fair value and fair value hierarchy

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

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

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

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

Level 3
Inputs to Level 3 fair values include significant unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the

perspective of a market participant that holds the asset or owes the liability. Unobservable inputs reflect the same assumptions as those that the market participant would use in pricing the asset or liability.

Assessment of the observability of pricing information

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

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

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

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

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

	30 June 2023				31 December 2022 (restated)			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets held at fair value through profit or loss								
Units in liquidity funds	**1,200.0**	**5.6**	**–**	**1,205.6**	1,169.8	4.6	–	1,174.4
Investment funds	**–**	**86.0**	**353.8**	**439.8**	–	82.6	338.4	421.0
Debt securities and other fixed income securities	**3,011.7**	**6,950.5**	**1,818.2**	**11,780.4**	3,843.7	5,904.0	1,605.2	11,352.9
Deposits with credit institutions	**733.5**	**15.9**	**–**	**749.4**	892.4	15.2	–	907.6
Loans secured by residential mortgages	**–**	**–**	**5,176.7**	**5,176.7**	–	–	5,305.9	5,305.9
Loans secured by commercial mortgages	**–**	**–**	**629.2**	**629.2**	–	–	583.7	583.7
Loans secured by ground rents	**–**	**–**	**647.1**	**647.1**	–	–	246.9	246.9
Infrastructure loans	**–**	**–**	**1,057.0**	**1,057.0**	–	–	947.8	947.8
Other loans	**–**	**27.0**	**112.4**	**139.4**	–	22.3	111.9	134.2
Derivative financial assets	**–**	**2,365.6**	**–**	**2,365.6**	–	2,276.6	0.4	2,277.0
Financial investments	**4,945.2**	**9,450.6**	**9,794.4**	**24,190.2**	5,905.9	8,305.3	9,140.2	23,351.4
Investment property	**–**	**–**	**39.7**	**39.7**	–	–	40.3	40.3
Gilts – subject to repurchase agreements (fair value)	**1,965.4**	**–**	**–**	**1,965.4**	–	–	–	–
Total financial assets	**6,910.6**	**9,450.6**	**9,834.1**	**26,195.3**	5,905.9	8,305.3	9,180.5	23,391.7
Liabilities held at fair value								
Derivative financial liabilities	**–**	**2,699.9**	**13.4**	**2,713.3**	–	3,004.1	41.7	3,045.8
Obligations for repayment of cash collateral received	**654.2**	**43.1**	**–**	**697.3**	592.8	30.3	–	623.1
Other financial liabilities	**654.2**	**2,743.0**	**13.4**	**3,410.6**	592.8	3,034.4	41.7	3,668.9
Investment contract liabilities	**–**	**–**	**29.3**	**29.3**	–	–	32.5	32.5
Loans and borrowings at amortised cost (fair value)	**–**	**706.1**	**–**	**706.1**	–	704.2	–	704.2
Repurchase obligation (fair value)	**–**	**1,915.2**	**–**	**1,915.2**	–	–	–	–
Total financial liabilities	**654.2**	**5,364.3**	**42.7**	**6,061.2**	592.8	3,738.6	74.2	4,405.6

	30 June 2022			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets held at fair value through profit or loss				
Units in liquidity funds	953.7	5.0	–	958.7
Investment funds	–	64.8	250.3	315.1
Debt securities and other fixed income securities	3,346.4	6,507.6	1,384.7	11,238.7
Deposits with credit institutions	735.8	14.7	–	750.5
Loans secured by residential mortgages	–	–	5,897.3	5,897.3
Loans secured by commercial mortgages	–	–	616.0	616.0
Loans secured by ground rents	–	–	236.6	236.6
Infrastructure loans	–	–	968.8	968.8
Other loans	–	14.5	112.3	126.8
Derivative financial assets	–	1,680.1	–	1,680.1
Financial investments	5,035.9	8,286.7	9,466.0	22,788.6
Investment property	–	–	50.1	50.1
Total financial assets	5,035.9	8,286.7	9,516.1	22,838.7
Liabilities held at fair value				
Derivative financial liabilities	–	2,008.4	9.0	2,017.4
Obligations for repayment of cash collateral received	459.1	20.9	–	480.0
Other financial liabilities	459.1	2,029.3	9.0	2,497.4
Investment contract liabilities	–	–	29.8	29.8
Loans and borrowings at amortised cost (fair value)	–	822.9	–	822.9
Total financial liabilities	459.1	2,852.2	38.8	3,350.1

(c) 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.

Six months ended 30 June 2023	**Investment funds £m**	**Debt securities and other fixed income securities £m**	**Loans secured by residential mortgages £m**	**Loans secured by commercial mortgages £m**	**Loans secured by ground rents £m**	**Infra-structure loans £m**	**Other loans £m**	**Derivative financial assets £m**	**Investment contract liabilities £m**	**Derivative financial liabilities £m**
At 1 January 2023	**338.4**	**1,605.2**	**5,305.9**	**583.7**	**246.9**	**947.8**	**111.9**	**0.4**	**(32.5)**	**(41.7)**
Purchases/advances/deposits	36.3	320.4	86.5	96.3	433.9	138.5	6.8	–	(4.7)	–
Transfers from Level 2	–	–	–	–	–	–	–	–	–	–
Sales/redemptions/payments	(16.0)	(28.1)	(162.3)	(43.4)	(2.7)	(16.3)	–	–	0.2	–
Recognised in profit or loss in net investment income										
Realised gains and losses	–	–	56.5	–	–	–	–	(0.4)	–	21.0
Unrealised gains and losses	(4.9)	(68.0)	(237.5)	(7.6)	(31.0)	(12.9)	(6.3)	–	–	7.3
Interest accrued	–	(11.3)	127.6	0.2	–	(0.1)	–	–	–	–
Change in fair value of liabilities recognised in profit or loss	–	–	–	–	–	–	–	–	7.7	–
At 30 June 2023	**353.8**	**1,818.2**	**5,176.7**	**629.2**	**647.1**	**1,057.0**	**112.4**	**–**	**(29.3)**	**(13.4)**

Year ended 31 December 2022 (restated)	Investment funds £m	Debt securities and other fixed income securities £m	Loans secured by residential mortgages £m	Loans secured by commercial mortgages £m	Loans secured by ground rents £m	Infra-structure loans £m	Other loans £m	Derivative financial assets £m	Investment contract liabilities £m	Derivative financial liabilities £m
At 1 January 2022	233.3	1,449.5	7,422.8	677.8	189.7	993.1	89.7	8.5	(33.6)	(8.6)
Purchases/advances/deposits	106.6	698.8	538.3	91.5	217.6	233.2	–	–	(14.0)	–
Transfers from Level 2	–	(122.9)	–	–	–	–	–	–	–	–
Sales/redemptions/payments	(17.7)	(101.1)	(542.7)	(134.4)	(11.2)	(21.6)	(14.3)	–	11.4	–
Disposal of a portfolio of LTMs[1]	–	–	(750.8)	–	–	–	–	–	–	–
Recognised in profit or loss in net investment income										
Realised gains and losses	–	–	(87.0)	(2.2)	–	–	–	–	–	–
Unrealised gains and losses	16.2	(303.7)	(1,433.9)	(49.1)	(149.2)	(258.5)	36.5	(8.1)	–	(33.1)
Interest accrued	–	(15.4)	159.2	0.1	–	1.6	–	–	–	–
Change in fair value of liabilities recognised in profit or loss	–	–	–	–	–	–	–	–	3.7	–
At 31 December 2022	338.4	1,605.2	5,305.9	583.7	246.9	947.8	111.9	0.4	(32.5)	(41.7)

Six months ended 30 June 2022	Investment funds £m	Debt securities and other fixed income securities £m	Loans secured by residential mortgages £m	Loans secured by commercial mortgages £m	Loans secured by ground rents £m	Infra-structure loans £m	Other loans £m	Derivative financial assets £m	Investment contract liabilities £m	Derivative financial liabilities £m
At 1 January 2022	233.3	1,449.5	7,422.8	677.8	189.7	993.1	89.7	8.5	(33.6)	(8.6)
Purchases/advances/ deposits	49.5	126.6	284.9	47.8	112.9	150.1	–	–	(2.7)	–
Transfers from Level 2	–	–	–	–	–	–	–	–	–	–
Sales/redemptions/ payments	–	(41.7)	(253.6)	(83.5)	(9.4)	(11.3)	(12.8)	–	6.1	–
Disposal of a portfolio of LTMs[1]	–	–	(750.8)	–	–	–	–	–	–	–
Recognised in profit or loss in net investment income										
Realised gains and losses	–	–	87.9	–	–	–	–	–	–	–
Unrealised gains and losses[1]	(32.5)	(151.5)	(963.0)	(26.1)	(56.6)	(163.9)	35.4	(8.5)	–	(0.4)
Interest accrued	–	1.8	69.1	–	–	0.8	–	–	–	–
Change in fair value of liabilities recognised in profit or loss	–	–	–	–	–	–	–	–	0.4	–
At 30 June 2022	250.3	1,384.7	5,897.3	616.0	236.6	968.8	112.3	-	(29.8)	(9.0)

[1] In February 2022 the Group disposed of a portfolio of loans secured by residential mortgages with a fair value of £750.8m. The transaction is part of the Group's strategy to reduce exposure and sensitivity of the balance sheet to the UK property market following changes in the regulatory environment in 2018.

Investment funds

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

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

Discount rate

Discount rates are the most significant assumption applied in calculating the fair value of investment funds. The average discount rate used is 10.0% (31 December 2022 and 30 June 2022: 7.0%).

Sensitivity analysis

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

Investment funds net increase/(decrease) in fair value (£m)	Credit spreads +100bps
30 June 2023	**(10.0)**
31 December 2022	(9.4)
30 June 2022	(10.6)

Debt securities and other fixed income securities

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

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

Credit spreads

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

Sensitivity analysis

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

Debt securities and other fixed income securities net increase/(decrease) in fair value (£m)	Credit spreads +100bps
30 June 2023	**(130.5)**
31 December 2022	(138.1)
30 June 2022	(109.6)

Loans secured by residential mortgages

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

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

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

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

Principal assumptions underlying the calculation of loans secured by residential mortgages

All gains and losses arising from loans secured by mortgages are largely dependent on the term of the mortgage, which in turn is determined by the longevity of the customer. Principal assumptions underlying the calculation of loans secured by mortgages include the items set out below. These assumptions are also used to provide the expected cash flows from the loans secured by residential mortgages which determines the yield on this asset. This yield is used for the purpose of setting valuation discount rates on the liabilities supported, as described in Note 14.

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 4.0% (31 December 2022: 3.9% / 30 June 2022: 4.0%).

Mortality

Mortality assumptions have been derived with reference to England & Wales population mortality using the CMI 2021 model for mortality improvements. These base mortality and improvement tables have been adjusted to reflect the expected future mortality experience of mortgage contract holders, taking into account the medical and lifestyle evidence collected during the sales process and the Group's assessment of how this experience will develop in the future. This assessment takes into consideration relevant industry and population studies, published research materials and management's own experience. The Group has considered the possible impact of the COVID-19 pandemic on its mortality assumptions and has included an allowance for the expected future direct and indirect impacts of this, which remains unchanged from 31 December 2022. Further details of the matters considered in relation to mortality assumptions at 30 June 2023 are set out in Note 14.

Property prices

The approach in place at 30 June 2023, which is the same as at 31 December 2022, is to calculate the value of a property by taking the latest Automated Valuation Model "AVM" result, or latest surveyor value if more recent, indexing this to the balance sheet date using Nationwide UK house price indices and then making a further allowance for property dilapidation since the last revaluation date. To the extent that this reflects market values as at 30 June 2023, no additional short-term adjustment is allowed for.

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

Future property price
In the absence of a reliable long-term forward curve for UK residential property price inflation, the Group has made an assumption about future residential property price inflation based upon available market and industry data. These assumptions have been derived with reference to the long-term expectation of the UK consumer price inflation, "CPI", plus an allowance for the expectation of house price growth above CPI (property risk premium) less a margin for a combination of risks including property dilapidation and basis risk. An additional allowance is made for the volatility of future property prices. This results in a single rate of future house price growth of 3.3% (31 December 2022: 3.3% / 30 June 2022: 3.3%), with a volatility assumption of 13% per annum (31 December 2022: 13% / 30 June 2022 13%). The setting of these assumptions includes consideration of future long and short-term forecasts, the Group's historical experience, benchmarking data, and future uncertainties including the possible impacts of Brexit, the COVID-19 pandemic and a higher interest and inflation rate economic environment on the UK property market. House price reductions have been experienced across much of the UK to date, albeit these have been more modest than some forecasts for the period. As such, at this stage our view is that there is no clear indication of a change in the long-term prospects of the housing market. In light of this, the future house price growth and property volatility assumptions have been maintained at the same level as assumed at 31 December 2022. The sensitivity of loans secured by mortgages to changes in future property price growth, and to future property price volatility, are included in the table of sensitivities below.

Voluntary redemptions
Assumptions for future voluntary redemption levels are based on the Group's recent analyses. The assumed redemption rate varies by duration and product line between 0.5% and 4.1% for loans in JRL (31 December 2022: between 0.5% and 4.1% / 30 June 2022: between 0.5% and 4.1%) and between 0.6% and 6.8% for loans in PLACL (31 December 2022: between 0.6% and 6.8% / 30 June 2022: between 0.6% and 6.8%).

Liquidity premium
The liquidity premium at initial recognition is set such that the fair value of each loan is equal to the face value of the loan. The liquidity premium partly reflects the illiquidity of the loan and also spreads the recognition of profit over the lifetime of the loan. Once calculated, the liquidity premium remains unchanged at future valuations except when further advances are taken out. In this situation, the single liquidity premium to apply to that loan is recalculated allowing for all advances. The average liquidity premium for loans held within JRL is 3.09% (31 December 2022: 3.2% / 30 June 2022: 3.23%) and for loans held within PLACL is 3.44% (31 December 2022: 3.5% / 30 June 2022: 3.47%). The movement over the period observed in both JRL and PLACL is a function of the liquidity premiums on new loan originations compared to the liquidity premiums on those policies which have redeemed over the period, both in reference to the average spread on the back book of business.

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

Loans secured by residential mortgages net increase/(decrease) in fair value (£m)	Maintenance expenses +10%	Base mortality -5%	Immediate property price fall -10%	Future property price growth -0.5%	Future property price volatility +1%	Voluntary redemptions +10%	Liquidity premium +10bps
30 June 2023	**(5.7)**	**(12.3)**	**(83.5)**	**(53.4)**	**(34.8)**	**18.0**	**(50.2)**
31 December 2022	(5.2)	(13.9)	(75.2)	(48.5)	(32.1)	19.7	(47.8)
30 June 2022	(5.6)	16.2	(89.5)	(63.3)	(41.2)	4.3	(62.2)

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

The sensitivities above only consider the impact of the change in these assumptions on the fair value of the asset. Some of these sensitivities would also impact the yield on this asset and hence the valuation discount rate used to determine liabilities. For some of these sensitivities, the impact on the value of insurance liabilities and hence profit before tax is included in Note 14.

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

Loans secured by commercial mortgages

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

Principal assumptions underlying the calculation of loans secured by commercial mortgages

Credit spreads

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

Sensitivity analysis

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

Loans secured by commercial mortgages net increase/(decrease) in fair value (£m)	Credit spreads +100bps
30 June 2023	**(19.9)**
31 December 2022	(19.2)
30 June 2022	(20.3)

Loans secured by ground rents

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

Principal assumptions underlying the calculation of loans secured by ground rents

Credit spreads

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

Sensitivity analysis

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

Loans secured by ground rents net increase/(decrease) in fair value (£m)	Credit spreads +100bps
30 June 2023	**(142.8)**
31 December 2022	(77.9)
30 June 2022	(60.2)

Infrastructure loans

Infrastructure loans are valued using discounted cash flow analyses.

Principal assumptions underlying the calculation of infrastructure loans classified as Level 3

Credit spreads

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

Sensitivity analysis

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

Infrastructure loans net increase/(decrease) in fair value (£m)	Credit spreads +100bps
30 June 2023	**(72.2)**
31 December 2022	(71.7)
30 June 2022	(87.9)

Other loans

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

Principal assumptions underlying the calculation of other loans classified as Level 3

Credit spreads

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

Sensitivity analysis

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

Investment contract liabilities

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

Principal assumptions underlying the calculation of investment contract liabilities

Valuation discount rates

The valuation model discounts the expected future cash flows using a discount rate derived from the assets hypothecated to back the liabilities. The discount rate used for the fixed term annuity product treated as investment business is based on a curve where 8.18% is the 1 year rate and 7.31% is the 5 year rate (31 December 2022: 5.67% / 30 June 2022: 4.45%).

Sensitivity analysis

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

12. SHARE CAPITAL AND SHARE PREMIUM

The allotted, issued and fully paid ordinary share capital of Just Group plc at 30 June 2023 is detailed below:

	Number of £0.10 ordinary shares	Share capital £m	Share premium £m	Total £m
At 1 January 2023	**1,038,702,932**	**103.9**	**94.7**	**198.6**
At 30 June 2023	**1,038,702,932**	**103.9**	**94.7**	**198.6**
At 1 January 2022	1,038,537,044	103.9	94.6	198.5
In respect of employee share schemes	165,888	–	0.1	0.1
At 31 December 2022	1,038,702,932	103.9	94.7	198.6
At 1 January 2022	1,038,537,044	103.9	94.6	198.5
In respect of employee share schemes	16,589	–	0.1	0.1
At 30 June 2022	1,038,553,633	103.9	94.7	198.6

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

13. TIER 1 NOTES

	30 June 2023 £m	31 December 2022 £m	30 June 2022 £m
At start and end of period	**322.4**	322.4	322.4

On 16 September 2021 the Group issued £325m 5.0% perpetual restricted Tier 1 contingent convertible notes, incurring issue costs of £2.6m.

During the period, interest of £8.1m was paid to holders of the Tier 1 notes, (31 December 2022: £16.9m, 30 June 2022: £8.7m). The Tier 1 notes bear interest on the principal amount up to 30 September 2031 (the first reset date) at the rate of 5.0% per annum, and thereafter at a fixed rate of interest reset on the first call date and on each fifth anniversary thereafter. Interest is payable on the Tier 1 notes semi-annually in arrears on 30 March and 30 September each year which commenced on 30 March 2022.

The Group has the option to cancel the coupon payment at its discretion and cancellation of the coupon payment becomes mandatory upon non-compliance with the solvency capital requirement or minimum capital requirement or where the Group has insufficient distributable 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.

14. INSURANCE CONTRACTS AND RELATED REINSURANCE

	30 June 2023 £m	31 December 2022 restated £m	30 June 2022 restated £m
Gross insurance liabilities	**20,605.6**	19,647.5	19,559.4
Reinsurance contract assets	**(718.6)**	(776.4)	(599.0)
Reinsurance contract liabilities	**103.1**	120.7	145.9
Net reinsurance contracts	**(615.5)**	(655.7)	(453.1)
Net insurance liabilities	**19,990.1**	18,991.8	19,106.3

(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 (Defined Benefit ("DB"), Guaranteed Income for Life ("GIfL"), and Care Plans), and whole of life and term protection insurance.

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

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

(b) Measurement of insurance contracts

The Group's long-term insurance contracts include retirement annuities, namely DB and GIfL products, and annuities to fund care fees (immediate needs and deferred).

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

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

Estimates of future cash flows

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

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

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

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

Mortality assumptions

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

An allowance for future effects of COVID-19 was implemented at 31 December 2022 through a combination of using the latest CMI 2021 improvement model and applying an overlay to increase short term mortality rates but which tapers to zero in the long-term. The CMI 2021 improvement model has been used with core parameters, placing no weight on 2020 and 2021 experience. The overlay applies multipliers to mortality rates for each calendar year, uniformly across all ages. The Group will continue to follow closely the actual impact of COVID-19 on mortality and to analyse potential direct and indirect future impacts of the pandemic, including the possibility there will be enduring influences on the longevity of customers. The Group will consider the conclusions of such analysis, alongside assessment of other factors influencing mortality trends, in keeping its assumptions under regular review. Mortality assumptions have been maintained at the same level as assumed at 31 December 2022.

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.

Discount rates

All cash flows are discounted using investment yield curves adjusted to allow for expected and unexpected credit risk. The yields on lifetime mortgage assets are derived using the assumptions described in Note 11 with an additional reduction to the future house price growth rate of 50bps (30 June 2022 / 31 December 2022: 50bps) allowed for.

The overall reduction in yield to allow for the risk of defaults from all non-LTM assets (including gilts, corporate bonds, infrastructure loans, private placements and commercial mortgages) and the adjustment from LTMs, which included a combination of the NNEG guarantee and the additional reduction to future house price growth rate, was 59bps for JRL (31 December 2022 / 30 June 2022: 58bps) and 67bps for PLACL (31 December 2022: 69bps / 30 June 2022: 66bps).

Discount rates at the inception of each contract are based on the yields within a hypothetical reference portfolio of assets which the Group expects to acquire to back the portfolio of new insurance liabilities (the "target portfolio"). A weighted average of these discount rate curves is determined for the purpose of locking-in and calculating movements in the CSM relating to each group of contracts.

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

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

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

Except where there is a significant time difference between the date of entering in the underlying contract and being subject to a reinsurance agreement, the discount rates used for the gross insurance and reinsurance contracts are consistent.

The table below sets out rates at certain points on the yield curves used to discount the best estimate liability and risk adjustment reserves as at each period end:

Discount rate – insurance and reinsurance contracts

	30 June 2023			31 December 2022			30 June 2022		
	JRL	**PLACL**		JRL	PLACL		JRL	PLACL	
	All business %	**Care business %**	**GIfL/DB business %**	All business %	Care business %	GIfL/DB business	All business %	Care business %	GIfL/DB business
1 year	**8.2**	**5.9**	**8.2**	6.6	4.5	6.6	4.6	2.4	4.8
5 year	**7.3**	**4.9**	**7.2**	6.3	4.1	6.3	4.8	2.4	4.8
10 year	**6.5**	**4.1**	**6.4**	5.9	3.8	5.9	4.7	2.3	4.7
20 year	**6.2**	**3.8**	**6.0**	5.8	3.6	5.7	4.6	2.2	4.6
30 year	**5.9**	**3.5**	**5.8**	5.6	3.4	5.5	4.5	2.1	4.5

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

Inflation

Assumptions for annuity escalation are required for RPI, CPI and LPI index linked liabilities, the majority of which are within the Defined Benefit business. The inflation curve assumed in each case is that which is implied by market swap rates, using a mark to model basis for LPI inflation, taking into account any escalation caps and/or floors applicable. This methodology is unchanged at 30 June 2023 compared to the previous period.

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

Future expenses

Assumptions for future policy expense levels, expressed as a per plan charge for GIfL contracts 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 4.00% (31 December 2022: 3.90% / 30 June 2022: 4.00%) derived from the expected retail price and consumer price indices implied by inflation swap rates and an additional allowance for earnings inflation. The annual inflation rate allowance is regarded as a financial assumption and therefore all changes in expense inflation rates are recognised in the profit or loss account.

Risk adjustment

The risk adjustment for non-financial risk is determined to reflect the compensation that the Group requires for bearing longevity, expense, and insurance-contract specific operational risks.

The Group determines the risk adjustment for non-financial risk using a 'value at risk' technique. On an annual basis, the Group uses the probability distributions of the future net of reinsurance cash flows from insurance contracts on a one-year time horizon as used within JRL's internal model for Solvency II reporting, which are then converted to ultimate horizon distributions in order to determine stress parameters at the target percentile. The risk adjustment in PLACL uses the same risk adjustment stress factors as determined for JRL as these represent the compensation the Group requires in light of there being no standalone PLACL internal model for Solvency II reporting.

The risk adjustment for non-financial risk is then calculated as the excess of the value at risk at the target confidence level percentile over the expected present value of the future cash flows. The Group targets an ultimate confidence interval at the 70th percentile. At the point of calibration, this calibration represents an approximately 1 in 10 year stress on a one-year basis. The calibration is carried out on an annual basis ahead of the financial reporting year end, therefore the actual confidence interval as at the valuation date may differ slightly. For example, due to economic movements in the intervening period.

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

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

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

(c) Movements analyses
Insurance contracts analysed by measurement component

			Contractual service margin		
Six months ended 30 June 2023	**Estimate of PV of future cash flows £m**	**Risk adjustment for non-financial risk £m**	**Contracts under fully retrospective approach and general measurement model £m**	**Contracts under Fair value approach £m**	**Total £m**
Opening insurance contract liabilities balance	**(17,030.2)**	**(674.0)**	**(589.1)**	**(1,354.2)**	**(19,647.5)**
Changes in the statement of comprehensive income					
Changes that relate to current service					
CSM recognised for service provided	**-**	**-**	**18.5**	**48.8**	**67.3**
Change in risk adjustment for financial risk for risk expired	**-**	**6.7**	**-**	**-**	**6.7**
Experience adjustments	**(3.1)**	**-**	**-**	**-**	**(3.1)**
Changes that relate to future service					
Contracts initially recognised in the year	**230.7**	**(72.5)**	**(158.2)**	**-**	**-**
Changes in estimates that adjust the CSM	**(23.2)**	**2.2**	**16.8**	**4.2**	**-**
Insurance service result	**204.4**	**(63.6)**	**(122.9)**	**53.0**	**70.9**
Net finance income/(expenses) from insurance contracts	**152.2**	**32.3**	**(13.0)**	**(21.0)**	**150.5**
Exchange rate movements	**36.8**	**-**	**-**	**-**	**36.8**
Total changes in the statement of comprehensive income	**393.4**	**(31.3)**	**(135.9)**	**32.0**	**258.2**
Cash flows					
Premiums received	**(2,101.9)**	**-**	**-**	**-**	**(2,101.9)**
Claims and other insurance service expenses paid, including investment components	**801.9**	**-**	**-**	**-**	**801.9**
Insurance acquisition cash flows	**83.7**	**-**	**-**	**-**	**83.7**
Total cash flows	**(1,216.3)**	**-**	**-**	**-**	**(1,216.3)**
Closing insurance contract liabilities balance	**(17,853.1)**	**(705.3)**	**(725.0)**	**(1,322.2)**	**(20,605.6)**

Changes that relate to current service

CSM recognised in the period is computed based on the policy as outlined in Note 1.7.

Experience adjustments represent the difference between the expected value of claims and expenses projected as at the start of the year and the actual value of claims and expenses due in the period.

Changes that relate to future service

Contracts initially recognised in the period
The amount recognised in the CSM represents the value of new business acquired in the period valued based on point of sale economic and non-economic assumptions. The expense loading is determined based on incremental marginal costs including overheads that are attributable to the new contracts signed in the current period and does not include costs which have been previously allocated to existing contracts in prior years.

Changes in estimates that adjust the CSM

Changes in estimates that adjust the CSM represent changes in projected future years cash flows that arise from experience in the period and non-economic assumption changes:

- Experience variances - relates to change in mortality events that result in changes to future cash flows.
- Non-economic assumption changes – relates to items such as changes in projected longevity assumptions.

Net finance income and expense from insurance contracts are discussed in note 5.

			Contractual service margin		
Year ended 31 December 2022	Estimate of PV of future cash flows £m	Risk adjustment for non-financial risk £m	Contracts under fully retrospective approach and general measurement model £m	Contracts under Fair value approach £m	Total £m
Opening insurance contract liabilities balance	(20,573.8)	(1,023.2)	(262.4)	(1,226.8)	(23,086.2)
Changes in the statement of comprehensive income					
Changes that relate to current service					
CSM recognised for service provided	-	-	18.4	101.5	119.9
Change in risk adjustment for financial risk for risk expired	-	13.0	-	-	13.0
Experience adjustments	(4.0)	-	-	-	(4.0)
Changes that relate to future service					
Contracts initially recognised in the year	469.1	(149.0)	(320.1)	-	-
Changes in estimates that adjust the CSM	171.8	41.1	(16.2)	(196.7)	-
Insurance service result	636.9	(94.9)	(317.9)	(95.2)	128.9
Net finance income/(expenses) from insurance contracts	4,420.0	444.1	(8.8)	(32.2)	4,823.1
Exchange rate movements	(7.7)	-	-	-	(7.7)
Total changes in the statement of comprehensive income	5,049.2	349.2	(326.7)	(127.4)	4,944.3
Cash flows					
Premiums received	(3,114.6)	-	-	-	(3,114.6)
Claims and other insurance service expenses paid, including investment components	1,484.2	-	-	-	1,484.2
Insurance acquisition cash flows	124.8	-	-	-	124.8
Total cash flows	(1,505.6)	-	-	-	(1,505.6)
Closing insurance contract liabilities balance	**(17,030.2)**	**(674.0)**	**(589.1)**	**(1,354.2)**	**(19,647.5)**

Six months ended 30 June 2022	Estimate of PV of future cash flows £m	Risk adjustment for non-financial risk £m	Contractual service margin: Contracts under fully retrospective approach and general measurement model £m	Contractual service margin: Contracts under FV approach £m	Total £m
Opening insurance contract liabilities balance	(20,573.8)	(1,023.2)	(262.4)	(1,226.8)	(23,086.2)
Changes in the statement of comprehensive income					
Changes that relate to current service					
CSM recognised for service provided	-	-	6.7	42.6	49.3
Change in risk adjustment for financial risk for risk expired	-	7.4	-	-	7.4
Experience adjustments	(0.4)	-	-	-	(0.4)
Changes that relate to future service					
Contracts initially recognised in the period	126.6	(38.5)	(88.1)	-	-
Changes in estimates that adjust the CSM	(21.0)	(2.1)	5.2	17.9	-
Insurance service result	105.2	(33.2)	(76.2)	60.5	56.3
Net finance income/(expenses) from insurance contracts	2,979.6	312.8	(3.5)	(14.6)	3,274.3
Exchange rate movements	(16.8)	-	-	-	(16.8)
Total changes in the statement of comprehensive income	3,068.0	279.6	(79.7)	45.9	3,313.8
Cash flows					
Premiums received	(520.7)	-	-	-	(520.7)
Claims and other insurance service expenses paid, including investment components	687.5	-	-	-	687.5
Insurance acquisition cash flows	46.2	-	-	-	46.2
Total cash flows	213.0	-	-	-	213.0
Closing insurance contract liabilities balance	(17,292.7)	(743.6)	(342.1)	(1,181.0)	(19,559.4)

(d) Reinsurance contracts

Reinsurance contracts analysed by measurement component

Reinsurance contracts consist of those in an asset and liability position

Six months ended 30 June 2023	Estimate of PV of future cash flows £m	Risk adjustment for non-financial risk £m	Contractual service margin: Contracts under fully retrospective approach and general measurement model £m	Contractual service margin: Contracts under FV approach £m	Total £m
Opening reinsurance contract asset	589.0	80.4	32.5	74.5	776.4
Opening reinsurance contract liability	(664.4)	318.6	87.9	137.2	(120.7)
Net opening balance	**(75.4)**	**399.0**	**120.4**	**211.7**	**655.7**
Changes in the statement of comprehensive income					
Changes that relate to current service					
CSM recognised for service received	-	-	(1.1)	(10.1)	(11.2)
Change in risk adjustment for financial risk for risk expired	-	(2.2)	-	-	(2.2)
Experience adjustments	(3.9)	-	-	-	(3.9)
Changes that relate to future service					
Contracts initially recognised in the year	(72.2)	62.0	10.2	-	-
Change in estimates that adjust the CSM	31.7	(1.2)	(14.8)	(15.7)	-
Net expenses from reinsurance contracts	**(44.4)**	**58.6**	**(5.7)**	**(25.8)**	**(17.3)**
Net finance expenses from reinsurance contracts	7.2	(20.8)	2.2	4.5	(6.9)
Total changes in the statement of comprehensive income	**(37.2)**	**37.8**	**(3.5)**	**(21.3)**	**(24.2)**
Cash flows					
Premiums paid	354.0	-	-	-	354.0
Claims received	(370.3)	-	-	-	(370.3)
Expenses paid	0.3	-	-	-	0.3
Total cash flows	**(16.0)**	**-**	**-**	**-**	**(16.0)**
Closing reinsurance contract asset	560.9	77.8	9.1	70.8	718.6
Closing reinsurance contract liability	(689.5)	359.0	107.8	119.6	(103.1)
Net closing balance	**(128.6)**	**436.8**	**116.9**	**190.4**	**615.5**

Year ended 31 December 2022	Estimate of PV of future cash flows £m	Risk adjustment for non-financial risk £m	Contractual service margin Contracts under fully retrospective approach and general measurement model £m	Contractual service margin Contracts under FV approach £m	Total £m
Opening reinsurance contract asset	546.4	115.7	-	54.1	716.2
Opening reinsurance contract liability	(803.1)	487.5	32.4	118.5	(164.7)
Net opening balance	(256.7)	603.2	32.4	172.6	551.5
Changes in the statement of comprehensive income					
Changes that relate to current service					
CSM recognised for service received	-	-	(2.6)	(22.0)	(24.6)
Change in risk adjustment for financial risk for risk expired	-	(4.9)	-	-	(4.9)
Experience adjustments	(0.3)	-	-	-	(0.3)
Changes that relate to future service					
Contracts initially recognised in the period	(165.2)	115.4	49.8	-	-
Change in estimates that adjust the CSM	(60.0)	(35.8)	39.6	56.2	-
Net expenses from reinsurance contracts	(225.5)	74.7	86.8	34.2	(29.8)
Net finance expenses from reinsurance contracts	182.1	(278.9)	1.2	4.9	(90.7)
Total changes in the statement of comprehensive income	(43.4)	(204.2)	88.0	39.1	(120.5)
Cash flows					
Premiums paid	803.8	-	-	-	803.8
Claims received	(579.3)	-	-	-	(579.3)
Expenses paid	0.2	-	-	-	0.2
Total cash flows	224.7	-	-	-	224.7
Closing reinsurance contract asset	589.0	80.4	32.5	74.5	776.4
Closing reinsurance contract liability	(664.4)	318.6	87.9	137.2	(120.7)
Net closing balance	(75.4)	399.0	120.4	211.7	655.7

Six months ended 30 June 2022	Estimate of PV of future cash flows £m	Risk adjustment for non-financial risk £m	Contractual service margin Contracts under fully retrospective approach and general measurement model £m	Contractual service margin Contracts under FV approach £m	Total £m
Opening reinsurance contract asset	546.4	115.7	-	54.1	716.2
Opening reinsurance contract liability	(803.1)	487.5	32.4	118.5	(164.7)
Net opening balance	(256.7)	603.2	32.4	172.6	551.5
Changes in the statement of comprehensive income					
Changes that relate to current service					
CSM recognised for service received	-	-	(0.3)	(6.6)	(6.9)
Change in risk adjustment for financial risk for risk expired	-	(1.9)	-	-	(1.9)
Experience adjustments	(0.6)	-	-	-	(0.6)
Changes that relate to future service					
Contracts initially recognised in the period	(34.4)	29.4	5.0	-	-
Change in estimates that adjust the CSM	18.2	0.6	(6.1)	(12.7)	-
Net expenses from reinsurance contracts	(16.8)	28.1	(1.4)	(19.3)	(9.4)
Net finance expenses from reinsurance contracts	119.0	(198.5)	0.3	1.9	(77.3)
Total changes in the statement of comprehensive income	102.2	(170.4)	(1.1)	(17.4)	(86.7)
Cash flows					
Premiums paid	272.9	-	-	-	272.9
Claims received	(284.8)	-	-	-	(284.8)
Expenses paid	0.2	-	-	-	0.2
Total cash flows	(11.7)	-	-	-	(11.7)
Closing reinsurance contract asset	462.9	85.6	-	50.5	599.0
Closing reinsurance contract liability	(629.1)	347.2	31.3	104.7	(145.9)
Net closing balance	(166.2)	432.8	31.3	155.2	453.1

(e) New insurance contracts issued and reinsurance contracts held

The tables below present the contractual service margin at point of inception of new contracts sold in the year together with CSM for the related reinsurance:

	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Insurance contracts issued			
Estimate of present value of future cash inflows	**1,918.6**	891.7	3,391.1
Insurance acquisition cash flows	**(83.7)**	(46.2)	(124.8)
Estimate of present value of future cash outflows	**(1,604.2)**	(718.9)	(2,797.2)
Estimates of net present value of cash inflows	**230.7**	126.6	469.1
Risk Adjustment	**(72.5)**	(38.5)	(149.0)
Contractual Service Margin	**158.2**	88.1	320.1

	Six months ended 30 June 2023 £m	Six months ended 30 June 2022 £m	Year ended 31 December 2022 £m
Reinsurance contracts held			
Estimate of present value of future cash outflows	**(72.2)**	(34.4)	(165.2)
Risk Adjustment	**62.0**	29.4	115.4
Contractual Service Margin	**(10.2)**	(5.0)	(49.8)

A positive CSM for reinsurance reflects when an initial gain is made on entering into a reinsurance contract, whereas a negative reinsurance CSM reflect costs that will be incurred by the Group.

(f) Sensitivity analysis

The Group has estimated the impact on profit before tax for the period 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 11.

The sensitivity factors are applied via financial models either as at the valuation date or from a suitable recent reporting period where appropriate to do so. The analysis has been prepared for a change in each variable with other assumptions remaining constant. In reality, such an occurrence is unlikely, due to correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts cannot necessarily be interpolated or extrapolated from these results. The extent of non-linearity grows as the severity of any sensitivity is increased. For example, in the specific scenario of property price falls, the impact on IFRS profit before tax from a 5% fall in property prices would be slightly less than half of that disclosed in the table below. Furthermore, in the specific scenario of a mortality reduction, a smaller fall in fulfilment cash flows than disclosed in the table below or a similar increase in mortality may be expected to result in broadly linear impacts. However, it becomes less appropriate to extrapolate the expected impact for more severe scenarios. The sensitivity factors take into consideration that the Group's assets and liabilities are actively managed and may vary at the time that any actual market movement occurs. The sensitivities below cover the changes on all assets and liabilities from the given stress. 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.

A guide to the sensitivity table is provided below:

Abbreviation	Title	Impact
FCF	Fulfilment Cash flows	Positive values represent cash inflows or lower cash outflows resulting in reductions in insurance contract liabilities or increase in reinsurance contracts assets. Negative values represent cash outflows or higher cash outflows resulting in increased insurance contract liabilities or decrease in reinsurance contracts assets.
CSM	Contractual Service Margin	Increase –Additional future profits recognised in the CSM. (Decrease) – Lower future profits recognised in the CSM, or higher reinsurance 'cost' deferred in CSM.
P&L	Profit and Loss	Profit – increase in pre-tax profit (Loss) – decrease in pre-tax profit

Sensitivities at 30 June 2023

£m		Insurance contract liabilities	Reinsurance contracts (net) held	Net insurance contract liabilities	Valuation of assets	Net impact on profit and loss
Interest rate and investments + 1%	FCF	1,721.6	(37.7)	1,683.9	-	-
	CSM	-	-	-	-	-
	P&L	1,721.6	(37.7)	1,683.9	(1,679.8)	4.1
Interest rate and investments -1%	FCF	(2,051.8)	48.6	(2,003.2)	-	-
	CSM	-	-	-	-	-
	P&L	(2,051.8)	48.6	(2,003.2)	2,011.5	8.3
Decrease in base mortality by 5%	FCF	(297.2)	169.5	(127.7)	-	-
	CSM	443.7	(263.6)	180.1	-	-
	P&L	146.5	(94.1)	52.4	(11.8)	40.7
Immediate fall of 10% in house prices	FCF	(59.4)	2.8	(56.6)	-	-
	CSM	-	-	-	-	-
	P&L	(59.4)	2.8	(56.6)	(69.7)	(126.3)
Future property price growth reduces by 0.5%	FCF	(51.7)	2.4	(49.3)	-	-
	CSM	-	-	-	-	-
	P&L	(51.7)	2.4	(49.3)	(41.0)	(90.3)
Credit default allowance - increase by 10bps[1]	FCF	(187.3)	5.6	(181.7)	-	-
	CSM	-	-	-	-	-
	P&L	(187.3)	5.6	(181.7)	-	(181.8)

Sensitivities at 31 December 2022

£m		Insurance contract liabilities	Reinsurance contracts (net) held	Net insurance contract liabilities	Valuation of assets	Net impact on profit and loss
Interest rate and investments + 1%	FCF	1,555.0	(37.3)	1,517.7	-	-
	CSM	-	-	-	-	-
	P&L	1,555.0	(37.3)	1,517.7	(1,545.4)	(27.7)
Interest rate and investments -1%	FCF	(1,859.5)	46.9	(1,812.6)	-	-
	CSM	-	-	-	-	-
	P&L	(1,859.5)	46.9	(1,812.6)	1,837.6	25.0
Decrease in base mortality by 5%	FCF	(268.8)	156.6	(112.2)	-	-
	CSM	428.4	(255.9)	172.5	-	-
	P&L	159.6	(99.3)	60.3	(13.4)	47.0
Immediate fall of 10% in house prices	FCF	(58.5)	2.5	(56.0)	-	-
	CSM	-	-	-	-	-
	P&L	(58.5)	2.5	(56.0)	(62.6)	(118.7)
Future property price growth reduces by 0.5%	FCF	(50.1)	2.0	(48.1)	-	-
	CSM	-	-	-	-	-
	P&L	(50.1)	2.0	(48.1)	(37.1)	(85.2)
Credit default allowance - increase by 10bps[1]	FCF	(170.3)	5.2	(165.1)	-	-
	CSM	-	-	-	-	-
	P&L	(170.3)	5.2	(165.1)	-	(165.2)

[1] over that included in the discount rate section in note 14(b).

15. LOANS AND BORROWINGS

	Carrying value			Fair Value		
	30 June 2023 £m	31 December 2022 £m	30 June 2022 £m	**30 June 2023 £m**	31 December 2022 £m	30 June 2022 £m
£250m 9.0% 10 year subordinated debt 2026 (Tier 2) issued by Just Group plc (£174m principal outstanding)	**176.2**	173.6	249.3	**187.2**	187.8	278.7
£125m 8.125% 10 year subordinated debt 2029 (Tier 2) issued by Just Group plc	**124.5**	122.5	122.3	**127.7**	130.1	145.1
£250m 7.0% 10.5 year subordinated debt 2031 non-callable 5.5 years (Green Tier 2) issued by Just Group plc	**252.3**	248.5	248.5	**244.7**	244.7	252.0
£230m 3.5% 7 year subordinated debt 2025 (Tier 3) issued by Just Group plc (£155m principal outstanding)	**156.9**	154.7	154.6	**146.5**	141.6	147.1
Total loans and borrowings	**709.9**	699.3	774.7	**706.1**	704.2	822.9

The Group also has an undrawn revolving credit facility of up to £300m for general corporate and working capital purposes available until 13 June 2025. Interest is payable on any drawdown loans at a rate of SONIA plus a margin of between 1.50% and 2.75% per annum depending on the Group's ratio of net debt to net assets.

16. OTHER FINANCIAL LIABILITIES

	Note	**30 June 2023 £m**	31 December 2022 (restated) £m	30 June 2022 (restated) £m
Repurchase obligation	(a)	**1,943.5**	-	-
Derivative financial liabilities	(b)	**2,713.3**	3,045.8	2,017.4
Obligations for repayment of cash collateral received	(c)	**697.3**	623.1	480.0
Total other financial liabilities		**5,354.1**	3,668.9	2,497.4

(a) Repurchase obligation

As described in Note 10, the Group has entered into a number of repurchase agreements whereby a fixed amount is repayable at a certain date. At the inception of these agreements they have durations of between 12 and 21 months. The repurchase agreements are measured at amortised cost in the financial statements. The fair value of these agreements is £1,915.2m (2022 not applicable).

(b) Derivative financial liabilities

Derivative financial liabilities are classified as mandatorily fair value through profit and loss.

(c) Obligations to pay cash collateral

Obligations to pay cash flow is measured at amortised cost and there is no material difference between the fair value and amortised cost of the instruments.

The restatement of the 'Other financial liabilities' due to the implementation of IFRS 17 is explained in Note 1.2.

17. DERIVATIVE FINANCIAL INSTRUMENTS

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

	30 June 2023			31 December 2022 (restated)		
Derivatives	**Asset fair value £m**	**Liability fair value £m**	**Notional amount £m**	Asset Fair value £m	Liability fair value £m	Notional Amount £m
Foreign currency swaps	**407.6**	**1,244.8**	**14,590.6**	412.9	1,320.3	12,662.5
Interest rate swaps	**1,366.4**	**1,376.6**	**14,041.3**	1,407.6	1,580.0	13,647.9
Investment asset derivatives	**0.5**	**3.0**	**58.0**	0.4	22.6	148.4
Inflation swaps	**573.6**	**71.9**	**4,654.8**	437.5	79.7	4,293.4
Forward swaps	**14.7**	**0.1**	**461.5**	5.0	10.5	546.3
Total return swaps	**2.8**	**2.8**	–	13.6	13.5	–
Put options on property index (NNEG hedges)	–	**13.4**	**705.0**	–	19.2	705.0
Interest rate options	**–**	**0.7**	**115.4**	–	–	–
Total	**2,365.6**	**2,713.3**	**34,626.6**	2,277.0	3,045.8	32,003.5

	30 June 2022		
Derivatives	Asset Fair value £m	Liability fair value £m	Notional Amount £m
Foreign currency swaps	359.7	837.1	11,328.0
Interest rate swaps	981.8	1,003.6	13,865.5
Inflation swaps	336.1	148.0	4,803.5
Forward swaps	0.3	17.6	318.5
Total return swaps	2.2	2.2	–
Put options on property index (NNEG hedges)	–	8.9	705.0
Total	1,680.1	2,017.4	31,020.5

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 30 June 2023, the Company had pledged collateral of £1,166.9m (31 December 2022: £1,286.2m / 30 June 2022: £843.8m), of which £433.4m were corporate bonds and European Investment Bank bonds (31 December 2022: £393.8m / 30 June 2022: £108.0m) which continue to be recognised in their relevant asset class in the statement of financial position and had received cash collateral of £697.3m (31 December 2022: £623.1m / 30 June 2022: £480.0m).

18. FINANCIAL AND INSURANCE RISK MANAGEMENT

This note presents information about the major financial and insurance risks to which the Group is exposed, and its objectives, policies and processes for their measurement and management. Financial risk comprises exposure to market, credit and liquidity risk.

(a) Insurance risk

The Group's insurance risks include exposure to longevity, mortality and morbidity and exposure to factors such as withdrawal levels and management and administration expenses. The writing of long-term insurance contracts requires a range of assumptions to be made and risk arises from these assumptions being materially inaccurate. The Group's main insurance risk arises from adverse experience compared with the assumptions used in pricing products and valuing insurance liabilities.

Individually underwritten GIfL policies are priced using assumptions about future longevity that are based on historic experience information, lifestyle and medical factors relevant to individual customers, and judgements about the future development of longevity improvements. In the event of an increase in longevity, the actuarial reserve required to make future payments to customers may increase.

Loans secured by mortgages are used to match some of the liabilities arising from writing long term insurance policies. In the event that early repayments on LTMs in a given period are higher than anticipated, less interest will have accrued on the mortgages and the amount repayable will be less than assumed at the time of sale. In the event of an increase in longevity, although more interest will have accrued and the amount repayable will be greater than assumed at the time of the sale, the associated cash flows will be received later than had originally been anticipated. In addition, a general increase in longevity would have the effect of increasing the total amount repayable, which would increase the LTV ratio and could increase the risk of failing to be repaid in full as a consequence of the no-negative equity guarantee. There is also exposure to morbidity risk as the LTM is repayable when the customer moves into long-term care.

Management of insurance risk
Underpinning the management of insurance risk are:

- the use of controls around the development of suitable products and their pricing;
- adherence to approved underwriting requirements;
- the development and use of medical information including PrognoSys™ for both pricing and reserving to provide detailed insight into longevity risk;
- the use of reinsurance to reduce longevity risk. The Group retains oversight of the overall exposures and monitors that the aggregation of risk ceded is within the reinsurance counterparty risk appetite;
- the assessment and recalibration of adequacy of risk based capital
- review and approval of assumptions used by the Board;
- regular monitoring and analysis of actual experience; and
- monitoring of expense levels.

Concentrations of insurance risk
Improved longevity arises from enhanced medical treatment and improved life circumstances. Concentration risk to individuals groups whose longevity may improve faster than the population is managed by writing business across a wide range of different medical and lifestyle conditions to avoid excessive exposure. Reinsurance is also an important mitigant to concentrations of insurance risk.

(b) Market risk

Market risk is the risk of loss or of adverse change in the financial situation from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments, together with the impact of changes in interest rates. Market risk is implicit in the insurance business model and arises from exposure to interest rates, property markets, inflation and exchange rates. The Group is not exposed to equity risk. Some very limited equity risk exposure arises from investment into credit funds which have a mandate which allows preferred equity to be held. Changes in the value of the Group's investment portfolio will also affect the Group's financial position. In addition, falls in the financial markets can reduce the value of pension funds available to purchase Retirement Income products and changes in interest rates can affect the relative attractiveness of Retirement Income products.

In mitigation, Retirement Income product monies are invested to match the asset and liability cash flows as closely as practicable. In practice, it is not possible to eliminate market risk fully as there are inherent uncertainties surrounding many of the assumptions underlying the projected asset and liability cash flows.

Just has several EUR denominated bonds that have coupons linked to EURIBOR, which are hedged into fixed GBP coupons. If EURIBOR were no longer produced, there is a risk that the bond coupons would not match the swap EUR leg payments. In mitigation, Just would restructure the related cross currency asset swap to match the new coupon rate.

For each of the material components of market risk, described in more detail below, the Group's Market Risk Policy sets out the Group's risk appetite and management processes governing how each risk should be measured, managed, monitored and reported.

(i) Interest rate risk
The Group is exposed to interest rate risk arising from the changes in the values of assets or liabilities as a result of changes in risk-free interest rates. The Group seeks to limit its exposure through appropriate asset and liability matching and hedging strategies. The Group actively hedges its interest rate exposure to protect balance sheet positions on both Solvency II and IFRS bases in accordance with its risk appetite framework and principles.

The Group's main exposure to changes in interest rates is concentrated in the investment portfolio, loans secured by mortgages and its insurance obligations. Changes in investment and loan values attributable to interest rate changes are mitigated by corresponding and partially offsetting changes in the value of insurance liabilities. The Group monitors this exposure through regular reviews of the asset and liability position, capital modelling, sensitivity testing and scenario analyses. Interest rate risk is also managed using derivative instruments e.g. swaps.

(ii) Property risk
The Group's exposure to property risk arises from the provision of lifetime mortgages which creates an exposure to the UK residential property market. A substantial decline or sustained underperformance in UK residential

property prices, against which the Group's lifetime mortgages are secured, could result in the mortgage debt at the date of redemption exceeding the proceeds from the sale of the property.

Demand for lifetime mortgage products may also be impacted by a fall in property prices. It may diminish consumers' propensity to borrow and reduce the amount they are able to borrow due to reductions in property values.

The risk is managed by controlling the loan value as a proportion of the property's value at outset and obtaining independent third party valuations on each property before initial mortgages are advanced. Lifetime mortgage contracts are also monitored through dilapidation reviews. House prices are monitored and the impact of exposure to adverse house prices (both regionally and nationally) is regularly reviewed. Further mitigation is through management of the volume of Lifetime Mortgages, including disposals, in the portfolio in line with the Group's LTM backing ratio target, and the establishment of the NNEG hedges. The Group has managed its property risk exposure in the year via a reduction in the LTM backing ratio.

A sensitivity analysis of the impact of residential property price movements is included in Note 11 and Note 14. These notes also mention the Group's consideration of the possible impacts of Brexit, the COVID-19 pandemic and a higher interest and inflation rate economic environment on property assumptions at 30 June 2023.

The Group is also exposed to commercial property risk indirectly through the investment in loans secured by commercial mortgages. Mitigation of such risk is covered by the credit risk section below.

(iii) Inflation risk
Inflation risk is the risk of change in the value of assets or liabilities arising from changes in actual or expected inflation or in the volatility of inflation. Exposure to long term inflation occurs in relation to the Group's own management expenses and its writing index-linked Retirement Income contracts. Its impact is managed through the application of disciplined cost control over management expenses and through matching inflation-linked assets and inflation-linked liabilities for the long term inflation risk.

(iv) Currency risk
Currency risk arises from changes in foreign exchange rates which affect the value of assets denominated in foreign currencies.

Exposure to currency risk could arise from the Group's investment in non-sterling denominated assets. The Group invests in fixed income securities denominated in US dollars and other foreign currencies for its financial asset portfolio. All material Group liabilities are in Sterling. As the Group does not wish to introduce foreign exchange risk into its investment portfolio, derivative or quasi-derivative contracts are entered into to mitigate the foreign exchange exposure as far as possible.

(c) Credit risk
Credit risk arises if another party fails to perform its financial obligations to the Group, including failing to perform them in a timely manner.

Credit risk exposures arise from:

- Holding fixed income investments. The risk of default (where the counterparty fails to pay back the capital and/or interest on a corporate bond) is mitigated by investing only in higher quality or investment grade assets. Concentration of credit risk exposures is managed by placing limits on exposures to individual counterparties, sectors and geographic areas.
- Counterparties in derivative contracts – the Group uses financial instruments to mitigate interest rate and currency risk exposures. It therefore has credit exposure to various counterparties through which it transacts these instruments, although this is usually mitigated by collateral arrangements (see Note 16).
- Reinsurance treaties. Reinsurance is used to manage longevity risk and to fund new business but, as a consequence, credit risk exposure arises should a reinsurer fail to meet its claim repayment obligations. Credit risk on reinsurance balances is mitigated by the reinsurer depositing back more than 100% of premiums ceded under the reinsurance agreement and/or through robust collateral arrangements.
- Cash balances – credit risk on cash assets is managed by imposing restrictions over the credit ratings of third parties with whom cash is deposited.
- Credit risk for loans secured by residential mortgages has been considered within "property risk" above.

The following table provides information regarding the credit risk exposure for financial assets of the Group, which are neither past due nor impaired at 30 June 2023, 31 December 2022 and 30 June 2022:

30 June 2023	**AAA £m**	**AA £m**	**A £m**	**BBB £m**	**BB or below £m**	**Unrated £m**	**Total £m**
Units in liquidity funds	**1,200.0**	**5.6**	**–**	**–**	**–**	**–**	**1,205.6**
Investment funds	**–**	**–**	**–**	**–**	**–**	**439.8**	**439.8**
Debt securities and other fixed income securities	**810.9**	**1,939.1**	**3,779.6**	**5,087.5**	**163.3**	**–**	**11,780.4**
Deposits with credit institutions	**–**	**109.0**	**640.4**	**–**	**–**	**–**	**749.4**
Loans secured by residential mortgages	**–**	**–**	**–**	**–**	**–**	**5,176.7**	**5,176.7**
Loans secured by commercial mortgages	**–**	**–**	**–**	**–**	**–**	**629.2**	**629.2**
Loans secured by ground rents	**–**	**–**	**–**	**–**	**–**	**647.1**	**647.1**
Infrastructure loans	**67.2**	**95.3**	**133.9**	**748.6**	**12.0**	**–**	**1,057.0**
Other loans	**–**	**–**	**–**	**–**	**27.0**	**112.4**	**139.4**
Derivative financial assets	**–**	**0.4**	**1,665.5**	**699.2**	**–**	**0.5**	**2,365.6**
Gilts – subject to repurchase agreements	**–**	**1,970.6**	**–**	**–**	**–**	**–**	**1,970.6**
Reinsurance[1]	**–**	**233.4**	**184.1**	**–**	**–**	**199.7**	**617.2**
Other receivables	**–**	**–**	**–**	**–**	**–**	**48.1**	**48.1**
Total	**2,078.1**	**4,353.4**	**6,403.5**	**6,535.3**	**202.3**	**7,253.5**	**26,826.1**

1 This is the net reinsurance asset position.

31 December 2022 (restated)	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
Units in liquidity funds	1,169.8	–	–	–	4.6	–	1,174.4
Investment funds	–	–	–	–	–	421.0	421.0
Debt securities and other fixed income securities	698.2	1,888.5	3,260.6	5,105.0	400.6	–	11,352.9
Deposits with credit institutions	–	99.4	773.0	20.0	15.1	0.1	907.6
Loans secured by residential mortgages	–	–	–	–	–	5,305.9	5,305.9
Loans secured by commercial mortgages	–	–	–	–	–	583.7	583.7
Loans secured by ground rents	–	–	–	–	–	246.9	246.9
Infrastructure loans	71.2	97.4	141.7	625.3	12.2	–	947.8
Other loans	–	–	–	–	22.3	111.9	134.2
Derivative financial assets	–	–	1,669.9	607.1	–	–	2,277.0
Reinsurance	–	126.9	197.1	3.7	–	204.4	532.1
Other receivables	–	–	–	–	–	32.7	32.7
Total	1,939.2	2,212.2	6,042.3	6,361.1	454.8	6,906.6	23,916.2

30 June 2022 (restated)	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
Units in liquidity funds	953.7	–	–	–	5.0	–	958.7
Investment funds	–	–	–	–	–	315.1	315.1
Debt securities and other fixed income securities	811.8	2,067.1	3,055.0	4,965.9	338.9	–	11,238.7
Deposits with credit institutions	–	–	696.6	39.2	14.7	–	750.5
Loans secured by residential mortgages	–	–	–	–	–	5,897.3	5,897.3
Loans secured by commercial mortgages	–	–	–	–	–	616.0	616.0
Loans secured by ground rents	–	–	–	–	–	236.6	236.6
Infrastructure loans	74.5	128.5	148.4	603.3	14.1	–	968.8
Other loans	–	–	–	–	14.7	112.1	126.8
Derivative financial assets	–	–	1,197.8	482.3	–	–	1,680.1
Reinsurance	–	214.8	250.0	5.1	–	0.4	470.3
Other receivables	–	–	–	–	–	22.5	22.5
Total	1,840.0	2,410.4	5,347.8	6,095.8	387.4	7,200.0	23,281.4

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

The credit rating for Cash available on demand at 30 June 2023 was between a range of AA and BB (31 December 2022 and 30 June 2022: 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

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

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

Exposure to liquidity risk arises from:

- maintaining and servicing collateral requirements arising from the changes in market value of financial derivatives used by the Group;
- needing to realise assets to meet liabilities during stressed market conditions;
- increasing cash flow volatility in the short-term giving rise to mismatches between cash flows from assets and requirements from liabilities;
- needing to support liquidity requirements for day-to-day operations; and
- ensuring financial support can be provided across the Group.

Liquidity risk is managed by holding assets of a suitable maturity and marketability to meet liabilities as they fall due. The Group's short-term liquidity requirements to meet annuity payments are predominantly funded by investment coupon receipts, and bond principal repayments. There are significant barriers for policyholders to withdraw funds that have already been paid to the Group in the form of premiums. Cash outflows associated with Retirement Income liabilities can be reasonably estimated and liquidity can be arranged to meet this expected outflow through asset-liability matching and new business premiums.

The cash flow characteristics of the Lifetime Mortgages are reversed when compared with Retirement Income products, with cash flows effectively representing an advance payment, which is eventually funded by repayment of principal plus accrued interest. Policyholders are able to redeem mortgages, albeit at a cost. The mortgage assets are considered illiquid, as they are not readily saleable due to the uncertainty about their value and the lack of a market in which to trade them individually.

Cash flow forecasts over the short, medium and long term are regularly prepared to predict and monitor liquidity levels in line with limits set on the minimum amount of liquid assets required. Cash flow forecasts include an assessment of the impact to a range of "worst case" to 1-in-200 historic liquidity events on the Group's long term liquidity and the minimum cash and cash equivalent levels required to cover enhanced stresses. Derivative stresses have been revised to take into account market volatility and focus on the worst observed movements over the last 40 years, in shorter periods from one day up to and including one month.

During 2022 the Group replaced the existing revolving credit facility with a new and undrawn revolving credit facility of up to £300m for general corporate and working capital purposes available until 13 June 2025.

Interest is payable on any drawdown loans at a rate of SONIA plus a margin of between 1.00% and 2.75% per annum depending on the Group's ratio of net debt to net assets.

19. CAPITAL

Group capital position

The Group's estimated capital surplus position at 30 June 2023 was as follows:

	30 June 2023[1] **£m**	31 December 2022[2] £m
Capital resources		
Eligible Own funds	**2,698**	2,757
Solvency Capital Requirement	**(1,323)[3]**	(1,387)[3]
Excess own funds	**1,375[3]**	1,370[3]
Solvency coverage ratio	**204%[3]**	199%[3]

[1] Solvency II capital coverage ratios as at 30 June 23 includes a notional recalculation of TMTP and 31 December 2022 includes a formal recalculation of TMTP.

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

[3] Not covered by PwC's independent review opinion.

Further information on the Group's Solvency II position, including a reconciliation between the regulatory capital position to the reported capital surplus, is included in the Business Review. This information is estimated and therefore subject to change.

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

The capital requirement for Just Group plc is calculated using a partial internal model. Just Retirement Limited ("JRL") uses a full internal model and Partnership Life Assurance Company Limited ("PLACL") capital is calculated using the standard formula.

Group entities that are under supervisory regulation and are required to maintain a minimum level of regulatory capital 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 first half of the year.

Capital management
The Group's objectives when managing capital for all subsidiaries are:
- to comply with the insurance capital requirements required by the regulators of the insurance markets where the Group operates. The Group's policy is to manage its capital in line with its risk appetite and in accordance with regulatory expectations;
- to safeguard the Group's ability to continue as a going concern, and to continue to write new business;
- to ensure that in all reasonably foreseeable circumstances, the Group is able to fulfil its commitment over the short term and long term to pay policyholders' benefits;
- to continue to provide returns for shareholders and benefits for other stakeholders;
- to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk; and
- to generate capital from in-force business, excluding economic variances, management actions, and dividends, that is greater than new business strain.

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

To improve resilience, the Group purchased long-term gilts in the first half of 2023 to reduce the Group's capital exposure to interest rate risk.

In managing its capital, the Group undertakes stress and scenario testing to consider the Group's capacity to respond to a series of relevant financial, insurance, or operational shocks or changes to financial regulations should future circumstances or events differ from current assumptions. The review also considers mitigating actions available to the Group should a severe stress scenario occur, such as raising capital, varying the volumes of new business written and a scenario where the Group does not write new business.

EVT Compliance
At 30 June 2023, Just passed the PRA EVT with a buffer of 1.7% (unreviewed) over the current minimum deferment rate of 3.0% (allowing for volatility of 13%, in line with the requirement for the EVT). At 31 December 2022, the buffer was 1.5% (unaudited) compared to the minimum deferment rate of 2.0%. The recent interest rate changes may lead to uncertainty in the PRA's minimum deferment rate review in September 2023. Just will continue to monitor long-term rate changes closely and expects to maintain sufficient headroom.

Regulatory developments
The Group is preparing to apply to the PRA to include the PLACL lifetime mortgages in the matching adjustment portfolio (via a securitisation) and to calculate the PLACL SCR using the internal model. This will not be applied for the year ended 31 December 2023.

We continue to engage in the various developments (including Subject Expert Groups and Consultation Papers) relating to the UK Solvency II Reforms. Later in 2023 we expect to participate in the PRA's consultation relating to the matching adjustment and investment flexibility, and will implement the Risk Margin reforms on or before 31 December 2023, as agreed in final legislation.

20. RELATED PARTIES

The nature of the related party transactions of the Group has not changed from those described in the Group's annual report and accounts for the year ended 31 December 2022.

There were no transactions with related parties during the six months ended 30 June 2023 which have had a material effect on the results or financial position of the Group.

21. POST BALANCE SHEET EVENTS

Subsequent to 30 June 2023, the Directors approved an interim dividend for 2023 of 0.58 pence per ordinary share amounting to £6m (2022: £5m) in total, which will be paid on 4 October 2023.

There are no other material post balance sheet events that have taken place between 30 June 2023 and the date of this report.

ADDITIONAL FINANCIAL INFORMATION

The following additional financial information is not covered by PwC's independent review opinion on pages 27 and 28.

FINANCIAL INVESTMENTS CREDIT RATINGS

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

Unaudited	Total £m	%	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m
Basic materials	207	1.0	–	–	66	132	9	–
Communications and technology	1,289	6.1	125	233	241	688	2	–
Auto manufacturers	180	0.8	–	–	154	19	7	–
Consumer (staples including healthcare)	1,245	5.9	122	232	400	363	47	81
Consumer (cyclical)	245	1.2	10	4	28	167	36	–
Energy	424	2.0	–	132	65	189	38	–
Banks	1,374	6.5	33	60	805	476	–	–
Insurance	660	3.1	6	141	126	377	10	–
Financial – other	1,123	5.3	65	152	339	119	283	165
Real estate including REITs	510	2.4	29	15	104	329	33	–
Government	1,412	6.6	370	561	240	241	–	–
Industrial	599	2.8	–	66	46	412	43	32
Utilities	2,216	10.4	–	109	729	1,328	50	–
Commercial mortgages	629	3.0	118	169	169	171	2	–
Ground rent	847	4.0	157	20	194	316	160	–
Infrastructure loans	1,868	8.8	67	161	598	996	46	–
Other	42	0.2	–	–	42	–	–	–
Corporate/government bond total	14,870	69.9	1,102	2,055	4,346	6,323	766	278
Lifetime mortgages	5,177	24.4						
Liquidity funds	1,205	5.7						
Investments portfolio	21,252	100.0						
Derivatives and collateral	3,099							
Gilts (interest rate hedging)	1,970							
Total	26,321							

GLOSSARY

Acquisition costs – comprise the direct costs (such as commissions and new business processing team costs) of obtaining new business, together with associated indirect costs.

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

Adjusted operating profit before tax – this is the sum of the new business profit and in-force operating profit, operating experience and assumption changes, other Group companies' operating results, development expenditure and financing costs. The Board believes the combination of both future profit generated from new business written in the year and additional profit from the in-force book of business, provides a better view of the development of the business. The net underlying CSM increase is added back as the Board considers the value of new business is significant in assessing business performance. Adjusted operating profit before tax excludes the following items that are included in profit before tax: strategic expenditure, investment and economic profits and amortisation and impairment costs of acquired intangible assets. In addition, it includes Tier 1 interest (as part of financing costs) which is not included in profit before tax (because the Tier 1 notes are treated as equity rather than debt in the IFRS financial statements). Adjusted operating profit is reconciled to IFRS profit before tax in the Business Review.

Adjusted profit/(loss) before tax – an APM, this is the profit/(loss) before tax before deferral of profit in CSM and includes non operating items (investment and economic movement, strategic expenditure, and interest adjustment to reflect IFRS accounting for Tier 1 notes as equity).

Alternative performance measure ("APM") – in addition to statutory IFRS performance measures, the Group has presented a number of non-statutory alternative performance measures within the Annual Report and Accounts. The Board believes that the APMs used give a more representative view of the underlying performance of the Group. APMs are identified in this glossary together with a reference to where the APM has been reconciled to its nearest statutory equivalent. APMs which are also KPIs are indicated as such.

Buy-in – an exercise enabling a pension scheme to obtain an insurance contract that pays a guaranteed stream of income sufficient to cover the liabilities of a group of the scheme's members.

Buy-out – an exercise that wholly transfers the liability for paying member benefits from the pension scheme to an insurer which then becomes responsible for paying the members directly.

Capped Drawdown – a non-marketed product from Just Group previously described as Fixed Term Annuity. Capped Drawdown products ceased to be available to new customers when the tax legislation changed for pensions in April 2015.

Care Plan ("CP") – a specialist insurance contract contributing to the costs of long-term care by paying a guaranteed income to a registered care provider for the remainder of a person's life.

Confidence interval – the degree of confidence that the provision for future cash flows plus the risk adjustment reserve will be adequate to meet the cost of future payments to annuitants.

Contractual Service Margin ("CSM") – represents deferred profit earned on insurance products. CSM is recognised in profit or loss over the life of the contracts.

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

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

Defined benefit deferred ("DB deferred") business – the part of DB de-risking transactions that relates to deferred members of a pension scheme. These members have accrued benefits in the pension scheme but have not retired yet.

Defined benefit de-risking partnering ("DB partnering") – a DB de-risking transaction in which a reinsurer has provided reinsurance in respect of the asset and liability side risks associated with one of our DB Buy-in transactions.

Defined benefit ("DB") pension scheme – a pension scheme, usually backed or sponsored by an employer, that pays members a guaranteed level of retirement income based on length of membership and earnings.

Defined contribution ("DC") pension scheme – a work-based or personal pension scheme in which contributions are invested to build up a fund that can be used by the individual member to provide retirement benefits.

De-risk/de-risking – an action carried out by the trustees of a pension scheme with the aim of transferring investment, inflation and longevity risk from the sponsoring employer and scheme to a third party such as an insurer.

Development expenditure – relates to development of existing products, markets, technology, and transformational projects.

Drawdown (in reference to Just Group sales or products) – collective term for investment products including Capped Drawdown.

Employee benefits consultant – an adviser offering specialist knowledge to employers on the legal, regulatory and practical issues of rewarding staff, including non-wage compensation such as pensions, health and life insurance and profit sharing.

Equity release – products and services enabling homeowners to generate income or lump sums by accessing some of the value of the home while continuing to live in it – see Lifetime mortgage.

Finance costs – represent interest payable on the Group's Tier 2 and Tier 3 debt.

Gross premiums written – total premiums received by the Group in relation to its Retirement Income and Protection sales in the period, gross of commission paid.

Guaranteed Income for Life ("GIfL") – retirement income products which transfer the investment and longevity risk to the company and provide the retiree a guarantee to pay an agreed level of income for as long as a retiree lives. On a "joint-life" basis, continues to pay a guaranteed income to a surviving spouse/partner. Just provides modern individually underwritten GIfL solutions.

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

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

Investment and economic movements – reflect the difference in the period between expected investment returns, based on investment and economic assumptions at the start of the period, and the actual returns earned. Investment and economic profits also reflect the impact of assumption changes in future expected risk-free rates, corporate bond defaults and house price inflation and volatility.

Key performance indicators ("KPIs") – KPIs are metrics adopted by the Board which are considered to give an understanding of the Group's underlying performance drivers. The Group's KPIs are Return on equity, Retirement income sales, Underlying organic capital generation, New business profit, Underlying operating profit, IFRS profit before tax, New business strain, Solvency II capital coverage ratio and Tangible net asset value per share.

Lifetime mortgage ("LTM") – an equity release product that allows homeowners to take out a loan secured on the value of their home, typically with the loan plus interest repaid when the homeowner has passed away or moved into long-term care.

LTM notes – structured assets issued by a wholly owned special purpose entity, Just Re1 Ltd. Just Re1 Ltd holds two pools of lifetime mortgages, each of which provides the collateral for issuance of senior and mezzanine notes to Just Retirement Ltd, eligible for inclusion in its matching portfolio.

Medical underwriting – the process of evaluating an individual's current health, medical history and lifestyle factors, such as smoking, when pricing an insurance contract.

Net asset value ("NAV") – IFRS total equity, net of tax, and excluding equity attributable to Tier 1 noteholders.

Net claims paid – represents the total payments due to policyholders during the accounting period, less the reinsurers' share of such claims which are payable back to the Group under the terms of the reinsurance treaties.

Net investment income – comprises interest received on financial assets and the net gains and losses on financial assets designated at fair value through profit or loss upon initial recognition and on financial derivatives and interest accrued on financial assets which are measured at amortised cost.

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

New business profit – an APM and one of the Group's KPIs, representing the profit generated from new business written in the year after allowing for the establishment of reserves and for future expected cash flows and risk adjustment and allowance for acquisition expenses and other incremental costs on a marginal basis. New business profit is reconciled to adjusted profit before tax, and adjusted profit before tax is reconciled to IFRS profit before tax in the Business Review.

New business strain – one of the Group's KPIs, representing the capital strain on new business written in the year after allowing for acquisition expense allowances and the establishment of Solvency II technical provisions and Solvency Capital Requirements.

No-negative equity guarantee ("NNEG") hedge – a derivative instrument designed to mitigate the impact of changes in property growth rates on both the regulatory and IFRS balance sheets arising from the guarantees on lifetime mortgages provided by the Group which restrict the repayment amounts to the net sales proceeds of the property on which the loan is secured.

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

Organic capital generation/(consumption) – calculated in the same way as Underlying organic capital generation/(consumption), but includes impact of management actions and other operating items.

Other Group companies' operating results – the results of Group companies including our HUB group of companies, which provides regulated advice and intermediary services, and professional services to corporates, and corporate costs incurred by Group holding companies and the overseas start-ups.

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

PrognoSys™ – a next generation underwriting system, which is based on individual mortality curves derived from Just Group's own data collected since its launch in 2004.

Regulated financial advice – personalised financial advice for retail customers by qualified advisers who are regulated by the Financial Conduct Authority.

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

Retirement Income sales (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. DB partner premium is not included in Retirement Income sales. Retirement Income sales are reconciled in Note 2 to the consolidated financial statements, to premiums included in the analysis of movement in insurance liabilities in Note 14 to the consolidated financial statements.

Return on equity – an APM and one of the Group's KPIs. Return on equity is underlying operating profit after attributed tax for the period divided by the average tangible net asset value for the period and expressed as an annualised percentage. Tangible net asset value is reconciled to IFRS total equity in the Business Review.

Risk adjustment for non-financial risk ("RA") – allowance for longevity, expense, and insurance specific operational risks representing the compensation required by the business when managing existing and pricing new business.

Secure Lifetime Income ("SLI") – a tax efficient solution for individuals who want the security of knowing they will receive a guaranteed income for life and the flexibility to make changes in the early years of the plan.

Solvency II – an EU Directive that codifies and harmonises the EU insurance regulation. Primarily this concerns the amount of capital that EU insurance companies must hold to reduce the risk of insolvency.

Solvency II capital coverage ratio – one of the Group's KPIs. Solvency II capital is the regulatory capital measure and is focused on by the Board in capital planning and business planning alongside the economic capital measure. It expresses the regulatory view of the available capital as a percentage of the required capital.

Strategic expenditure – Costs incurred for major strategic investment, new products and business lines, and major regulatory projects.

Tangible net asset value ("TNAV") – IFRS total equity attributable to ordinary shareholders, excluding goodwill and other intangible assets, and after adding back contractual service margin, net of tax.

Tangible net asset value per share – an APM and one of the Group's KPIs, representing tangible net asset value divided by the closing number of issued ordinary shares excluding shares held in trust.

Trustees – individuals with the legal powers to hold, control and administer the property of a trust such as a pension scheme for the purposes specified in the trust deed. Pension scheme trustees are obliged to act in the best interests of the scheme's members.

Underlying operating profit – an APM and one of the Group's KPIs. Underlying operating profit is calculated in the same way as adjusted operating profit before tax but excludes operating experience and assumption changes.

Underlying operating profit is reconciled to adjusted operating profit before tax, and adjusted operating profit before tax is reconciled to IFRS profit before tax in the Business Review.

Underlying organic capital generation/(consumption) – an APM and one of the Group's KPIs. Underlying organic capital generation/(consumption) is the net increase/(decrease) in Solvency II excess own funds over the year, generated from ongoing business activities, and includes surplus from in-force, net of new business strain, cost overruns and other expenses and debt interest. It excludes strategic expenditure, economic variances, regulatory adjustments, capital raising or repayment and impact of management actions and other operating items. The Board believes that this measure provides good insight into the ongoing capital sustainability of the business. Underlying organic capital generation/(consumption) is reconciled to Solvency II excess own funds, and Solvency II excess own funds is reconciled to shareholders' net equity on an IFRS basis in the Business Review.

Value at Risk – a quantification of the extent of possible insurance losses within a portfolio over a specific time frame.